The Effect of Regional Original Income (PAD), Balancing Funds on Economic Growth through the Human Development Index (IPM) in Central Mamuju Regency

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Abstract

This study analyses the effect of economic growth on local revenue (PAD), balancing funds through the Human Development Index (IPM) in Central Mamuju Regency, both directly and indirectly. The population in this study is the Financial Statements of Central Mamuju Regency, Data on Economic Growth Rate, and Data on Human Development Index. The sampling technique used is a saturated sample where all populations are sampled. Include being data on local revenue, balancing funds, economic growth rates, and human development index data for 5 (five) years 2014-2018 obtained through secondary data either directly through documentation or documentation, indirectly through books, literature, journals, articles, scientific works and accessing the internet, using path analysis or path analysis through SPSS version 19 application data processing. The research results directly or indirectly indicate that 1) local revenue has a positive effect on the Human Development Index, 2) The Balanced Fund has no significant impact on the Human Development Index, 3) Regional Original Income and Balancing Funds have no significant impact on Economic Growth, 4) Human Development Index has a positive effect on Economic Growth, and 5) Regional Original Income and Balanced Funds have no significant effect on Economic Growth through the Human Development Index. However, the research results on the real influence of the independent variables, namely local revenue, balancing funds, and the human development index, can increase economic growth.

Keywords
Village Original Income, Balance Fund, Economic Growth, and Human Development Index

1. Introduction
Regional autonomy is the granting of some authority to regional governments. It is fully responsible for regional financial management to assist the central government in implementing regional government. One of the reasons for implementing regional autonomy is that regional development goes hand in hand with significant development. Regional autonomy intends to improve problems that exist in the regions to provide opportunities for regions to manage their funds. The regions must consider preparing the only potential sources of original regional income, human resources, institutions, and the potential of local physical resources in the region to improve the regional economy.

In terms of implementing regional administration, regional governments must be responsible for all potential revenue sources. Regulate their regions, increase, take advantage of the opportunities they have, and explore all potential sources of PAD revenue to increase regional income. The source of revenue for a region will affect the continuation of development in this area, reflecting whether the local government can build infrastructure with the capital of its local revenue or still expect central transfer funds sourced from the General Allocation Fund (DAU).

Economic growth is measured through the addition of real national income. Economic development has two critical effects. Namely, the community's prosperity or standard of living increases and creates new job opportunities due to the increasing population. The quality of development is not only by looking at the achievement of Economic Growth, and other indicators that have a broader scope are still needed. One of the benchmarks that can be used is to look at the Human Development Index (HDI), which has considered human indicators in its calculations.

The Human Development Index (HDI) is the most critical microdata because it shows how developed an area is. According to BPS, the Human Development Index (IPM) consists of several indicators: life expectancy, literacy rate, average years of schooling, gross domestic product, gross participation rate, life expectancy, years of schooling, and gross national product. Central Mamuju Regency is the youngest Regency in the West Sulawesi Province based on Law Number 4 of 2013 concerning the Establishment of Central Mamuju Regency in the West Sulawesi Province capital in Tobadak District. As a new Autonomous Region, Central Mamuju Regency has total PAD Revenue, total Balanced Fund Revenue, and data on the Economic Growth Rate and Human Development Index (IPM), which changes/increases every year. Therefore, the authors are interested in researching the influence of PAD, Balanced Funds on economic growth through HDI in the Central Mamuju Regency.

2. Literature Review

Based on Law number 33 of 2004, Regional Original Revenue is the income obtained by the region collected based on regional regulations by applicable laws and regulations. Hakim and Kusufi (2014), Regional Original Revenue is all regional revenues originating from economical sources native to the area. Based on law number 33 of 2004, there are several PAD indicators: (1). Regional taxes (2) Regional levies (3) legal results of regional wealth management (4) other legitimate PAD

Various studies that discuss original regional income are related to regional original income on economic growth, economic growth, and HDI (Jannah et al., 2019; Lionardo et al., 2020; Yusuf et al., 2019). Regional Original Income has no significant effect on HDI in West Sumatra, where the form of influence of PAD on regional HDI in West Sumatra is negative, this means that an increase in District/City PAD in West Sumatra will reduce HDI in West Sumatra (Zul Fadhly, 2012)

Based on Law No. 33 of 2004 concerning the financial balance between the central government and local governments. Balanced Funds are funds sourced from APBN revenues allocated to regions to fund regional needs in implementing decentralization to reduce fiscal gaps between the central government and regional governments and between regional governments. The balancing fund consists of (1). Revenue Sharing Fund (2). General Allocation Fund (3). Special Allocation Fund.

Other research shows that balancing funds sourced from DAU, DAK and DBH simultaneously affect HDI, while partially DAU, DAK, and DBH do not affect HDI (Riva Ubar Harapan, 2017). Based on the concepts and relevant research results.

Economic growth is one indicator of successful development in an area so that increasing economic growth will improve the welfare of the people in the area itself (Ervina et al., 2019; Novitasari et al., 2019; Rumaolat et al., 2019).
According to Setiyawati (2007), economic growth can be interpreted as the development of activities in an economy that causes goods and services produced in the community to increase and the prosperity of the community increases.

There has been much research on local revenue on economic growth. Research by Chindy Febry Rori, Antonius Y Luntungan, and Audie O Niode (2016). On the Analysis of the Effect of Regional Original Income (PAD) on Economic Growth in North Sulawesi Province in 2001-2013 concluded that PAD had a positive or significant effect on economic growth in North Sulawesi Province in 2001-2013. In theory, if PAD increases, economic growth will also increase.

Research conducted by Lily Kusumawati and Gusti Bagus Wiksuana (2018) concluded that Regional Original Income (PAD) has a positive and significant effect on economic growth in the Sarbagita area, Bali Province. This proves that the higher the PAD received by the region, the higher the regional economic growth rate.

Balancing Funds are funds sourced from APBN. Revenues allocated to local governments to help fund their regional needs in implementing decentralization, reducing the fiscal gap between the government and regional governments and between regional governments such as Tax and Non-Tax Revenue Sharing Funds (Moita et al.). Allocation Funds General and Special Allocation Funds.

According to research by Lily Kusumawati and I Gusti Bagus Wiksuana (2018) entitled "The Effect of Regional Income on Economic Growth in the Serbagita Region, Bali Province." The conclusion is that the Balancing Fund is sourced from the General Allocation Fund (DAU) has a significant adverse effect on economic growth. The Balancing Fund from the Special Allocation Fund (DAK) has a significant positive effect on economic growth. The Balancing Fund sourced from the Revenue Sharing Fund (DBH) has a significant negative effect on economic growth.

The Human Development Index or human development index is a comparative measurement of life expectancy, literacy, education, and living standards for all countries worldwide (Central Bureau of Statistics and UNDP 1997). There are several indicators of the human development index consisting of (1). Health (life expectancy) (2). Education (literacy) (3). Economy (decent standard of living). The human development index can be categorized into 4 (four) groups: (1)—low category with a value < 50. (2). Lower middle category with a value of 50 < to < 66. (3). Upper middle category with a score of 66 < to < 80). (4). High category with value > 80.

According to Moh Muqorrobin and Ady Soejoito's research (2017) is entitled The Effect of the Human Development Index (IPM) on Economic Growth in East Java Province with the conclusion that the Effect of the Human Development Index (IPM) on economic growth in East Java Province has a negative effect (Nath et al., 2021; Suharyanto et al., 2021; Umanailo et al., 2021). Meaning the higher the quality of the Development Index Humans, then the economic growth of East Java Province will experience decline. On the other hand, if East Java's economic growth increases, the human development index will decrease. Based on data processing results, it is also known that the Human Development Index still has a significant effect on economic growth in East Java Province.

3. Methods
This study uses a quantitative research approach through secondary data in numbers obtained through path analysis or past analysis. The population and sample in this study are the realization of local revenue receipts, receipts of balancing funds, the rate of economic growth, and the rate of human development index for 5 (five) years 2014-2018. Data collection techniques are carried out directly through documentation and research indirectly through books, literature, journals, scientific works, and accessing the internet/websites.

The variables of this research are PAD, Balance Fund, Economic Growth, and HDI. The indicator of the regional original income variable (Law Number 33 of 2004) is 1). Local tax; 2). Regional levies; 3). Results of legitimate wealth management and 4). Other valid PAD. The indicators for the variable balancing funds (Law Number 33 of 2004) are 1). Profit-Sharing Fund; 2). General Allocation Fund; 3). Special Allocation Fund. Variable indicators of economic growth (BPS 2018) are 1). Real National Income; 2). Real income per capita; 3). population welfare, and 4). labor and unemployment. The indicators of the human development index variable (UNDP, 1997) are 1). Health (long life); 2). Education (knowledge); 3). Economy (decent standard of living).

4. Results and Discussions
4.1. Multiple linear analysis

Multiple regression analysis is used to determine whether there is an effect of the independent variable on the dependent variable—regression Analysis of the Effect of Regional Original Income and Balancing Funds on the Human Development Index. The equation is as follows: Y1 = 60.860 − 0.855X1 + 0.190 X2. This means that X1 to Y1 has a positive effect. X2 to Y1 has a positive effect. This shows that local revenue (X1) and balancing funds (X2) will increase the human development index (Y1) in Central Mamuju Regency.

Table 1. The output of PAD and Balance Fund Impact on HDI.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>60.860</td>
<td>.404</td>
<td>150.728</td>
<td>.000</td>
</tr>
<tr>
<td>PAD (X1)</td>
<td>5.913</td>
<td>.000</td>
<td>6.589</td>
<td>.022</td>
</tr>
<tr>
<td>Balance Fund (X2)</td>
<td>1.422</td>
<td>.000</td>
<td>1.462</td>
<td>.281</td>
</tr>
</tbody>
</table>

a. Dependent Variable: IPM (Y1)

Based on Table 1, the interpretation of the regression equation model can be obtained as follows:

The constant value of 60.860 indicates that if the independent variables, namely Regional Original Income and Balancing Funds, are equal to zero, then the dependent variable of the Human Development Index (Y1) will increase by 60.860 units. This means that without Regional Original Income and Balanced Funds, the Human Development Index will increase by 60.860 units.

The results of the regression analysis of X1 against Y1 obtained one predictor regression equation, namely Y1 = 60.860 + 0.855X1, which states that if the X1 value is zero, the Y1 value is 60.860 units and every 1 unit increase in Regional Original Income (X1) it will increase the Human Development Index (Y1) of 0.855 units.

The results of the regression analysis of the Balanced Fund (X2) on the Human Development Index (Y1) obtained one predictor regression equation, namely Y1 = 60.860 + 0.190 X2 which states that if the value of the Balanced Fund (X2) is zero, the value of the Human Development Index (Y1) is 60.860 units. For every 1 unit increase in the Balancing Fund (X2), there is a tendency to increase the Human Development Index (Y1) by 0.190 units (not significant).

Table 2. Output Influence of PAD, Balanced Fund, and HDI on Economic Growth

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-6233075,224</td>
<td>597178,186</td>
<td>-10,438</td>
<td>.061</td>
</tr>
<tr>
<td>PAD (X1)</td>
<td>6,625</td>
<td>.000</td>
<td>1,117</td>
<td>.465</td>
</tr>
<tr>
<td>Balance Fund (X2)</td>
<td>3,843</td>
<td>.000</td>
<td>1,979</td>
<td>.298</td>
</tr>
<tr>
<td>IPM (Y1)</td>
<td>128823,220</td>
<td>9811,836</td>
<td>13,129</td>
<td>.048</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Economic Growth (Y2)

The equation obtained from the results of the analysis is Y2 = 0.067 X1 + 0.036 X2 + 0.907 Y1. The regression equation means that X1, X2, Y1, to Y2 are positive. This shows that X1, X2, and Y1 influence Y2 in Central Mamuju Regency.

Based on Table 2, the interpretation of the regression equation model can be obtained as follows: The constant value of -6233075,224 indicates that if the independent variables are (X1), (X2), (Y1) = zero, then the dependent variable is Y2 = -6233075,224 units. This shows that without X1, X2, and Y1, the value of Y2 is -6233075,224 units; The results of the regression analysis of Regional Original Income (X1) on Economic Growth (Y2) obtained results stating if Regional Original Income (X1) = zero, then the value of Y2 is -6233075,224. Every increase in X1 of 1 unit tends
to increase growth Economy (Y2) of 0.067 units (not significant); The results of the regression analysis of the Balancing Fund (X2) on Economic Growth (Y2) obtained one predictor regression equation, namely $Y2 = -6233075.224 + 0.036X1$, which states if the Balancing Fund (X2) is zero, then the value of Economic Growth (Y2) is -6233075.224 units, and for every 1 unit increase in the Balancing Fund (X2), there is a tendency to increase Economic Growth (Y2) by 0.036 units (not significant); The regression analysis results of the Human Development Index (Y1) on Economic Growth (Y2) obtained one predictor regression equation, namely $Y2 = -6233075.224 + 0.907Y1$. Which states that if $Y1 = 0$, then the value of $Y2$ is -6233075.224 units, and each increase Human Development Index (Y1) 1 unit will increase Economic Growth (Y2) by 0.907 units.

4.2 Path Analysis

This study uses two independent variables (X), namely (X1) Regional Original Income and (X2) Balancing Funds and uses an intervening variable (Y) as much as one variable, namely the Human Development Index (Y1). Testing the influence of intervening variables can be done using the path analysis method or path analysis (Figure 1).

![Figure 1. Path analysis image](image_url)

Based on Figure 2, the path analysis of the influence between variables, either directly or indirectly, and the total effect, is as follows: To make it easier for analyzing the functional relationship between the direct influence variables and the coefficient values can be seen in Table 3 as follows:

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variables</th>
<th>Symbol</th>
<th>Beta Coefisien</th>
<th>Sig.</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Original Income (X1)</td>
<td>Human Development Index (Y1)</td>
<td>X1--&gt; Y1</td>
<td>0.855</td>
<td>0.022</td>
<td>0.000</td>
</tr>
<tr>
<td>Balance Fund (X2)</td>
<td></td>
<td>X2--&gt; Y1</td>
<td>0.190</td>
<td>0.281</td>
<td>0.000</td>
</tr>
<tr>
<td>Regional Original Income (X1)</td>
<td>Economic Growth (Y2)</td>
<td>X1--&gt; Y2</td>
<td>0.067</td>
<td>0.465</td>
<td>0.000</td>
</tr>
<tr>
<td>Balance Fund (X2)</td>
<td></td>
<td>X2--&gt; Y2</td>
<td>0.036</td>
<td>0.298</td>
<td>0.000</td>
</tr>
<tr>
<td>Human Development Index (Y1)</td>
<td></td>
<td>And1--&gt; AND2</td>
<td>0.907</td>
<td>0.048</td>
<td>9811.836</td>
</tr>
</tbody>
</table>

**Source:** Attachment Computing Results

The results of testing hypothesis 1 in the direct influence table by looking at the statistical value of the beta coefficient of the influence of Regional Original Income on the Human Development Index 0.855 is with a significance of 0.022 under 0.05 or 5%. It means that PAD has a positive and significant effect on HDI, so hypothesis 1, which states that Regional Original Income has a positive and significant effect on the Human Development Index in Central Mamuju Regency, is proven.

The results of testing hypothesis 2 in the table of direct influence by looking at the statistical value. Of the beta coefficient of the effect of the Balancing Fund on the Human Development Index of 0.190, with a significance of 0.281 being above 0.05 or 5%. This means that (X2) has no significant effect on (Y1), so hypothesis 2, which states that the Balancing Fund has a positive and significant effect on the Human Development Index in Central Mamuju Regency, is not proven.

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The results of testing hypothesis 3 in the direct influence table by looking at the beta statistic value of the coefficient. Of the influence of PAD on Economic Growth = 0.067 with a significance of 0.465 being above 0.05 or 5. Means (X1) has no significant effect on (Y2), then hypothesis 3, which states Original Local Income positive and significant effect on Economic Growth in Central Mamuju Regency, not proven.

Testing hypothesis 4 in the direct effect-table by looking at the beta statistical value of the effect of the Balancing Fund on Economic Growth of 0.036 is with a significance of 0.298 being above 0.05 or 5%. This means that the Balancing Fund (X2) has no significant effect on Economic Growth (Y2), so hypothesis 4 states that the Balancing Fund has a positive and significant effect on Economic Growth in Central Mamuju Regency not proven.

Testing hypothesis 5 in the direct effect-table by looking at the beta statistical value of the influence of the Human Development Index on Economic Growth of 0.907 is with a significance of 0.048 under 0.05 or 5%. This means that the Human Development Index (Y1) positively and significantly affects Economic Growth (Y2). Hence, hypothesis 5 states that the Human Development Index has a positive and significant effect on Economic Growth in Central Mamuju Regency, is proven. See the table below to see the total effect of the independent variables PAD, Balancing Fund, HDI on Economic Growth.

Table 4. Total Influence

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variables</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Original Income (X1)</td>
<td></td>
<td>0.067</td>
</tr>
<tr>
<td>Balance Fund (X2)</td>
<td>Economic Growth (Y2)</td>
<td>0.036</td>
</tr>
<tr>
<td>Human Development Index (Y1)</td>
<td></td>
<td>0.907</td>
</tr>
</tbody>
</table>

Source: Attachment Computing Results

From Table 4 it is defined as follows: Regional Original Income (X1) to Economic Growth (Y2) is 0.067. shows Regional Original Income can increase Economic Growth through the combination of direct and indirect effects of 0.067; Balance Fund (X2) to Economic Growth (Y2) is 0.036. shows the Balancing Fund can increase Economic Growth through the combination of direct and indirect effects of 0.036; Human Development Index (Y1) to Economic Growth (Y2) is 0.907. shows that the Human Development Index can increase Economic Growth by 0.907.

5. Conclusion
Based on the results of research conducted on data processing through the SPSS application, it can be concluded that the higher the revenue from the Regional Original Income and the Balancing Fund, the better the Human Development Index will increase economic growth. On the other hand, if the Human Development Index is higher, economic growth will also increase. Based on the total effect of combining direct and indirect effects, it can be concluded that Regional Original Income, Balancing Funds, and the Human Development Index can increase Economic Growth.

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Andries Lionardo is a lecturer and researcher at the faculty of social and political studies, University of Sriwijaya, Palembang, Indonesia. Some of his research is related to public administration and public policy. His research interests include good government, public service quality, local government accountability, and public budgeting.


Syafirzaldi, S.Psi., M.Psi. is a master degree in Industrial and Organizational Psychology which he completed at the University of Medan Area. Currently pursuing a Doctoral education at UINSU Medan with the Islamic Communication and Broadcasting study program. A lecturer who works at the Faculty of Psychology at the University of Medan Area (UMA) in the city of Medan. Has been the head of the labor division at UMA, has served as Head of Industrial and organizational psychology at UMA, has been the deputy dean of student affairs at the Faculty of Psychology, Medan Area University, Director of CV. Cipta Sarana Razani, the trainings that have been attended include; Training of Trainers: Implementation of National Values at Lemhannas RI, Training ISO: 9001: 2008,
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