

THE EFFECT OF LOCAL ORIGINAL REVENUE, GENERAL ALLOCATION FUNDS, SPECIAL ALLOCATION FUNDS (DAK) ON ECONOMIC GROWTH IN LHOKSEUMAWE CITY

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Abstract

This study aims to determine how the influence of Regional Original Revenue, General Allocation Fund, and Special Allocation Fund on economic growth in Lhokseumawe City in 2009-2023. The data used in this study are secondary data obtained from the website of the Central Statistics Agency and the Ministry of Finance of the Government of the Republic of Indonesia. The data analysis technique used is multiple linear regression test which consists of classical assumption test, namely normality, multicollinearity, heteroscedasticity, and autocorrelation test. As well as hypothesis testing consisting of partial regression test, simultaneous regression test, and coefficient of determination test. The results showed the regional original revenue and the general allocation fund partially had a significant effect on economic growth, while the special allocation fund had no significant effect on economic growth in Lhokseumawe City. Meanwhile, the results of the simultaneous regression test showed that Regional Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) simultaneously had a significant effect on economic growth in Lhokseumawe City.

Keywords: Local Revenue, General Allocation Fund, Special Allocation Fund, and Economic Growth

Abstrak

Penelitian ini bertujuan untuk mengetahui pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, dan Dana Alokasi Khusus terhadap pertumbuhan ekonomi di Kota Lhokseumawe tahun 2009-2023. Data yang digunakan dalam penelitian ini merupakan data sekunder yang diperoleh dari situs web Badan Pusat Statistik dan Kementerian Keuangan Pemerintah Republik Indonesia. Teknik analisis data yang digunakan adalah uji regresi linier berganda yang terdiri dari uji asumsi klasik, yaitu uji normalitas, multikolinearitas, heteroskedastisitas, dan autokorelasi. Serta uji hipotesis yang terdiri dari uji regresi parsial, uji regresi simultan, dan uji koefisien determinasi. Hasil penelitian menunjukkan bahwa pendapatan asli daerah dan dana alokasi umum secara parsial berpengaruh signifikan terhadap pertumbuhan ekonomi, sedangkan dana alokasi khusus tidak berpengaruh signifikan terhadap pertumbuhan ekonomi di Kota Lhokseumawe. Sementara itu, hasil uji regresi simultan menunjukkan bahwa Pendapatan Asli Daerah (PAD), Dana Alokasi Umum (DAU), dan Dana Alokasi Khusus (DAK) secara simultan berpengaruh signifikan terhadap pertumbuhan ekonomi di Kota Lhokseumawe.

Keywords: Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus, dan Pertumbuhan Ekonomi

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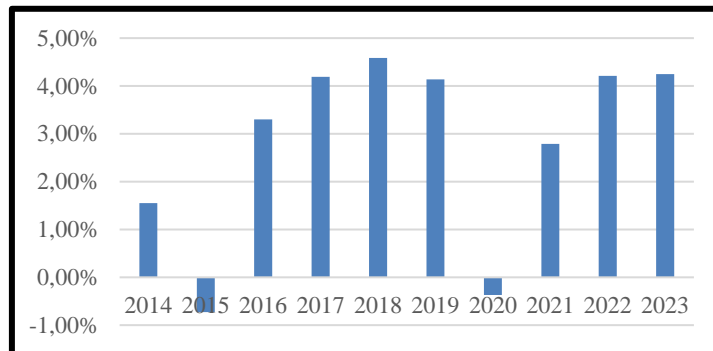
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1. Introduction

Economic growth is a series of efforts and policies aimed at improving public welfare, expanding employment opportunities, increasing equitable income distribution, streamlining economic interactions, and shifting economic activity from the primary to the secondary and tertiary sectors. One way the government does this is through autonomous economic management.

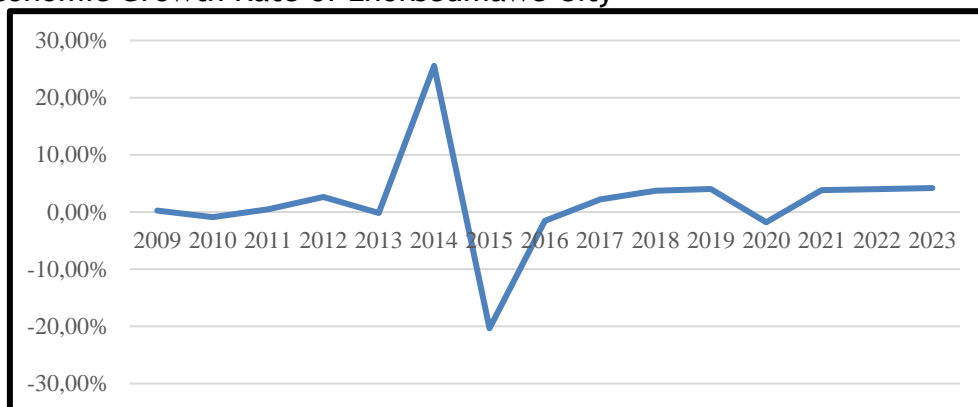
Aceh Province is one of the provinces granted regional autonomy, even special autonomy. This status was granted through asymmetric decentralization policies, meaning Aceh received broader authority than other provinces in regulating government affairs, finances, and the management of natural resources and local identity. The granting of special autonomy to Aceh is regulated by Law Number 11 of 2006 concerning the Government of Aceh. Along with the special autonomy status granted to Aceh Province, from 2009 to 2023, economic growth has shown an increase. The following is the economic growth rate of Aceh Province for the period 2014-2023:

Figure 1.1 Economic Growth Rate of Aceh Province



Lhokseumawe City is a city in Aceh Province, originally an administrative city (August 14, 1986) and then became an autonomous city (June 21, 2001). The average economic growth rate in Lhokseumawe City is:

Figure 1.2 Economic Growth Rate of Lhokseumawe City



Figures 1.1 and 1.2 above show that Lhokseumawe City's economic growth rate fluctuated. This was due to the rapid increase in several key sectors, with the industrial and trade sectors experiencing a significant surge, contributing to growth of more than 15% compared to the previous year. Furthermore, the investment and export sectors also saw a sharp increase, recording an increase of more than 20%. Meanwhile, Lhokseumawe City's lowest economic growth rate was -20.34% in 2015, due to a significant decline in industrial and trade activity. Furthermore, the decline in exports and investment also contributed to the economic slowdown, with exports declining by more than 30% compared to the previous year.

Several factors influencing economic growth include the source of Regional Original Income (PAD) (Suebah and Gunawan, 2022). Arbila et al. (2022) and Febrianto and Muchtolifah (2022) found that PAD significantly influences economic growth. Another factor influencing economic growth is the General Allocation Fund (DAU) originating from the State Budget (APBN) with an allocation that equalizes financial capacity between regions. Febrianto and Muchtolifah (2022) found that DAU significantly influences economic growth. In addition, the Special Allocation Fund (DAK) is sourced from the APBN as a source of financing to support the development of strategic sectors in regions such as infrastructure, education, health, and other sectors that are national priorities (Law No. 33 of 2004). Sukmawati (2020) and Talangamin et al. (2018) found that DAK significantly influences economic growth. Based on the background description above, the formulation of the problem to be studied is whether PAD, DAU, DAK have an influence on economic growth in Lhokseumawe City.?

2. Literature review

Fiscal decentralization is a mechanism for transferring funds from the APBN to realize fiscal sustainability and provide stimulus to community economic activities. (Christia and Ispriyarso, 2019). Fitria et al. (2023) explains that fiscal decentralization is the process of budget distribution from higher to lower levels of government in order to support government functions and public services in accordance with the delegated authority in the field of government. There are several assumptions that underlie the positive aspects of fiscal decentralization in Indonesia, including: regional governments are more aware of local needs, decentralization increases the efficiency of resource allocation, increases accountability and transparency, increases community participation, fiscal distribution from the center to the regions is fair and proportional,

Economic growth

Economic growth is the process of continuously changing a country's economic conditions toward a better state over a certain period. The single most important measure in the concept of economics is Gross Domestic Product (GDP), which measures the total value of goods and services produced in a country or nation. (Sinaga et al., 2020). According to Sukmawati (2020) Economic growth is the ability of a region to provide goods and services to the community in large quantities, thus enabling an increase in the standard of living and a decrease in the unemployment rate in the long term.

Talangamin et al. (2018) There are 3 (three) main components of economic growth, including: increase in national output, technological progress, and institutional adjustments. In addition, Arbila et al. (2022) There are several factors that can influence the economic growth of a region, including: natural resources, human resources, capital, and technological progress.

Syahputra (2017) Economic growth can be measured using Gross Regional Domestic Product (GRDP):

$$PE = \frac{PDRB_t - PDRB_{t-1}}{PDRB_{t-1}}$$

Information:

PE : Economic growth

GRDP : Current Year Gross Regional Domestic Product

GRDP_{t-1} : Gross Regional Domestic Product of the Previous Year

Locally-generated revenue

Law Number 33 of 2004 concerning the Financial Balance between the Central Government and Regional Governments, where in Article 1 paragraph 18 it is stated that Regional Original Income, hereinafter referred to as PAD, is income obtained by regions that is collected based on regional regulations in accordance with statutory regulations. PAD is income received by regions from regional taxes, regional levies, results of regionally owned companies, results of management of separated regional assets, and other legitimate regional original income in accordance with Law Number 12 of 2019 concerning Regional Finance. Therefore, Locally-generated revenue (PAD) is a key pillar in supporting the fiscal independence of local governments. By optimizing the collection of local taxes, levies, management of separated regional assets, and other legitimate local revenues, local governments have the ability to finance development, improve public services, and stimulate local economic growth. PAD can be calculated: $PAD = PD + RD + HPKD YD + LLPAD YS$

Information:

PAD : Locally-generated revenue

PD : Regional Tax

HPKD YD : Results of Management of Separated Regional Assets

LLPAD YS : Other Legitimate Regional Original Income

The purpose of calculating Regional Original Revenue (PAD) is to determine a region's ability to independently finance its needs and development without relying too heavily on central government assistance. Through PAD calculations, local governments can evaluate the effectiveness of managing revenue sources such as regional taxes, regional levies, the management of separated regional assets, and other legitimate original income. Furthermore, PAD calculations also aim to design more appropriate fiscal policies, increase fiscal independence, and encourage local economic growth by optimally and sustainably utilizing existing regional potential.

General Allocation Fund

Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, states that the General Allocation Fund (DAU) is allocated as part of transfers to regions and is designed to reduce disparities in financial capacity and public services between regions, so that all regions have relatively equal capacity in providing services to the community and carrying out decentralized government functions.

Dewi and Suputra (2017) states that DAU is often referred to as unconditional grants because it is a type of transfer between levels of government that is not tied to a specific expenditure program and is a block grant, meaning that its use is entirely left to the regions according to their respective priorities and needs, but must still refer to applicable laws and regulations.

The General Allocation Fund (DAU) is a spending component in the State Budget (APBN) and a revenue component in the Regional Budget (APBD). Some of the basic principles of the DAU are: adequacy, neutrality, efficiency, accountability, relevance to objectives, fairness, objectivity, and transparency. Based on this description, the DAU is designed to ensure that every province and district/city in Indonesia has equal opportunities to finance its government needs. With its basic allocation and fiscal gap, the DAU serves as an instrument for equalizing regional financial capacity, especially for regions with limited independent revenue sources.

According to Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, Article 27 states that DAU is calculated using the formula: $DAU = CF + AD$

Information:

DAU : General Allocation Fund

CF : Fiscal Gap

AD : Basic Allocation

The fiscal gap is defined as fiscal needs minus regional fiscal capacity, while the basic allocation is calculated based on the salaries of regional civil servants (PNS). The General Allocation Fund (DAU) calculation aims to ensure fair and proportional distribution of funds, ensuring that all regions, both districts and cities, have adequate resources to carry out their government and development functions. With systematic and measurable calculations, the General Allocation Fund (DAU) is expected to foster balanced development across Indonesia.

Special Allocation Fund

Law Number 33 of 2004 concerning the Financial Balance between the Central Government and Regional Governments, states that the Special Allocation Fund (DAK) is a fund sourced from APBN revenues which Allocated to specific regions to help fund specific activities within the region's governmental authority. This aligns with Government Regulation No. 55 of 2005 concerning the Balancing Fund. This provision allows DAK to accelerate development in strategic sectors such as education, health, infrastructure, and other sectors deemed essential for improving public services and community welfare. In other words, it is intended to finance specific activities aligned with national priorities that require additional funding. The purpose of DAK is for Regular Physical Activities, Assignment Physical Activities, and Affirmative Physical Activities. In its implementation, DAK has the following usage criteria: funding special activities determined by the government based on national priorities and funding special activities proposed by certain regions.

In order to ensure that DAK allocation is carried out fairly and on target, the central government has established a DAK calculation mechanism based on certain criteria, which is calculated using the following formula: $DAK = DAKF + DID + DAKNF$

Information:

DAK : Special Allocation Fund

DAKF : Physical Special Allocation Fund

DID : Regional Incentive Fund

DAKNF: Special Allocation Fund *NonPhysique*.

3. Research Methodology

This study employed quantitative methods and multiple linear regression analysis. The data used in this study were secondary data, in the form of the Budget Realization Report (LRA) published on the DJPK website of the Ministry of Finance, and GRDP data published on the Central Statistics Agency (BPS) website of Lhokseumawe City for the 2009-2023 period, which included data on GRDP, PAD, General Allocation Fund (DAU), and DAK. The operationalized variables of this research are:

Table 3.1 Definition and Operationalization of Variables

Variables	Definition	Indicator	Scale
Local Original Income (X1)	Regional original income is income received by the region in accordance with statutory regulations and obtained from the regional tax sector, regional levies, results of managing separated regional assets, and other legitimate regional original income. (Suebah and Gunawan, 2022)	PD + RD + HPKD _{YD} + LLPAD _{YS} Note: PD: Regional Tax RD: Regional Retribution HPKYD: Results of Management of Separated Regional Assets LLPADYS: Other Legitimate Regional Original Income.	Nominal
General Allocation Fund (X2)	General allocation funds are funds originating from the APBN which are allocated with the aim of equalizing financial capacity between regions to finance various expenditure needs in the context of implementing regional fiscal decentralization. (Harahap et al., 2019)	CF + AD Note: CF: Fiscal Gap AD: Basic Allocation	Nominal
Special Allocation Fund (X3)	Special allocation funds are allocated in the APBN for certain regions in order to finance decentralization which is intended to finance special activities determined by the central government on the basis of national priorities and to finance special activities proposed by certain regions. (Rumere and Suruan, 2021)	DAKF + DID + DAKNF Note: DAKF: Physical Special Allocation Fund DID: Regional Incentive Fund DAKNF: Non-Physical Special Allocation Fund	Nominal
Economic Growth (Y)	Economic growth is the ability of a region to provide goods and services to the community in large quantities so that it allows for an increase in the standard of living and a decrease in the	$\frac{PDRB_t - PDRB_{t-1}}{PDRB_{t-1}}$ Note: PDRB _t : Current Year GRDP	Ratio

Variables	Definition	Indicator	Scale
	unemployment rate in the long term. (Sukmawati, 2020)	GRDP _{t-1} : Previous year's GRDP	

Source: Processed data, 2025

The data analysis technique used is multiple linear regression analysis with the aim of determining the influence of PAD, DAU, and DAK as independent variables on economic growth as an independent variable. The multiple linear regression equation is: $Y = \alpha + B_1X_1 + B_2X_2 + B_3X_3 + \varepsilon$. Then it is transformed into a natural logarithm (Ln) with the following regression equation: $Y = \alpha + B_1\ln X_1 + B_2\ln X_2 + B_3\ln X_3 + \varepsilon$

Information:

- Y :Economic growth
- α :Constant
- B :Regression Coefficient
- Ln :*Natural Logarithm*
- X1 :Locally-generated revenue
- X2 : FundsGeneral Allocation
- X3 : FundsSpecial Allocation
- ε :*Error term.*

4. Results and Discussion

4.1 Descriptive Statistics

The descriptive statistical results in this study are:

Table 4.1: Descriptive Statistics Results				
	P. Economics	Locally- generated revenue	General Allocation Fund	Special Allocation Fund
Mean	0.0175	Rp. 48,565,391,530	Rp. 412,038,456,589	Rp. 79,132,700,905
Max	0.2557	Rp. 65,875,904,859	Rp. 469,956,588,000	Rp. 177,543,384,827
Min	-0.2034	Rp. 19,414,993,503	Rp. 248,522,186,000	Rp. 19,227,100,000
Std. Dev	0.0894	Rp. 16,839,390,798	Rp. 71,882,415,459	Rp. 49,683,443,882
Obs	15	15	15	15

Source: Processed data (2025)

Based on the descriptive statistical results above, the following is obtained:

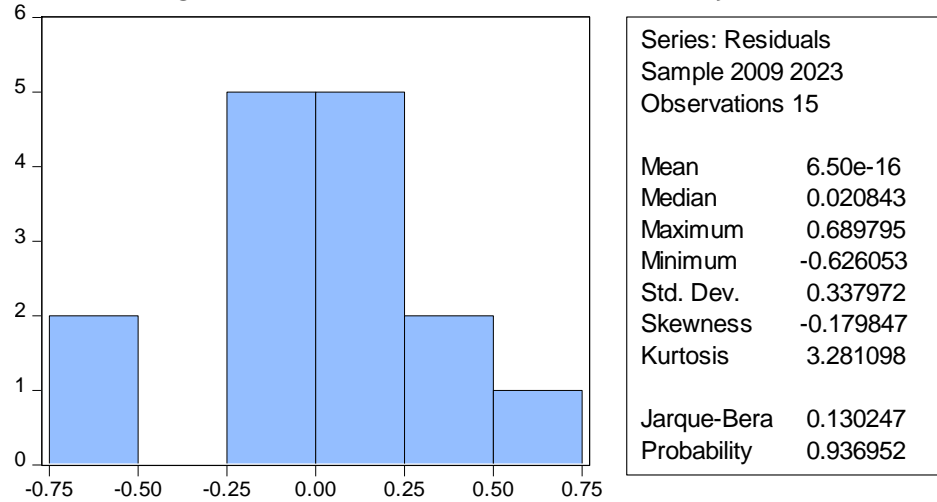
1. Economic growth in Lhokseumawe City has an average value (mean) of 0.0175 and a maximum value (max) of 0.2557 in 2014. Then the minimum value (min) is -0.2034 in 2015 with a standard deviation level of 0.0894 from a total of 15 observations used from 2009 to

2023. This shows that economic growth in Lhokseumawe City from 2009 to 2023 experienced quite significant fluctuations, which reflects economic dynamics influenced by various factors, both in terms of local government policies, national conditions, and other external factors.

2. Local Original Income (PAD) in Lhokseumawe City has an average value (mean) of Rp 48,565,391,530, where the highest Local Original Income (PAD) obtained by the Lhokseumawe City Government was in 2018 amounting to Rp 65,875,904,859. Then the lowest Local Original Income (PAD) obtained by the Lhokseumawe City Government occurred in 2010 amounting to Rp 19,414,993,503 with a standard deviation level of Rp 16,839,390,798 from the total observations used, namely 15 observations from 2009 to 2023. This shows that the fluctuation of Local Original Income (PAD) of Lhokseumawe City during the period 2009 to 2023 reflects instability in the region's ability to generate income independently. This inconsistency can impact the effectiveness of regional development financing, including infrastructure provision, public services, and job creation. Locally Generated Revenue (PAD) is a crucial indicator of economic growth. The greater the contribution of PAD, the greater the region's capacity to stimulate local economic activity, reduce dependence on central transfer funds, and sustainably improve competitiveness and community well-being.
3. The General Allocation Fund (DAU) received by the Lhokseumawe City Government from the central government has an average value (mean) of Rp 412,038,456,589, where the highest General Allocation Fund (DAU) received by the Lhokseumawe City Government was in 2015 amounting to Rp 469,956,588,000. Then the lowest General Allocation Fund (DAU) received by the Lhokseumawe City Government occurred in 2009 amounting to Rp 248,522,186,000 with a standard deviation level of Rp 71,882,415,459 from the total observations used, namely 15 observations from 2009 to 2023. This shows that the General Allocation Fund (DAU) received by the Lhokseumawe City Government tends to fluctuate. In general, the General Allocation Fund (DAU) remains a key funding source, playing a crucial role in financing regional expenditures, particularly for routine needs such as employee salaries, public services, and basic infrastructure development. Consistent receipt of the General Allocation Fund (DAU) promotes smooth government activities and sustainable development, ultimately improving overall public welfare.
4. The Special Allocation Fund (DAK) received by the Lhokseumawe City Government from the central government has an average value (mean) of Rp 79,132,700,905, where the highest Special Allocation Fund (DAK) received by the Lhokseumawe City Government was in 2016 amounting to Rp 177,543,384,827. Then the lowest Special Allocation Fund (DAK) received by the Lhokseumawe City Government occurred in 2010 amounting to Rp 19,227,100,000 with a standard deviation level of Rp 49,683,443,882 from the total observations used, namely 15 observations from 2009 to 2023. This shows that the Special Allocation Fund (DAK) received by the Lhokseumawe City Government fluctuates. These fluctuations reflect the dynamics of the central government's budget allocation policies, which can directly impact regions' ability to finance sectoral development programs. The Special Allocation Fund (DAK) plays a crucial role in driving regional economic growth, as it is used to finance infrastructure, education, health, and other priority sectors, which serve as the foundation for improving the quality of public services and local economic productivity.

The data normality test used a probability value greater than the significance level used, namely 0.05, and a Jarque-Bera value smaller than the chi-square value. The data in the study were normally distributed.

Figure 4.1.1: Results of Data Normality Test



A multicollinearity test was conducted to check for correlation between independent variables. A correlation coefficient value of less than 0.8 indicates no multicollinearity problem. The results of the multicollinearity test in this study are as shown in the following table:

Table 4.1.2: Multicollinearity Test Results			
	PAD	DAU	DAK
PAD	1,000,000	0.668944	0.662518
DAU	0.668944	1,000,000	0.635070
DAK	0.662518	0.635070	1,000,000

Source: Processed data (2025)

The heteroscedasticity test aims to examine whether there is inequality in variance and residuals in the regression model from one observation to another, where the basis for decision making is if the probability value is greater than the significance level used, namely 0.05. Based on the research results, there is no heteroscedasticity problem.

Table 4.1.3: Heteroscedasticity Test Results				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PAD	0.286125	0.405167	0.706191	0.4948
DAU	0.520797	0.557856	0.933569	0.3706
DAK	0.333786	0.146964	0.261215	0.4421

Source: Processed data (2025)

The autocorrelation test is a test in regression analysis used to determine whether there is a relationship or correlation between the residual value in one period and the residual value in the previous period, with the basis for decision making if the Durbin-Watson stat value is greater than the lower limit (dl) and less than the upper limit (du). The results of the study showed that there was no autocorrelation problem.

Table 4.1.4: Autocorrelation Test Results

<i>F-statistic</i>	<i>Durbin-Watson Stat</i>
4,102916	2,132523
<i>Prob(F-statistic)</i>	
0.015797	

Source: Processed data (2025)

Partial regression tests are carried out with the aim of determining the influence of each independent variable used on the dependent variable as a basis for decision making. If the probability value is less than 0.05 and the calculated t value is greater than the t table value, this indicates that the independent variable partially has a significant influence on the dependent variable. (Basuki and Prawoto, 2022:88) The results of the partial regression test in this study are as shown in the following table:

Table 4.1.5: Partial Regression Test Results

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
<i>Constant</i>	25.93107	0.481441	7,403087	0.0000
PAD	0.735880	0.828677	2.888018	0.0039
DAU	0.535017	0.140968	2.468915	0.0065
DAK	0.309118	0.300581	1.028402	0.3258

Source: Processed data (2025)

Based on the results of the partial regression test in Table 4.5 above, the results obtained for the multiple linear regression equation in this study are as follows:

$$Y = 25.93107 + 0.735880X_1 + 0.535017X_2 + 0.309118X_3$$

1. The Regional Original Income (PAD) variable has a coefficient value of 0.735880, which shows that if the Regional Original Income (PAD) increases by 1 percent, economic growth in Lhokseumawe City will increase by 73.59 percent.
2. The General Allocation Fund (DAU) variable has a coefficient value of 0.535017, which shows that if the General Allocation Fund (DAU) increases by 1 percent, economic growth in Lhokseumawe City will increase by 53.50 percent.
3. The Special Allocation Fund (DAK) variable has a coefficient value of 0.309118, which shows that if the Special Allocation Fund (DAK) increases by 1 percent, economic growth in Lhokseumawe City will increase by 30.91 percent.

From the explanation of the results of the multiple linear regression equation above, it can be seen that Regional Original Income (PAD) is the variable that has the greatest influence on increasing economic growth in Lhokseumawe City, namely 73.59%. This indicates that the higher the Regional Original Income (PAD) obtained by the Lhokseumawe City Government, the greater its contribution to economic growth in Lhokseumawe City.

Based on the results of the partial regression test in Table 4.5 above, the following results were obtained:

1. The Regional Original Income (PAD) variable has a probability value of 0.0039 or smaller than the significance level used, namely 0.05 ($0.0039 < 0.05$) and obtains a t-count value of 2.888018 or greater than the t-table value of 2.13145 ($2.888018 > 2.13145$) and has a coefficient value of 0.735880. So it can be concluded that Regional Original Income (PAD)

has a positive and significant effect on economic growth. Therefore, the hypothesis stating that Regional Original Income (PAD) partially has a positive and significant effect on economic growth in Lhokseumawe City is accepted (Ha1 is accepted).

- 2. The General Allocation Fund (DAU) variable has a probability value of 0.0065 or smaller than the significance level used, namely 0.05 ($0.0065 < 0.05$) and obtains a t-count value of 2.468915 or greater than the t-table value of 2.13145 ($2.468915 > 2.13145$) and has a coefficient value of 0.53507. So it can be concluded that the General Allocation Fund (DAU) partially has a positive and significant effect on economic growth. Therefore, the hypothesis stating that the General Allocation Fund (DAU) partially has a positive and significant effect on economic growth in Lhokseumawe City is accepted (Ha2 is accepted).
- 3. The Special Allocation Fund (DAK) variable has a probability value of 0.3258 or greater than the significance level used, namely 0.05 ($0.3258 > 0.05$) and obtains a t-count value of 1.028402 or smaller than the t-table value of 2.13145 ($1.028402 > 2.13145$) and has a coefficient value of 0.309118. So it can be concluded that the Special Allocation Fund (DAK) partially has a positive but insignificant effect on economic growth. Therefore, the hypothesis stating that the Special Allocation Fund (DAK) partially has a positive but insignificant effect on economic growth in Lhokseumawe City is accepted (Ho3 is accepted).

4.1.4.1 F Test (Simultaneous Test)

The simultaneous regression test was conducted with the aim of determining the influence of all independent variables simultaneously on the dependent variable, where the basis for decision making is if the probability value is less than 0.05 and the calculated F value is greater than the F table value, then this indicates that the independent variables simultaneously have a significant influence on the dependent variable.(Basuki and Prawoto, 2022:98)The results of the simultaneous regression test in this study are as shown in the following table:

Table 4.6 Simultaneous Regression Test Results

<i>F-statistic</i>	<i>Durbin-Watson Stat</i>
4,102916	2,132523
<i>Prob(F-statistic)</i>	
0.015797	

Source: Processed data (2025)

Based on the results of the simultaneous regression test in Table 4.6 above, it can be seen that the probability value obtained is 0.015797 or smaller than the significance level used, namely 0.05 ($0.015797 < 0.05$) and has an F count value of 4.102916 or greater than the F table value of 3.29 ($4.102916 > 3.29$). So it can be concluded that all independent variables used in this study have a significant effect on economic growth. Therefore, the hypothesis stating that Regional Original Income (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) simultaneously have a significant effect on economic growth in Lhokseumawe City is accepted (Ha4 is accepted).

The coefficient of determination test is used to determine how much the dependent variable is influenced by the independent variables together. The coefficient of determination value ranges from 0 to 1. A small coefficient of determination value means the independent variable's ability to explain the dependent variable is very limited. A value close to 1 means that the independent variables will provide almost all the information needed to predict the dependent

variable.(Basuki and Prawoto, 2022:99). The results of the coefficient of determination test in this study are:

Table 4.1.7: Results of the Determination Coefficient Test

<i>R-squared</i>	<i>Mean dependent variable</i>
0.836448	1.263974
<i>Adjusted R-squared</i>	<i>SD dependent var</i>
0.819116	0.423952

Source: Processed data (2025)

Based on the results of the coefficient of determination test in Table 4.7 above, it can be seen that the adjusted r-squared value projected as the coefficient of determination is 0.819116. This shows that economic growth in Lhokseumawe City is influenced by Regional Original Income (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) which is 81.91%, while the remaining 18.09% of economic growth in Lhokseumawe City is influenced by other variables not used in this study.

4.1 Discussion

Based on the results of the research that has been conducted, where the results obtained that the Regional Original Income (PAD) variable has a smaller probability value compared to the significant level used and has a positive coefficient value, so it can be concluded that Regional Original Income (PAD) has a positive and significant effect on economic growth, where the results of the study also obtained the results that if Regional Original Income (PAD) increases by 1%, then economic growth in Lhokseumawe City will increase by 73.59%. Therefore, the hypothesis stating that Regional Original Income (PAD) partially has a positive and significant effect on economic growth in Lhokseumawe City is accepted (Ha1 is accepted).

Statistically, Lhokseumawe City has an average Regional Original Income (PAD) during 2009-2023 of Rp 48,565,391,530, where the highest Regional Original Income (PAD) obtained by the Lhokseumawe City Government occurred in 2018, amounting to Rp 65,875,904,859 and the lowest Regional Original Income (PAD) was Rp 19,414,993,503 which occurred in 2010. This indicates that there are fluctuations in the fiscal capacity of the region to generate income independently from local sources. In the perspective of fiscal decentralization theory, this condition indicates variations in the effectiveness of regions in utilizing local economic potential as a source of development financing. According to Manduapessy (2020) Fiscal decentralization allows local governments to be more responsive to the needs of local communities and increases the efficiency of resource allocation. Furthermore, within the Keynesian theoretical framework, increasing Regional Original Income (PAD) allows local governments to increase fiscal spending, such as infrastructure development, education, and health, which will positively impact aggregate demand and ultimately accelerate economic growth. This is in line with the explanation by Meiriza et al. (2024) which emphasizes that government intervention through public spending is crucial in driving economic growth, especially when the private sector is unable to generate sufficient demand. Thus, increasing Regional Original Income (PAD) not only reflects regional fiscal independence but also serves as a crucial instrument in supporting sustainable regional economic growth.

The research findings above demonstrate that Regional Original Revenue (PAD) plays a significant role in boosting economic growth. This is because PAD reflects the ability of local governments to independently utilize local resource potential to finance regional development.

The greater the PAD generated, the greater the budget allocation for productive sectors such as infrastructure, education, and health, ultimately driving economic activity. Therefore, local governments need to continuously optimize PAD revenue through improving the quality of public services, expanding the tax base, and enhancing efficiency in regional financial management to strengthen their contribution to economic growth.

Based on the results of the research that has been conducted, where the results obtained that the General Allocation Fund (DAU) variable has a smaller probability value compared to the significant level used and obtains a positive coefficient value, so it can be concluded that the General Allocation Fund (DAU) has a positive and significant effect on economic growth, where the results of the study also obtained the results that if the General Allocation Fund (DAU) increases by 1%, then economic growth in Lhokseumawe City will increase by 53.50%. Therefore, the hypothesis stating that the General Allocation Fund (DAU) partially has a positive and significant effect on economic growth in Lhokseumawe City is accepted (H_{a2} is accepted). Statistically, Lhokseumawe City has an average receipt of General Allocation Fund (DAU) during 2009-2023 of Rp 412,038,456,589, where the highest receipt of General Allocation Fund (DAU) received by the Lhokseumawe City Government was Rp 469,956,588,000 which occurred in 2015 and the lowest General Allocation Fund (DAU) received by the Lhokseumawe City Government was Rp 248,522,186,000 which occurred in 2009. This shows that the General Allocation Fund (DAU) is a fairly stable and significant source of funding for the Lhokseumawe City Government in carrying out government functions and public services. In the context of fiscal decentralization theory, the General Allocation Fund (DAU) is an important instrument in supporting regional fiscal independence and reducing fiscal inequality between regions. According to Oates (1999) Fiscal decentralization can improve the efficiency and responsiveness of public policy to local needs if supported by adequate distribution of funds, such as the General Allocation Fund (DAU). In line with Keynesian theory, increased regional spending funded through the General Allocation Fund (DAU) can act as a fiscal stimulus that drives aggregate demand, creates jobs, and boosts regional economic growth, particularly in the short term when government intervention is critical to maintaining economic stability. Therefore, it is necessary to increase regional fiscal capacity through targeted budget planning and mastery of the monitoring system for the use of the General Allocation Fund (DAU), so that these funds can truly drive sustainable local economic development and have a direct impact on improving community welfare.

From the research results above, it can be seen that the General Allocation Fund (DAU) has a significant role in increasing economic growth, this is because the General Allocation Fund (DAU) is a funding source used to finance the basic needs of local governments such as public services, infrastructure development, and financing strategic programs that can stimulate economic activity in the community. With the General Allocation Fund (DAU), local governments have greater budget flexibility in implementing development programs that have a direct impact on improving the welfare and productivity of the regional economy.

The results of this study align with previous research by Arbila et al. (2022) and Febrianto and Muchtolifah (2022), which found that the General Allocation Fund (DAU) significantly impacts economic growth. Furthermore, previous research by Mokorowu et al. (2020) and Sinaga et al. (2020) also found that the General Allocation Fund (DAU) significantly impacts economic growth.

Based on the results of the research that has been conducted, where the results obtained that the Special Allocation Fund (DAK) variable has a probability value greater than the level of significance used and has a positive coefficient value, so it can be concluded that the Special Allocation Fund (DAK) has a positive but not significant effect on economic growth, where the

results of the study also obtained the results that if the Special Allocation Fund (DAK) increases by 1%, then economic growth in Lhokseumawe City will increase by 30.91%. Therefore, the hypothesis stating that the Special Allocation Fund (DAK) partially has a positive but not significant effect on economic growth in Lhokseumawe City is accepted (H_0 is accepted). Statistically, Lhokseumawe City has an average Special Allocation Fund (DAK) receipt during 2009-2023 of Rp 79,132,700,905, where the highest Special Allocation Fund (DAK) receipt received by the Lhokseumawe City Government was Rp 177,543,384,827 which occurred in 2016 and the lowest Special Allocation Fund (DAK) received by the Lhokseumawe City Government was Rp 19,227,100,000 which occurred in 2010. This shows that the Special Allocation Fund (DAK) is fluctuating which reflects adjustments to national development priorities and regional technical readiness in absorbing these funds. In the context of fiscal decentralization theory, the Special Allocation Fund (DAK) is a crucial instrument for achieving equitable development through the transfer of some fiscal authority from the central government to the regions, enabling regions to finance strategic sectors such as education, health, and infrastructure according to local needs. Meanwhile, from a Keynesian perspective, the Special Allocation Fund (DAK) plays a crucial role as a fiscal stimulus that encourages increased regional government spending, which in turn can drive aggregate demand, create jobs, and accelerate economic growth in the regions, particularly in the short term. According to Musgrave (1993) Effective budget allocation from the central government to regional governments can improve efficiency and equity in public service provision. Therefore, the Lhokseumawe City Government needs to improve its capacity for planning and implementing programs funded by the Special Allocation Fund (DAK), as well as ensure transparency and accountability in fund use to optimize its impact on economic growth.

From the research results above, it can be seen that the Special Allocation Fund (DAK) has an insignificant role in increasing economic growth, this is due to the possibility that the use of the Special Allocation Fund (DAK) is not on target or has not been optimally directed to productive sectors that can directly drive economic growth such as infrastructure, education, and health. In addition, the realization of the Special Allocation Fund (DAK) which is often late or hampered by the administrative process can also hinder its effectiveness in providing a real contribution to increasing regional economic activity. Therefore, it is important for local governments to evaluate the planning, distribution, and utilization mechanisms of the Special Allocation Fund (DAK) so that it can have a more significant impact on economic development in the future.

The results of this study align with previous research by Febrianto and Muchtolifah (2022) and Mokoruwu et al. (2020), which found that the Special Allocation Fund (DAK) had no significant effect on economic growth. Furthermore, previous research by Sinaga et al. (2020) and Arina et al. (2019) also found that the Special Allocation Fund (DAK) had no significant effect on economic growth.

Based on the results of the research that has been conducted, where the results obtained that all independent variables used in this study have a smaller probability value compared to the level of significance used, so it can be concluded that all independent variables used in this study simultaneously have a significant effect on economic growth, from the results of the determination coefficient test, where the results obtained that economic growth in Lhokseumawe City is influenced by Regional Original Income (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) by 81.91%. Therefore, the hypothesis stating that Regional Original Income (PAD), General Allocation Fund (DAU), and Special Allocation Fund

(DAK) simultaneously have a significant effect on economic growth in Lhokseumawe City is accepted (Ha4 is accepted).

From the research results above, it can be seen that Regional Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) simultaneously play a significant role in increasing economic growth. This is because these three funding sources together are able to provide sufficient funds to finance various development programs, infrastructure development, and the provision of quality and equitable public services. PAD reflects the level of independence of a region in managing its finances, and increasing PAD indicates the ability of local governments to explore local economic potential, such as regional taxes, levies, results of regional wealth management, and others. Meanwhile, DAU plays a role in maintaining fiscal balance between regions, especially for regions with fiscal limitations, so that they can continue to carry out their government functions and regional development optimally. On the other hand, DAK focuses on financing certain activities that are national priorities and are greatly needed by the community, such as the construction of schools, health centers, roads, bridges, and clean water facilities. The three complement each other in supporting regional fiscal stability, strengthening development capacity, and improving community welfare..

5. Conclusion

Based on the results of research that has been conducted on the influence of Regional Original Income (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) on economic growth in Lhokseumawe City, the following conclusions were obtained in this research:

1. Regional Original Income (PAD) partially has a significant effect on economic growth in Lhokseumawe City, this shows that the greater the level of Regional Original Income (PAD) obtained by the Lhokseumawe City Government, the higher the level of economic growth in Lhokseumawe City.
2. The General Allocation Fund (DAU) partially has a significant effect on economic growth in Lhokseumawe City, this shows that the greater the level of General Allocation Fund (DAU) obtained by the Lhokseumawe City Government, the higher the level of economic growth in Lhokseumawe City.
3. The Special Allocation Fund (DAK) partially does not have a significant effect on economic growth in Lhokseumawe City, this shows that the Special Allocation Fund (DAK) is not able to provide a significant effect on economic growth in Lhokseumawe City.

Regional Original Income (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) simultaneously have a significant effect on economic growth in Lhokseumawe City, this shows that if Regional Original Income (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) simultaneously increase, the higher the level of economic growth in Lhokseumawe City..

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