

# THE EFFECT OF BALANCED FUNDS AND LOCAL OWN-SOURCE REVENUE ON REGIONAL EXPENDITURE AND ECONOMIC GROWTH BEFORE THE COVID-19 PANDEMIC IN SAMARINDA CITY

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**Abstract.** The aims of this study are to analyze the effect of balancing funds and local own-source revenue on regional expenditure and economic growth before the covid-19 pandemic in Samarinda City. The data used in this study is secondary data, which was obtained in 2014–2019. The analytical tool used is path analysis with IBM-SPSS Version 24. Research results showing that the Balancing Fund take effect direct and not significant to regional expenditure, strengthened score significance  $0.356 > 0.05$ , with score influence direct of  $-0.318$ . Balancing Fund take effect direct and not significant to economic growth, strengthened score significance  $0.127 > 0.05$  with score influence direct of  $-0.390$ . Local own-source revenue has an effect direct and significant to Regional Expenditure, strengthened score significance  $0.031 < 0.05$  with score influence direct of  $1,126$ . Local own-source revenue has an effect direct and significant to Economic Growth, strengthened score significance  $0.027 < 0.05$  with score influence direct amounted to  $1,879$ . Influential Regional expenditure direct and not significant to Economic Growth, strengthened score significance  $0.106 > 0.05$  with score influence direct of  $-0.728$ . Local Own-source revenue has no direct and insignificant effect on Economic Growth through Regional Expenditures with the effect of a score of  $0.231$ . Balancing Fund has no direct and not significant to Economic Growth through Regional expenditure with score influence of  $-0.819$ .

**Keywords:** balanced fund; local own-source revenue; regional expenditure; economic growth.

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## INTRODUCTION

Economic growth be one condition achievement development economy, but what is necessary noticed no only number statistics that describe rate growth, however more to who created economic growth that is only few people or part big society (Rogerson & Rogerson, 2010); (Ocal & Aslan, 2013). If only few people enjoy so economic growth no capable reduce poverty and reduce inequality, on the other hand if part big join participate in enhancement economic growth so poverty could be reduced. Economic growth becomes hampered if in fulfillment of government capital area only rely on transfer from government center as one form delegation management finance to area. Benefit positive from high balance fund government center is if transfer funds are used for consumption related goods and services with smoothness activity economy, transfer for expenditure consumption goods and services from government center have connection positive to growth economics (Devarajan et al., 1996).

Certain regions can be more independent in managing regional revenues designated for the process of realigning regional development. Good regional development conducted by sustainable in accordance priorities and needs of each region with root and target development national which has set through development period long and long term short. One component decentralization fiscal that is Local own-source revenue. Local own-source revenue (PAD) is one of the source reception areas

which is also the basic capital government area in get development funds and fulfill regional expenditure.

Indicator important success ability finance area reflected in ability something area in dig income original the area (PAD) for finance shopping routine and regional development that. Success decentralization fiscal clear require success area in manage potency finance the area. Besides of PAD, component reception other is a balancing fund namely DBH, DAU, and allocation funds special (DAK). Destination main balancing fund is for even distribution fiscal on each area (equalizing transfer). Since decentralization fiscal start implemented in 2001, the balancing fund is component biggest in transfer allocation to area so that have very important role in support implementation decentralization fiscal.

### 1. Balancing Fund

Based on Constitution Number 33 of 2004, balancing funds is the source of funds from allocated state budget to area for fund needs area in skeleton implementation decentralization (Omar et al., 2021). Balancing fund aim for reduce the fiscal gap between government center and government area as well as Among government area other. However, the government area no balance fund sleep as source income in development. Whereas actually financial assistance from government center the just for stimulation for area for more increase source reception income original the area , which is part important from source reception area , not make it as priority main in reception area . Types of balancing funds shared Becomes four namely, Tax Revenue

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Sharing (DBH), Non Profit Sharing Taxes/Resources Power Nature, Allocation Fund General (DAU), and Allocation Fund Special (DAK).

## 2. Local own-source revenue (PAD)

Regional original income is one source of regional revenue that has an important role in development. Local revenue is income derived from local revenue sources and is managed by the government. Regional original income is bone back financing, therefore economic capacity can be measured by the size of the contribution of regional original income to the APBD, the greater the possibility of the contribution made by regional original income to the APBD, meaning that the region is less dependent on the government to assist regional governments.

Regional Original Revenue (PAD) is regional revenue obtained from existing sources in the region which is collected by itself based on regional regulations in accordance with applicable laws and regulations. According to Law Number 33 of 2004, the income collected based on the laws and regulations consists of Regional Taxes, Regional Levies, Separate Regional Management Wealth and other legitimate income (Yani, 2013); (Suprihati et al., 2018).

## 3. Regional Expenditure

Regional expenditure, according to Regulation Government Number 24 of 2015 concerning Standard Accountancy Government Statement Number 2 is: " *All the expenditure from State/regional general treasury account*

*that reduces current fund equity in period year budget concerned who do not will obtained the payment back by the government"* (Stadler & Nobes, 2018)

Minister of Home Affairs Regulation Number 13 of 2006 concerning Management Regional Finance Article 23 paragraph (2) states that regional expenditure cover all expenditure from general cash account reducing area fund equity, is obligation area in one year budget and not will obtained the payment back by areas.

Regional expenditure in Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines Management Regional Finance says that regional expenditure used in skeleton fund implementation affairs government that becomes authority province or regencies/cities consisting of from affairs mandatory, business choices and matters to be handled in part or field certain that can held together Among government and government area or between government designated area based on regulation legislation. Regional Income earned good from Local own-source revenue and from the balancing fund naturally used by the government area for finance Regional expenditure.

## 4. Economic Growth

Economic growth according to Simon Kuznets in Todaro, state that economic growth is increase capacity in period long from a country concerned for provide various goods economy to its inhabitants (Mades & Kulkarni, 2015). Ascension capacity that alone

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determined or made possible by the presence progress or adjustments technological, institutional and ideological to various existing situation.

Economic growth is a process of increase in output per capita in period long time (Pastor et al., 2018). Economic growth covers 3 aspects namely:

- a. Economic growth is a process (aspect economical) an economy growth, change from time to time.
- b. Economic growth is related to an increase in output per capita per year. These are two important aspects, namely the total output and the total output of the population per capita, where the total output is divided by the total population
- c. Economic growth is associated with a long-term perspective, it is said to grow if in a long period of 5 years there is an increase in output.

## METHODS

This study uses path analysis, where the research design consists of elements that refer to the form of research in a natural setting that shows a minimal and moderate level of researcher intervention. Researchers only collect data without giving any treatment to the data, with the intent and purpose of finding solutions to the problems that have been formulated, so that some of the hypotheses that have been made can be tested empirically.

This research is a quantitative study using secondary data obtained based on official information from the government, such as the Balancing Fund, Regional

Original Income, Economic Growth and Regional Expenditures in Samarindai City within a period of 7 years starting from 2010 to 2016. The aims and objectives This study is to analyze the positive and negative effects and contributions of the Balancing Fund (X 1), Local own-source revenue (X 2), Regional Expenditures (Y 1) and Economic Growth (Y 2). The independent variable in this study is the Balancing Fund, Regional Original Income, while the dependent variable is Regional Expenditure and Economic Growth. Data Analysis using Statistical Product and Service Solutions (SPSS 23).

Hypothesis test in study this used for explain connection causal among variable of each variable selected for ensure that by quantitative connection the there is by positive or negative, the hypothesis put forward in study this is as following:

- H1: Allegedly Balancing Fund take effect positive and significant to Regional Shopping in Samarinda City .
  - H2: Allegedly Balancing Fund take effect positive and significant to Economic Growth in Samarinda City .
  - H3: Allegedly Local own-source revenue has an effect positive and significant to Regional expenditure in Samarinda City.
  - H4: Allegedly Local own-source revenue has an effect positive and significant to Economic Growth in Samarinda City.
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- H5: Allegedly Regional expenditure take effect positive and significant to Economic Growth in Samarinda City.
- H6: Allegedly Balancing Fund take effect positive and significant to Economic Growth through Regional Shopping in Samarinda City.
- H7: Allegedly Local own-source revenue has an effect positive and significant to Economic Growth through Regional Shopping in Samarinda City

constant prices according to the business field of the City of Samarinda, and the development of regional spending in the City of Samarinda through the relevant agencies, namely the Central Statistics Agency for the City of Samarinda and East Kalimantan, Samarinda City Regional Revenue Agency (Bapenda), Samarinda City Regional Asset Management and Finance Agency (BPKAD) and Samarinda City Planning and Development Agency.

**RESULTS AND DISCUSSION**

This study was conducted in Samarinda City, with looking for secondary data needed from 2014 – 2019 through relevant agencies namely the Central Bureau of Statistics Province city Samarinda and East Kalimantan (Acemoglu, 2012), data needed for analyzed is as following:

The data source used is secondary data, where secondary data is needed from 2014 – 2019, before the covid-19 pandemic. The data includes data on the development of the realization of balancing funds and regional original income in the city of Samarinda, the development of GRDP at

**Table 1. Data on Balanced Funds, Local own-source revenue, Regional Expenditures and Economic Growth in 2014 - 2019 Cities Samarinda**

Year	Balancing Fund (Million Rupiah)	PAD (Million Rupiah)	Regional Shopping (Million Rupiah)	Economic Growth (Million Rupiah)
2014	1,538,150,051,351	435,498,980,673	3,201,662,936,936	3,950,630,530
2015	1,397,006,873,330	419,745,787,641	3,238,561,121,093	3,952,322,310
2016	2,046,222,356,100	391,404,293,290	2,331,928,898,582	3,961,410,190
2017	1,768,909,871,610	519,423,886,710	2,283,031,685,050	4,127,497,229
2018	2,119,660,334,830	498,888,664,160	2,515,289,346,000	4,331,591,070
2019	2,702,425,917,90	560,454,549,360	3,067,184,401,110	4,546,987,952

Source: Secondary Data Processed, 2022

This *path* analysis method was chosen to determine the magnitude of the influence (not predicting) in the pattern of relationships between variables on the

direct or indirect effect of a set of independent variables (*exogenous*) on the dependent variable (*endogenous*). To find out the Effect of Balancing Funds and Local

own-source revenue on Regional Expenditures and Economic Growth in Samarinda City, assisted by using *SPSS (Statistical Package for Service Solution)* software version 23.

### 1. Classic Assumption

Hypothesis testing using regression analysis is necessary to test the classical assumptions. The purpose of testing the model is to obtain certainty about the consistency of the estimation model that is formed based on the underlying economic theory. The classical assumption deviation test is intended to ensure that the estimated model is free from autocorrelation, multicollinearity, and heteroscedasticity disorders which are applied to the two structural equations below.

### 2. Normality test

Normality test aims to determine the distribution of data in the variables used in the study. Data that is good and feasible to use in research is power that has a normal distribution or not. The normality test method used in this study is a graph plot where the assumption of normality is met if the points on the graph approach the diagonal axis and the Kolmogorov-Smirnov method with a constant value greater than 0.05.

### 3. Multicollinearity Test

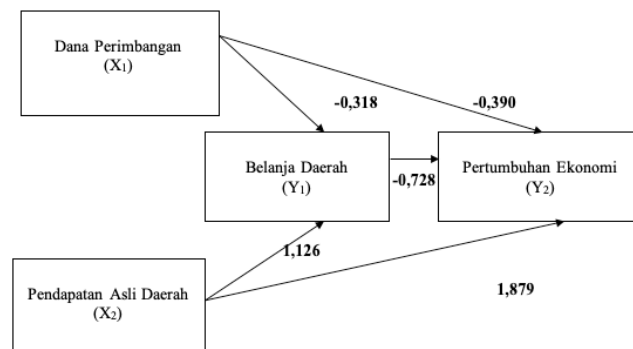
Multicollinearity Test required for knowing is there is whether or not variable independent who owns similar with variable other independent in one Detection model multicollinearity in a model can be seen if Variance Inflation Factor (VIF) value is not more of 10 and

the Tolerance value is not not enough of 0.1, then the model could said free from multicollinearity . Based on from the multicollinearity test in the table can seen from tolerance value and VIF. Balanced Fund variable tolerance value (X1) 0.512, more big of 0.10. Temporary that the VIF value of the Balancing Fund variable (X1) is 1.952 more small from 10.00. So that could concluded no occur multicollinearity . PAD variable tolerance value (X2), 0.512, more big of 0.10. Temporary that PAD(X2) variable VIF value is 1.952 more small from 10.00. So that could concluded no occur multicollinearity in the regression model in study this.

### 4. F test (simultaneous test)

The calculated F value in this research model has a real or significant effect on the Balancing Fund variable (X1), Local own-source revenue (X2), simultaneously on Regional Expenditure (Y1) from the output of the model above, the calculated F can be 9.941 with a significant level of  $0.000 < 0.05$ , it is concluded that the independent variables simultaneously have a significant influence on Regional Expenditures.

The calculated F value in the research model by simultaneous there is real influence or significant Variable Balancing Fund (X1), Local own-source revenue(X2), simultaneous against the Regional Expenditure (Y1) and Economic Growth (Y2) from the output of the above model can be calculated F of 37,728 with level significant  $0.000 < 0.05$  then taken conclusion that the independent variable by



simultaneously give significant influence to Economic Growth.

Source : Secondary data processed

Figure 1. Coefficient Track On Second Structural Equation

Based on on figure 1, the could depicted pattern connection each variable in influence economic growth which where could is known that connection track fund balance to economic growth give influence of -0.390. Local own-source revenue there is economic growth give influence of 1,879 and connection track Among regional expenditure to economic growth of -0.728.

The size influence each independent variable to the dependent variable is as following:

1. Influence direct independent variable to the dependent variables:
  - a. Effect of X1 → Y1 = -0.318
  - b. Effect of X2 → Y1 = 1.126
  - c. Effect of X1 → Y2 = -0.390
  - d. Effect of X2 → Y2 = 1.879
  - e. Effect of Y1 → Y2 = -0.728
2. Influence no direct independent variable to the dependent variable through variable intervention:
  - a. Effect of X1 → Y1 → Y2 =  $-0.318 \times -0.728 = 0.231$
  - b. Effect of X2 → Y1 → Y2 =  $1.126 \times -0.728 = -0.819$
3. Influence totals:

- a. The total effect of X1 → Y2 =  $-0.390 + 0.231 = -0.159$
- b. The total effect of X2 → Y2 =  $1.879 + (-0.819) = 1.06$

Table 5.16 shows influence direct , influence no direct and total effect of each independent variable X1 and X2 as well as the intervening variable Y1 in affect the dependent variable Y2.

### 5. Discussion

Coefficient test results determination showing that the independent variable could explain the effect to the dependent variable of 86.90 % or  $R^2 = 0.869$ , in the equation structural first , while in equation structural both independent variables could explain the effect to the dependent variable of 98.30 or  $R^2 = 0.983$  . Temporary that , based on simultaneous test results is known that the independent variable by simultaneously give significant influence to the dependent variable in the equation structural first with score significance  $0.047 < 0.05$ . On the

equation structural second simultaneous test results It is also known that the independent variable by simultaneously give significant influence to the dependent variable with score significance of  $0.026 < 0.05$ .

H1: **Effect of Balancing Fund (X1) on Regional Expenditure (Y1)**

Count-value for variable funds balance is -1.088, meanwhile value of t - table u for n = 6 with level 5% significance is 3.182, which means t - count < t - table ( $-1.088 < 3.182$ ), so could interpreted that the variable of funds transition no take effect significant to regional expenditure. Results analysis this strengthened score significance  $0.356 > 0.05$  which means the effect of variable funds balance no significant to regional expenditure.

H2: **Effect of Balancing Fund (X1) on Economic growth (Y2)**

Count-value for variable funds balance is -2.537, meanwhile value of t - table u for n = 6 with level 5% significance is 4.302, which means t - count < t - table ( $-2.537 < 4.302$ ), so could interpreted that the variable of funds transition no take effect significant to economic growth. Results analysis this strengthened score significance  $0.127 > 0.05$  which means the effect of variable funds balance no significant to economic growth.

H3: **Influence Local own-source revenue (X2) to Regional Expenditure (Y1)**

Count-value for Income variable original area is 3,855, while that t-

table value for n = 6 with level 5% significance is 3.182, which means t - count > t - table ( $3,855 > 3.182$ ), so could interpreted that the income variable original area take effect significant to regional expenditure. Analysis result this strengthened score significance  $0.031 < 0.05$  which means income variable effect original area significant to regional expenditure.

H4: **Influence Local own-source revenue (X2) to Economic Growth (Y2)**

Count-value for Income variable original area is 5,917, while that t-table value for n = 6 with level 5% significance is 4.302, which means t - count > t - table ( $5.917 > 4.302$ ), so could interpreted that the income variable original area take effect significant to economic growth. Analysis result this strengthened score significance  $0.027 < 0.05$  which means income variable effect original area significant to economic growth Sig

H5: **Influence Regional expenditure (Y1) against Economic growth (Y2)**

t - value for shopping variable Area is -2,829, meanwhile t- table value for n = 6 with level 5% significance is 4.302, which means t - count > t - table ( $2.829 < 4,302$ ), so could interpreted that the spending variable area no take effect significant to economic growth. Results analysis this strengthened score significance  $0.106 > 0.05$  which means the influence of



shopping variables area no take effect significant to economic growth.

H6: **Influence Not directly the Balancing Fund (X1) to Economic Growth (Y2) through Regional Expenditure (Y1)**

Influence Value no direct is 0.231, so that interpreted that influence no direct balancing fund variable to economic growth through regional expenditure no significant. With Thus, the hypothesis H6 in study This is what reads "Balancing Fund" take effect no direct and significant to economic growth through regional expenditure" rejected.

H7: **Influence Not direct Local own-source revenue (X2) to Economic Growth (Y2) through Regional Expenditure (Y1)**

Influence Value no direct Local own-source revenue to economic growth through Regional expenditure is equal to - 0.819, so that interpreted that influence no direct variable income original area through economic growth through regional expenditure no significant. Tidak sig

## CONCLUSION

In general, the results of this study can be concluded that Balancing Fund (X1) have no significant to Regional Expenditure (Y1) and Economic growth (Y2), Local own-source revenue (X2) have significant to Regional Expenditure (Y1) and Economic Growth (Y2), Regional expenditure (Y1)

have no significant Economic growth (Y2), and for the last influence no direct independent variable to the dependent variable through variable intervention : Balancing Fund (X1) and Local own-source revenue (X2) to Economic Growth (Y2) through Regional Expenditure (Y1) is rejected.

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