

The Influence of Local Own-Source Revenue, Revenue Sharing Funds and Special Allocation Funds on GRDP in Pesisir Barat Districts of Lampung Province

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ABSTRACT

Decentralization of policies provides great opportunities for regions to improve financial conditions. Efforts to increase regional revenues by paying attention to regional economic development, one of which is Regional Original Income (PAD), Profit Sharing Funds (DBH), Special Allocation Funds (DAK), and other legitimate income are other sources of income which are believed to encourage government to increase economic growth and community needs, especially the West Coast district. This research is quantitative descriptive in nature, with secondary data, Pesisir Barat Regency as the research observation area. The research was carried out with data from quarters 1 to 4 for 9 years time series from the period 2014: Quarter 1 - 2023: Quarter 4. The data is in the form of a timeseries so the methodology used is Ordinary Least Square (OLS) and Error Correction Model (ECM). The research results show that regional original income (PAD) has a positive and significant influence on the long-term relationship with gross regional domestic product (GRDP), and does not have a positive and significant influence on the short-term relationship. Profit Sharing Funds (DBH) have a positive and significant influence on the long-term relationship with gross regional domestic product (GRDP), and have a positive and significant influence on the short-term relationship. Special Allocation Funds (DAK) have a positive and significant influence on the long-term relationship with gross regional domestic product (GRDP), and have a positive and significant influence on the short-term relationship.

Keywords: *Decentralization, Regional Original Income, Profit Sharing Funds, Special Allocation Funds*

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INTRODUCTION

In Indonesia, the implementation of regional autonomy is based on the understanding that the regions themselves are more familiar with the conditions and needs of their communities. According to (Bastian, 2010), with the decentralization that is being implemented in Indonesia today, there are opportunities for regions in terms of fiscal management. The central and local governments now have the same opportunity to improve public services that were previously neglected. With wise management of fiscal funds, it is expected that underdevelopment in certain regions can be minimized. This system is expected to achieve financial management that is orderly, law-abiding, efficient,

economical, effective, transparent, and accountable, while taking into account the principles of justice, propriety, and public welfare.

According to (Arham, M. A., Kamuli, S., & Payu, B. R., 2018), policy decentralization provides a great opportunity for regions to improve financial conditions. Local authorities regulate and optimize regional income. In order to support fiscal decentralization, the central government provides balance funds to each region. Balancing funds are funds sourced from APBN revenues allocated to regions (autonomous) to fund regional needs in the context of implementing decentralization. Efforts to increase regional revenue by paying attention to the development of the regional economy, one of which is with Regional Original Revenue (PAD) which is believed to encourage the government to increase economic growth and community needs. In addition, Revenue Sharing Funds (DBH), General Allocation Funds (DAU), Special Allocation Funds (DAK) and financial assistance from provincial governments, as well as other legitimate revenues are other sources of revenue that can be used to finance regional spending. However, this study focuses on Regional Original Revenue (PAD), Revenue Sharing Fund (DBH), and Special Allocation Fund (DAK) which are thought to affect economic growth which is supported by previous research (Waryanto, P. (2017).

Pesisir Barat Regency is a new autonomous region in Lampung Province, Pesisir Barat Regency was officially established in 2012 based on Law of the Republic of Indonesia Number 22 of 2012 concerning the Establishment of Pesisir Barat Regency in Lampung Province (State Gazette of the Republic of Indonesia Year 2012 Number 231 Supplement to State Gazette Number 5364). Prior to the birth of Pesisir Barat Regency based on the aforementioned Law, Pesisir Barat Regency was still included in the government area of West Lampung Regency, whose regency capital was in Liwa. As a new region, the initial suspicion of the low GRDP of Pesisir Barat Regency can be claimed that the government spending instrument and the economic movement of a region have not yet developed.

Pesisir Barat Regency has the lowest GRDP among 15 regencies/cities and is still a developing region, so it can be said that the West Coast Regency is still focused on the problem of balancing funds and is assisted by several central balancing funds. The new development of the West Coast region can also be seen from the development of Regional Original Revenue (PAD), revenue obtained by the region, which is levied based on Regional Regulations in accordance with applicable laws and regulations (Mulyanto, 2007). In addition, PAD can also be interpreted as revenue sourced from levies made by local governments based on applicable regulations that can be imposed on any person or business entity, whether government-owned or private because of the acquisition of services provided by the local government, so the region can carry out levies in the form of tax revenues, levies and other legal revenues regulated in law. The following is a detailed comparison of regional own-source revenues (PAD) between districts / cities in Lampung Province:

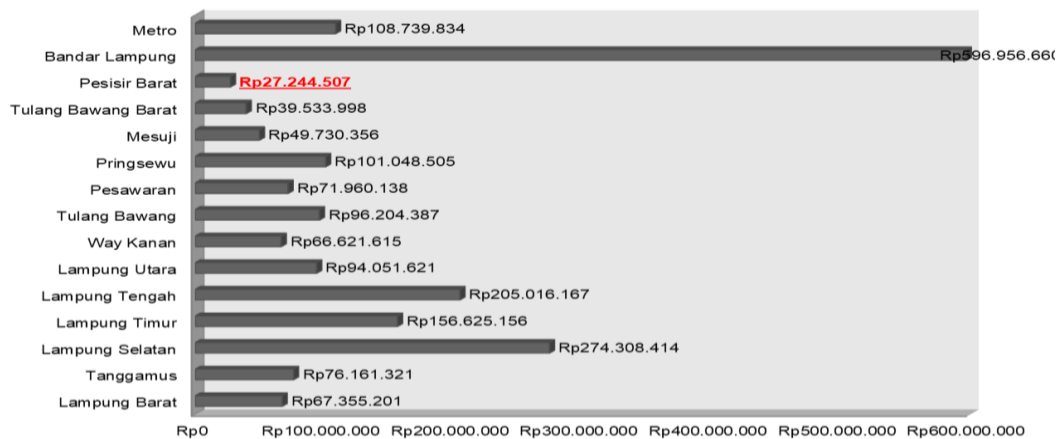


Figure 1: Average Regional Original Revenue (PAD) of 15 regencies / cities in Lampung Province in 2018-2023

From Figure 1, it can be briefly explained that the Highest PAD: is in the Bandar Lampung region with Rp596,956,660. Lowest Revenue: Pesisir Barat with Rp27,244,507. When viewed from the comparison of Bandar Lampung's contribution of 25.43% and Pesisir Barat's contribution of only 1.16% to Lampung province, it can be seen that Bandar Lampung contributes greatly to Lampung's overall PAD, while Pesisir Barat contributes relatively little. Pesisir Barat as a newly established autonomous region can be said to still have to be developed Policies that support local economic growth and investment can increase the PAD of a region. (Anggoro, 2017), regional own-source revenue is very important, especially to support the implementation of regional autonomy, where the financial capacity sourced from regional own-source revenue is used as one of the tools to measure the ability of regions to carry out autonomy that has been delegated or handed over to the regions by the central government.

Local taxes according to the HKPD Law have a wide number of tax objects and are tailored to various industries in the region as stated in the HKPD Law such as hotel tax restaurant tax, street lighting tax, billboard tax Of course, in collecting local taxes, the government also needs public participation in terms of awareness of paying taxes, (Fuad and Hapsari, 2020). This significant effect shows that local governments can manage funds placed in BUMDs, banking and non-banking institutions and other investments because the results of managing regional assets are in the form of profit shares. This is evidenced by various studies that have different results. (Apriani et al, 2017), state that the results of the management of separated regional assets have a significant and positive effect on low and high PAD.

One of the balancing funds provided by the central government is the Revenue Sharing Fund, which is part of the Transfer to Regions allocated based on a percentage of certain revenues in the State Budget and certain performance, which is distributed to

producing regions with the aim of reducing fiscal imbalances between the Government and the regions, as well as to other non-producing regions in the context of overcoming negative externalities and/or increasing equity in one region (Law Number 1 Year 2022). Revenue Sharing Funds are implemented with the principle according to the source, in the sense that the regional share of revenue shared is based on the producing region. The following is a detailed comparison of Revenue Sharing Funds (DBH) between regencies/cities in Lampung Province:

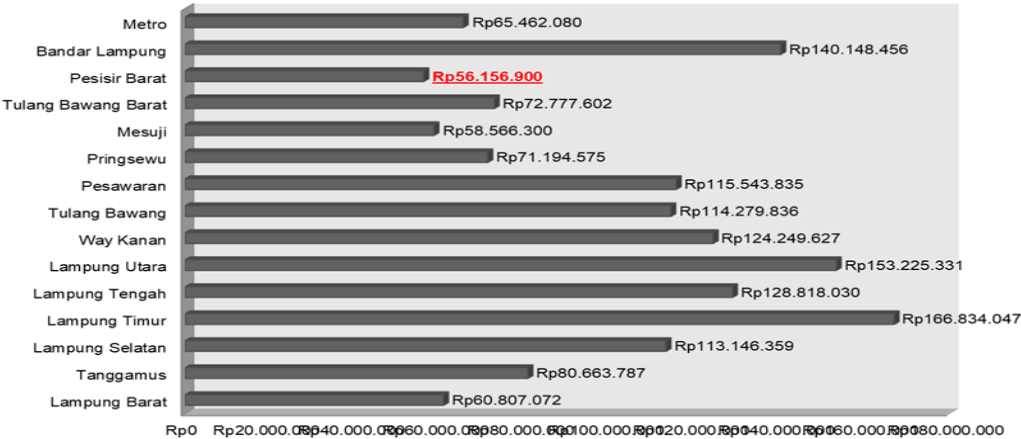


Figure 2: Average Revenue Sharing Fund (DBH) of 15 regencies/cities in Lampung Province in 2018-2023 (Milliar Rupiah)

From the figure above, it can be briefly explained that the highest DBH: East Lampung with Rp166,834,047. Lowest DBH: Pesisir Barat with Rp56,156,900. when viewed from the comparison of contributions Lampung Timur has 10.09% and Pesisir Barat only provides 3.40% of the comparison of contributions from all districts / cities in Lampung province. it can be seen that Lampung Timur still has a high level of revenue sharing, and Pesisir Barat as a new autonomous region tends to still have a very low development of revenue sharing funds, this also indicates that the transfer of central funds to the Pesisir Barat region still tends to be low. According to (Putra, et al, 2015) Revenue Sharing Funds are funds sourced from transfers of funds made by the central government. The funds are then allocated to the regions based on the principle of by origin, where the producing blood gets more funds. DBH transferred by the center to the regions can have an influence on economic growth. The greater the portion obtained by the producing regions, the higher the quality of economic growth. This is in accordance with the theory of unconditional grant transfers, namely unconditional transfers and in accordance with empirical studies conducted by (Mokorowu, 2020), stating that DBH has a positive and significant effect on economic growth. On the other hand, in order to increase economic growth, the government is in control of the budget and its management, including for each region (Waryanto, 2017).

The Special Allocation Fund is part of the Transfer to Regions allocated with the aim of funding certain programs, activities, and/or policies that are national priorities and help operationalize public services, the use of which has been determined by the Government (Law Number 1 Year 2022). According to (Halim, 2014) the Special Allocation Fund (DAK) is a fund sourced from the State Budget that is allocated to certain regions with the aim of helping to fund special activities that are regional affairs and in accordance with national priorities. The following are details of the comparison of the Special Allocation Fund (DAK) between districts / cities in Lampung Province:

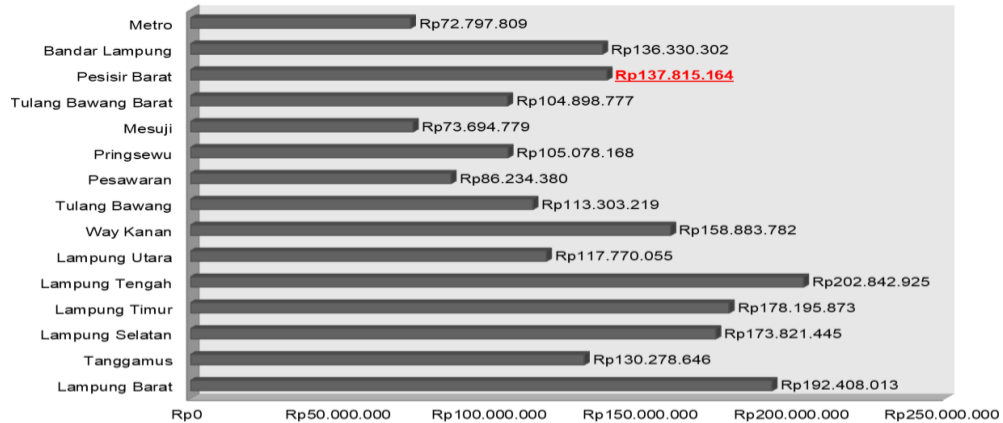


Figure 3: Average Special Allocation Fund (DAK) of 15 regencies/cities in Lampung Province in 2018-2023 (Milliar)

In the figure above, it is explained how the DAK comparison between regions, DAK can be seen where Central Lampung has the highest amount of DAK amounting to Rp 202,842,925, while looking at the position of Pesisir Barat, it is the sixth highest out of 15 city districts at Rp 137,815. 164, For the Special Allocation Fund (DAK) is generally intended to finance various regional programs and activities that are national priorities to encourage the achievement of minimum service standards in public affairs that are national priorities, for example in funding the needs of basic community service facilities and infrastructure in order to encourage the acceleration of regional development in the fields of education, health and infrastructure services whose affairs have been decentralized to the regions (dsfindonesia, 2010).

In the case of the formation of a new autonomous region such as district Pesisir Barat, it often takes time to see economic development and government spending in the region. The process of establishing a new autonomous region is often the first step to better accommodate the potential and needs of the people in the region. In this case, local government efforts and support from the central government can be key in accelerating economic development and government spending in district Pesisir Barat.

Based on the background described above and to be able to draw some conclusions about whether the state of the balance funds of Pesisir Barat Regency is able

to drive the regional economy in the long and short term, the following problem formulation is outlined:

1. What is the effect of Regional Original Revenue (PAD) of Pesisir Regency on the economy of Pesisir Barat Regency?
2. What is the effect of Revenue Sharing Fund (DBH) of Pesisir Regency on the economy of Pesisir Barat Regency?
3. What is the effect of the Special Allocation Fund (DAK) of Pesisir Regency on the economy of Pesisir Barat Regency?

METHOD

Data Type and Data Source

This study uses a quantitative descriptive research type, descriptive approach to describe the effect produced by the variables of Regional Original Revenue (PAD), Revenue Sharing Fund (DBH) and Special Allocation Fund (DAK) on Economic Growth. The data used is in the form of secondary data obtained indirectly from the Central Bureau of Statistics of Pesisir Barat Regency, Lampung Province with the platform, <https://pesisirbaratkab.bps.go.id/>, as well as various publications relevant to the data source. In this study, the type of data used is secondary data in the form of division into 4 quarters with data for quarters 1 to 4 for 9 years of time series from the 2014 period: Quarter 1 - 2023: Quarter 4 a total of 40 observations, and the Research Area in Pesisir Barat Regency.

Statistical Methods of Research

A time series is a set of observations obtained at different points in time with the same interval and the rows of data are assumed to be related to each other (Box and Jenkins, 1994). Stationarity Test To test the stationarity of time series data, the unit root test method is used. Testing on each variable begins with testing at the level order. If the data is not stationary at the level order, then testing the level of integration (1st difference) is carried out to see the stationary data at this order. The results of the test are compared with the McKinnon Critical Value. Data is said to be stationary if the Test critical values are greater than the Augmented Dickey Fuller (ADF) test statistic, meaning that H_0 is rejected and H_a is accepted, and vice versa. The test results were analyzed with a significance level of 5 percent each. The hypothesis used in the stationary test is:

1. $H_0 : \rho = 1$, there is a unit root or data is not stationary, while
2. $H_a: \rho < 1$, no unit root or stationary data.

Cointegration Test

The cointegration test is conducted to determine whether or not there is a long-term relationship in each variable. The main requirement of a long-term relationship is that all variables used in the model must be stationary in the same degree of integration. In order to conduct cointegration testing, the Augmented Eagle-Granger test is used, which also utilizes the ADF test. from each independent variable to the dependent variable (Satria,

2004) The cointegration test conducted in this study uses the Eagle-Granger (EG) test and to obtain the EG value the data used must be integrated at the same degree. with the hypothesis test as follows:

1. $H_0 = \mu = \text{level } (1)$, meaning there is no cointegration
2. $H_a = \mu \neq \text{level } (1)$, meaning there is cointegration

Ordinary Last Square (OLS)

If the data is stationary at the level, then the Ordinary Least Square (OLS) method can be used to estimate the parameters of the multiple linear regression model. Regression is the study of how one dependent variable is affected by one or more of the independent variables with the aim of estimating and or predicting the average value of the dependent variable based on the known values of the independent variables. Multiple regression models are regression models that consist of more than one independent variable. The least squares method (Ordinary Least Square = OLS) is a method that can be used to get a good regression line that occurs if the predicted value is as close as possible to the actual data or the values of β_0 and β_1 which cause the residuals to be as small as possible (Widarjono. 2013). The econometric model with the OLS (Ordinary Least Square) method is as follows:

$$PDRB_t = \beta_0 + \beta_1 PAD_t + \beta_2 DBH_t + \beta_3 DAK_t + e_t$$

Description:

PDRB	:	Gross Regional Domestic Product
PAD	:	Regional Original Revenue
DBH	:	Revenue Sharing Fund
DAK	:	Special Allocation Fund
t	:	Research period 2014 Quarter 1 - 2023 Quarter 4 (time series)
β_0	:	Coefficient Constant intercept which is a scalar
$\beta_1, \beta_2, \beta_3$:	Regression coefficient or slope of each variable
e_t	:	Standard error in the mathematical model (Error Term)

Error Correction Model (ECM)

If the data is not stationary at the level, but stationary at the differential level and the two variables are cointegrated or in other words have a long-term relationship or equilibrium. In the short run there may be an imbalance. This means that what economic actors want is not necessarily the same as what actually happens. The difference between what economic agents want and what happens requires adjustment. The model that includes adjustments to make corrections for imbalances is called the Error Correction Model / ECM (Widarjono. 2013). ECM analysis is used to determine the effect of independent variables on the dependent variable. The econometric model with Error Correction Model (ECM) technique is as follows:

$$D(PDRB)_t = \beta_0 + \beta_1 D(PAD)_t + \beta_2 D(DBH)_t + \beta_3 D(DAK)_t + ect(-1)$$

Description:

- PDRB : Gross Regional Domestic Product
- PAD : Regional Original Revenue
- DBH : Revenue Sharing Fund
- DAK : Special Allocation Fund
- t : Research period 2014 Quarter 1 - 2023 Quarter 4 (time series)
- β_0 : Coefficient Constant intercept which is a scalar
- $\beta_1, \beta_2, \beta_3$: Regression coefficient or slope of each variable
- D : Short-term relationship Regression coefficient or slope of each variable
- ect : Error Correction term

FINDING AND DISCUSSION

Stationary Test Results

Stationarity or the presence of unit roots in the context of time series data movement is very important to determine its consistency. In this study, stationarity is tested using the Augmented Dickey-Fuller Test (ADF) method with the help of Eviews software. The unit root test results are evaluated by comparing the t-count value with the MacKinnon critical value. If the absolute t-count value exceeds the absolute MacKinnon critical value, then the null hypothesis (H0) is rejected, indicating that the time series data are stationary. Conversely, if the t-count value does not exceed the absolute MacKinnon critical value, then H0 is accepted, which means that the time series data is not stationary. In the case of negative t-count values, if the value is smaller than the MacKinnon critical value, H0 will be rejected, indicating that the time series data is stationary, and conversely, if the value is larger, H0 is accepted, indicating that the time series data is not stationary (Gujarati, 2008).

Table 1. Stationary Test Results (Unit Root Test) at the Level Level

Research Variable	t-count	Critical Value Mac kinnon (1%)	Critical Value Mac kinnon (5%)	Critical Value Mac kinnon (10%)	Probab ility	Description
PDRB	-1,3285	-3,6104	-2,9389	-2,6079	0,6066	Non-stationary
PAD	-3,2576	-3,6104	-2,9389	-2,6079	0,0240	Stationary
DBH	-0,8320	-3,6104	-2,9389	-2,6079	0,7987	Non-stationary
DAK	-0,3518	-3,6104	-2,9389	-2,6079	0,9075	Non-stationary

Source: Eviews data processed 2024.

Based on the results of the stationary test (unit root test) at the level in Table 5, it is known that there are no variables that are stationary at the level level, this can be seen from the t-count value that is smaller than the MacKinnon critical value of 1%, 5% and 10%, and the probability value of 4 variables, namely GRDP, PAD, DBH and DAK is greater than 0.05. In this study, all variables must be stationary, so the next test is stationary at the first difference level, here are the test results:

Table 2. Stationary Test Results (Unit Root Test) at the First Difference Level)

Research Variable	t-count	Critical Value Mac kinnon (1%)	Critical Value Mac kinnon (5%)	Critical Value Mac kinnon (10%)	Probability	Description
PDRB	-5.8157	-3.6155	-2.9411	-2.6090	0.0000	Stationary
PAD	-6.4785	-3.6155	-2.9411	-2.6090	0.0000	Stationary
DBH	-6.1478	-3.6155	-2.9411	-2.6090	0.0000	Stationary
DAK	-6.0791	-3.6155	-2.9411	-2.6090	0.0000	Stationary

Source: Eviews data processed 2024.

Based on the results of the stationary test (unit root test) at the first difference in Table 2, Gross Regional Domestic Product (GRDP), (Independent Variable) Regional Original Revenue (PAD), Revenue Sharing Fund (DBH) and Special Allocation Fund (DAK) are stationary at the first difference level, which can be proven from the t-count value greater than the MacKinnon critical value of 1%, 5% and 10% and the probability value of 4 variables, namely GRDP, PAD, DBH and DAK is significantly smaller than 0.05, so it can be concluded that all variables used in the study are stationary at the first difference level.

Cointegration Test Results

After the stationarity test is carried out, then the cointegration test is carried out, the purpose of the cointegration test is to see whether there is a long-term relationship between the independent variable and the dependent variable, Cointegration testing is carried out using the Engel-Granger (EG) cointegration test method, If the absolute t-count value is greater than the absolute MacKinnon critical value, In the case if the t-count value is negative, it can be said that if the t-count value is smaller than the MacKinnon critical value, then the residuals are cointegrated, meaning that there is a long-term relationship between the independent variable and the dependent variable, the following are the results of the Cointegration test:

Table 3. Engel-Granger (EG) Cointegration Test Results

Research Variable	t-count	Critical Value Mac kinnon (1%)	Critical Value Mac kinnon (5%)	Critical Value Mac kinnon (10%)	Probability	Description
Ect(-1)	-6,5061	-3,6155	-2,9411	-2,6090	0,0000	Stationary

Source: Eviews data processed 2024.

Based on the results of the Engel Granger (EG) cointegration test, it can be seen that the residual Error Correction Term (-1) is stationary at the level level which can be seen from the t-count value greater than the MacKinnon critical value of 5%, and 10%, so the residuals are cointegrated, meaning that there is a long-term and short-term relationship between the independent variable and the dependent variable.

Results of Long-Term Estimation of Ordinary Least Square Model (OLS)

Stationarity and cointegration testing states that the influence model can be carried out in two stages, namely long-term and short-term relationships. The results of this regression are to determine the direction of the relationship between the independent variable and the dependent variable and to see the real results of the coefficient magnitude obtained, these results are long-term effects. The following table shows the results of data estimation with 4 quarters with quarter 1 to 4 data for 9 years of time series from the 2014 period: Quarter 1 - 2023: Quarter 4 total Included observations: 40, and the Research Area in Pesisir Barat Regency, it can be concluded that the overall Ordinary Least Square Model (OLS) regression equation results are as follows:

Table 3. Ordinary Least Square Model (OLS) Long-Term Estimation Results

Variable	Coefficient	Std. Error	t-Count	Prob	Description
C	-1,5382	1,3594	-1,1315	0,2653	-
PAD	0,2685	0,0864	3,1063	0,0037	Significant
DBH	0,7434	0,0425	17,474	0,0000	Significant
DAK	0,2842	0,0766	3,7090	0,0007	Significant

Source: Eviews, Data processed 2024.

Notes:

[] : Shows t-count

* : Based on 95% confidence level ($\alpha=5\%$)

R-squared = 0.9845 Durbin-Watson Stat = 1.6313

F-stat = 763.705 Prob (F-stat) = 0.000000

Table 3, shows the results of regression calculations with and then transformed into mathematical form, the mathematical model by entering the equation value of the regression as follows:

$$\text{PDRBit} = -1,5382 + 0,2685\text{PADt} + 0,7434\text{DBHt} + 0,2842\text{DAKt}$$

$$[-1,1315] \quad [3,1063] \quad [17,474] \quad [3,7090]$$

Based on the results of the Long-Term Estimation Ordinary Least Square Model (OLS) above, the probability value of each variable can be obtained. In this case, the R-squared is 0.9845, which indicates that your model explains about 98.45% of the variation in the data, which is almost perfect. R-square interprets the percentage amount of influence all independent variables have on the dependent variable. This means that in this study 98% of the independent variables affect Gross Regional Domestic Product (GRDP), while the remaining 2% is influenced by other variables that are not included in the research model. Durbin-Watson Stat = 1.6313 indicates that there is no clear indication of the presence of autocorrelation in the regression model. A Durbin-Watson value around 2 indicates that there is no or little autocorrelation in the model. F-stat = 763.705 with Prob (F-stat) = 0.000000 indicates that the overall regression model is statistically significant. The probability indicates that together the independent variables in the model make a significant contribution towards explaining the variation in the dependent variable.

Short-Term Error Correction Model (ECM) Estimation Results

After testing for data stationarity and cointegration, the results show that all variables used in the study are stationary at the first difference level and have cointegrated residuals. This indicates the existence of a long-term equilibrium relationship between the independent and dependent variables. However, in the short term, there may be an imbalance that indicates a difference between what economic actors want and what reality is. Therefore, an adjustment is required. A model that incorporates adjustments to correct for these imbalances is known as an Error Correction Model (ECM). Below are the estimation results for the short run:

Table 4. Short-Term Error Correction Model (ECM) Estimation Results

Variable	Coefficient	Std. Error	t-Count	Prob	Description
C	-0,0066	0,0199	-0,3348	0,7398	-
D(PAD)	-0,0087	0,0640	-0,13653	0,8922	Not Significant
D(DBH)	0,7890	0,0494	15,947	0,0000*	Significant
D(DAK)	0,3139	0,1272	2,4679	0,0188*	Significant
ECT(-1)	-0,2308	0,1145	-2,0152	0,0518**	Significant

Source: Eviews, Data processed 2024.

Notes:

[] : Shows t-count

* : Based on 95% confidence level ($\alpha=5\%$)

** : Based on 95% confidence level ($\alpha=10\%$)

R-squared = 0.8970 Durbin-Watson Stat = 1.0149

F-stat = 74.0304 Prob (F-stat) = 0.000000

In Table 4, all variables are differentiated in the ECM model to determine the short-term relationship, the short-term equation obtained is:

$$D(\text{PDRBt}) = -0,0066 + D(-0,0087)\text{PADt} + D(0,7890)\text{DBHt} + D(0,3139)\text{DAKt} \\ + (-0,2308)\text{ECT}(-1)$$

[-0,3348]
[-0,13653]
[15,947]
[2,4679]
[-2,0152]

Based on the results of the Short-Term Error Correction Model (ECM) Estimation above, the probability value of each variable can be obtained. In this case, the R-squared is 0.8970, which indicates that your model explains about 89.70% of the variation in the data, which is almost perfect. R-square interprets the percentage amount of influence all independent variables have on the dependent variable. This means that in this study, 89% of the independent variables affect Gross Domestic Product (GDP), while the remaining 11% is influenced by other variables that are not included in the research model.

Durbin-Watson Statistic is a measure of autocorrelation in the residuals of a regression model. The value of the Durbin-Watson statistic ranges between 0 and 4. A value of about 2 indicates that there is no significant autocorrelation in the residuals. Values close to 0 indicate positive autocorrelation, while values close to 4 indicate negative autocorrelation. A value of 1.0149 indicates that there is no significant autocorrelation in the model residuals.

The F-statistic is a test statistic used to test the overall significance of the regression model. A higher F-statistic value indicates that at least one independent variable significantly affects the dependent variable. Prob (F-stat) is the p value associated with the F-statistic. This p value measures the significance level of the F-statistic. A p value that is smaller than the specified significance level (usually 0.05) indicates that the overall regression model is significant. In your example, the F-statistic value of 74.0304 indicates that the overall regression model is significant (Prob (F-stat) = 0.000000, which is much smaller than 0.05).

This indicates that at least one independent variable has a significant influence on the dependent variable in the regression model. The Error Correction Term (ECT) coefficient which shows the speed of adjustment, namely the speed of residuals/errors in the previous period to correct changes in variable Y towards equilibrium in the next period, The negative sign (-) on the ECT coefficient indicates the validity of the model specification, The ECM short-term estimation results show a negative ECT coefficient value, which is -0.2308 and significant at the 0.05 significance level, meaning that the requirements for ECM short-term estimation are met and the ECM model is declared valid, fluctuations in short-term equilibrium (disequilibrium) towards long-term equilibrium will be corrected, where 23.08% of the adjustment process occurs in the first quarter, while the remaining 77.02% of the adjustment process occurs in the next quarter, The speed of adjustment from short-term

to long-term takes $1/0.23$ or 4.34 quarters, The difference between the actual value of GRDP value and its equilibrium value (\hat{Y}) is -0.2308 and will be adjusted in about 4.34 quarters. The constant coefficient of -0.2308 indicates that in the short term if all independent variables that are thought to affect Gross Domestic Product (GRDP) are 0, the value of GRDP is 0.2308 billion Rupiah.

DISCUSSION

The effect of Regional Original Revenue (PAD) on GRDP of Pesisir Barat Regency in the long term and short term

The results of the above analysis statistically show, in the long-term influence of local own-source revenue (PAD) of Pesisir Barat Regency shows a positive and significant influence with a coefficient value of 0.2685, if local own-source revenue (PAD) increases by 1 billion, then the gross domestic product (GRDP) of Pesisir Barat Regency tends to increase by 0.26 billion throughout 2014: Quarter 1- 2023 quarter 4. This is with the assumption that other variables are *ceteris paribus*. As for the short-term effect of local own-source revenue (PAD) of Pesisir Barat Regency does not show a positive and significant influence on Gross Domestic Product (GRDP) throughout 2014: Quarter 1- 2023 quarter 4.

This research is in line with several studies, such as in the short-term relationship of research (Etik Winarni, Yolanda Sari, Muhammad Amali, 2023) Local own-source revenue (X2) has no negative and insignificant effect on GRDP per capita or rejects H_0 . The coefficient value of 0.003 shows a negative result, which means that if every change in PAD is 1 percent, there will be a decrease in GRDP per capita by 0.003 percent. This finding is in line with (Paat et al, 2015) in their research, which states that PAD and balancing funds have a positive influence on economic growth, which has an impact on reducing poverty levels. Fiscal decentralization is able to provide encouragement to regions to maximize the potential of their resources so as to achieve development goals, namely community welfare (Woyanti, 2013). (Putri, 2015), found that local revenue has a significant positive effect on economic growth in the Regency / City of Central Java Province. The greater the PAD obtained by a region, the greater the economic growth of that region. The high value of PAD in a region reflects that the region is able to manage its regional potential.

The effect of Revenue Sharing Fund (DBH) on GRDP of Pesisir Barat Regency in the long term and short term

The results of the above analysis statistically show, in the long-term influence of Revenue Sharing Fund (DBH) of Pesisir Barat Regency shows a positive and significant influence with a coefficient value of 0.7434, if the Revenue Sharing Fund (DBH) increases by 1 billion, the Gross Domestic Product (GRDP) of Pesisir Barat Regency tends to increase by 0.74 billion throughout 2014: The short-term effect of Revenue Sharing Fund (DBH) of Pesisir Barat Regency shows a positive and significant effect with a coefficient value of

0.7890, if the Revenue Sharing Fund (DBH) increases by 1 billion, the Gross Domestic Product (GRDP) of Pesisir Barat Regency will tend to increase by 0.78 billion throughout 2014: Quarter 1- 2023 quarter 4.

Revenue Sharing Fund is also partly the result of revenue sharing obtained from the realization of local tax revenue. Tax DBH will be received by the regions in accordance with the realization of taxes levied by the regions, meaning that the higher the realization of the types of taxes shared in the regions, the higher the Tax DBH that will be received by the regions. Taxes are an important instrument for the government to get revenue, this will greatly help the movement of economic growth in the regions (Aji and Nugroho, 2021).

This research is in line with several studies, (Zulfa Eliza, Said Muhammad, Muhammad Nasir, 2014), Revenue Sharing Funds have a positive effect on GRDP. Meanwhile, the Special Allocation Fund has no effect on GRDP (the estimation results are not significant), the provincial government needs to ensure the continuity of fiscal transfers to regions that have proven to be able to encourage regional economic growth. for local governments it is necessary to maximize the use of this transfer by looking at the priority scale of development so that the aim of accelerating regional economic development can be realized. (Andry Mokoginta, 2023), Revenue Sharing Funds have a positive and significant effect, meaning that it shows that if the Revenue Sharing Fund increases, economic growth will also increase.

The effect of the Special Allocation Fund (DAK) on the GRDP of Pesisir Barat Regency in the long term and short term

The results of the above analysis statistically show, in the long-term influence of the Special Allocation Fund (DAK) of Pesisir Barat Regency shows a positive and significant influence with a coefficient value of 0.2842, if the Special Allocation Fund (DAK) has increased by 1 billion, then the Gross Domestic Product (GRDP) of Pesisir Barat Regency tends to increase by 0.28 billion throughout 2014: The short-term effect of the Special Allocation Fund (DAK) of Pesisir Barat Regency shows a positive and significant effect with a coefficient value of 0.3139, if the Special Allocation Fund (DAK) increases by 1 billion, the Gross Domestic Product (GRDP) of Pesisir Barat Regency will tend to increase by 0.31 billion throughout 2014: Quarter 1- 2023 quarter 4.

This research is in line with several studies, (Mochamad Gatot Awaludin, Puji Wibowo, 2023) The test results show that simultaneously PAD, Physical DAK and Village Funds have a significant influence on GRDP. PAD has a significant positive effect on GRDP but has no effect on poverty. Physical DAK has no influence on poverty and GRDP. Village funds have a significant negative effect on poverty and a significant positive effect on GRDP. (Dayana Novita Candra Kumala, Moh. Khusaini, 2018), The results of the first model analysis show that Regional Original Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), The results of the second model analysis show that Regional Original

Revenue (PAD), Special Allocation Fund (DAK), and Capital Expenditure significantly affect economic growth, while General Allocation Fund (DAU) and Revenue Sharing Fund (DBH) have no significant effect on economic growth.

CONCLUSION

Regional Original Revenue (PAD) has a positive and significant influence on the long-term relationship to gross regional domestic product (GRDP), and does not have a positive and significant influence on the short-term relationship to gross regional domestic product (GRDP) in Pesisir Barat Regency throughout 2014: Quarter 1- 2023 quarter 4. Revenue Sharing Fund (DBH) has a positive and significant effect on the long-term relationship on gross regional domestic product (GRDP), and has a positive and significant effect on the short-term relationship on gross regional domestic product (GRDP) in Pesisir Barat Regency throughout 2014: Quarter 1- 2023 quarter 4. The Special Allocation Fund (DAK) has a positive and significant effect on the long-term relationship on gross regional domestic product (GRDP), and has a positive and significant effect on the short-term relationship on gross regional domestic product (GRDP) in the West Coast Regency throughout 2014: Quarter 1- 2023 quarter 4.

Local governments can focus on diversifying local revenue sources, such as the development of tourism, local creative industries, or sustainable development of the agriculture and fisheries sectors. Increasing the per capita income of the community through skills training, education, and local business opportunities can also support a gradual increase in PAD. Prioritize DBH allocations for infrastructure projects that support economic growth, such as the construction of roads, irrigation, and other public facilities. Support sustainable local economic development programs, such as entrepreneurship training, small and medium enterprise (SME) coaching, and access to markets for local products. Ensure that DAK is allocated to projects that truly support local economic growth and sustainable infrastructure quality improvement. Monitor and evaluate the implementation of DAK projects to ensure the efficiency and effectiveness of the use of these funds.

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