

# The Influence of Regional Original Income, Village Fund Allocation, and Village Fund on Economic Growth East Kalimantan Province

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**ABSTRACT**— EG is an indicator to measure the success of a country's economic development. It is hoped that the revenue sourced from PAD can provide an increase in regional EG, besides that, with the allocation of DD and ADD, it is hoped that it can further increase economic growth both in villages and for the city and provincial districts. This study was to determine the effect of PAD, ADD, and DD on EG in East Kalimantan Province. This research was conducted by taking samples from 7 districts in East Kalimantan Province in 2015-2019. The analysis technique used in this study is the multiple linear regression. The results of this study indicate that PAD has an effect on EG, the ADD has no effect on economic growth, and DD has an effect on economic growth.

**KEYWORDS:** Village Fund, Village Fund Allocation, Local Income, Economic Growth.

## 1. INTRODUCTION

Regional development as an integral part of national development is essentially an effort to increase the capacity of regional government so as to create a reliable and professional capacity in running the government and providing excellent service to the community. National development seeks to achieve sufficiently high economic growth, which in turn will enable the realization of an increase in the standard of living and welfare of all people. Infrastructure development in a region greatly affects the pace of the regional economy. Indirectly, economic growth is also influenced by infrastructure development [4], [24]. In accordance with the theory of endogenous growth which states that one of the sources of growth is an increase in capital accumulation. The development of economic growth in Indonesia has fluctuated from year to year. The development of economic growth in Indonesia showed positive developments from 1999- 2007. Economic growth in Indonesia, then in the following years the Indonesian national economy experienced a recovery, although when compared to other Asian countries experiencing a similar crisis, the process of economic recovery in Indonesia was slightly slower. Fiscal decentralization is the delegation of authority to the regions in managing their own financial resources so that regions have more opportunities to manage their households. The decision to implement fiscal decentralization demands an increase in the economy in the regions because the basic principle of implementing fiscal decentralization in Indonesia is —money follows functions, namely the main function of public services being delegated, with central financial support through the handover of revenue sources to the regions. Indonesia's development policy strategy is to increase equitable development and its results through cross-sectoral development policies, especially in rural areas. This has opened opportunities for local and village governments to be responsible for managing their respective regional interests [23]. Regional autonomy is a solution in dealing with various problems that occur because of the disparity (inequality) of development between the center and the regions [2]. This gap occurs as a result of uneven development which results in high levels of poverty in Indonesia [2].

Economic growth is an indicator to measure the success of economic development. Economic development consists of changes in the rate of economic growth, poverty eradication, and reduction of income inequality. Gross regional domestic product is an indicator to measure economic growth which reflects the amount of added value generated from all production activities in the economy [16]. PDRB is divided into three types, namely GRDP based on the business field, usage, and income. In the GDP of the business fields, there are sectors that can be grouped according to business scale, either at current prices or at constant base prices. Revenue from Regional Original Income (PAD) is expected to have an impact on economic growth. The result of the increase in PAD also increases capital expenditures so that the quality of public services can improve. Capital spending is expected to improve public infrastructure, in order to increase economic growth. The higher the level of capital investment, the better the quality of the public and can increase public participation in development. The community can continue to increase economic activity and employment opportunities as well as increase national income and increase the level of community welfare where this allows for investment activities [11]. The increase in PAD is actually access to economic growth, regions with positive economic growth have the possibility of increasing PAD. Since programmed by the government, village funds have become one of the indicators that can affect economic growth in the village, with the village funds obtained by each village sourced from the State Revenue and Expenditure Budget (APBN), which can be used by every village to carry out infrastructure development. as a supporter in facilitating community activities to carry out various activities, because the better the infrastructure of a region will have an impact on the economy of the area, and will have an impact on the people of that area. The success of development carried out by a country (including Indonesia) can be seen from the welfare conditions of its people. In the development process, economic growth is always as high as possible. Economic growth describes or measures the achievement of economic development. The purpose of village funds is to alleviate poverty. The provision of village funds is a form of fulfilling the village's right to carry out its autonomy so that it grows and develops. The role of the village government in providing services, community welfare, and accelerating the development and growth of strategic areas must be improved, so that it can develop areas that are still lagging behind in a development area system [21]. The current theory of economic growth is based on the production capacity of human labor in the development process, also known as "investment in human capital". This means that increasing the capacity of the community becomes the most efficient foundation in carrying out development in an area. The assumption used in human capital theory is that formal education is a dominant factor in producing a high productivity society. Human capital theory can be applied to the condition that there are high technology sources efficiently and there are human resources who can take advantage of existing technology. This theory believes that investment in education is an investment in increasing people's productivity.

A developing country like Indonesia is currently experiencing an intermediate development stage, where the government must provide more public facilities such as health to increase economic productivity [22]. East Kalimantan as a province in Indonesia is also inseparable from the unequal income distribution problem that has been experienced by other regions. East Kalimantan Province of course has various problems that must be resolved, including the problem of economic growth and inequality in income distribution. The aspect of income distribution is an important thing to monitor because the equitable distribution of development results is one of the strategies and goals of national development in Indonesia. East Kalimantan's Gross Regional Domestic Product (GRDP) provides an overview of the performance of economic development over time. So that the direction of the regional economy will be clearer. GRDP at constant prices is used to show the overall rate of economic growth from year to year. Meanwhile, the economic growth of East Kalimantan Province was at minus in 2015 and 2016. Meanwhile, in 2017, the economy of East Kalimantan only grew 3.13 percent. Last year (in 2018), growth slipped to 2.67 percent. The economy of East Kalimantan in the first quarter of 2020 continued to grow positively despite a slowdown. Amid global uncertainty due to the Covid-19 pandemic, East Kalimantan's economic growth in the first quarter of 2020 grew by 1.27% (YoY). Economic

growth in that period continued to grow positively, as it was supported by export performance and the performance of manufacturing industry business fields. Based on the phenomena discussed above, the formulation of the problem in this study is whether local revenue, the allocation of village funds, and village funds have an influence on economic growth in East Kalimantan Province. With reference to the formulation of the problem, the purpose of this study is to analyze and find out about the effect of local revenue, the allocation of village funds, and village funds on economic growth.

## **2. Literature review**

### ***2.1 Theoretical basis***

Basically, the notion of economic growth describes economic progress in a country. Meanwhile, according to experts, interpret it differently, [10] defines economic growth as a long-term increase in providing various types of economic goods that continue to increase to the community. This ability grows on the basis of the technological, institutional, and ideological advances it requires. Economic growth is one indicator of successful development in an economy. The progress of an economy is determined by the amount of growth shown by changes in national output. The existence of a change in output in the economy is a short-term economic analysis. The definition of economic growth is the process of building an increasing economy of goods or products in a country. There are three main components in the economic growth of every nation. Capital accumulation, which includes all forms or types of new investments invested in land, physical equipment, and capital or human resources. The procurement of new factories, machinery, equipment, and raw materials will certainly increase a country's physical capital stock. Meanwhile, investment in human resource development in the form of providing formal education, on-the-job education and training programs, courses, and various other informal education, including quality teacher education with appropriate and relevant curricula, will certainly improve the quality, leadership. and labor productivity. In addition, there is population growth, which in the next few years will increase the number of workforces and technological advances [19]. Economic growth is defined as a quantitative measure that describes the development of an economy in a certain year when compared to the previous year. Economic growth is defined as an increase in Gross Domestic Product (GDP) regardless of whether the increase is greater or less than the population growth rate, and whether there is a change in the economic structure or an improvement in the institutional system or not. Based on the descriptions above, it can be understood that economic growth is the development of activities in the economy, which is reflected in the increase in GDP in the long term regardless of the size or size of population growth and changes in economic structure. Human capital is a fundamental source of economic productivity. Human capital is also an investment made by humans to increase their productivity. Human capital is an important factor in increasing economic productivity in a country. Human capital is a concept that first appeared in 1776 in classical economics.

Each region has the authority and obligation to explore its own financial sources by making every effort to increase PAD so that local governments can carry out increasingly stable government and development tasks for the welfare of their people. PAD is all regional revenue originating from the original regional economic sources of revenue obtained by the region from sources within its own territory which is collected based on regional regulations in accordance with applicable regulations [9], [5]. According to the Government Regulation of the Republic of Indonesia, Number 72 of 2005 concerning Villages, the allocation of village funds is part of the central and regional financial balancing funds received by districts/cities for villages of at least 10 percent, which is distributed proportionally to villages. Village Fund Allocation (ADD) refers to the Law of the Republic of Indonesia Number 6 of 2014 as part of the balance funds received by districts/cities of at least 10 percent in the APBD after deducting special allocation funds. The provision of ADD which is a form of fulfilling the village's right to carry out Village Autonomy so that it grows and develops following

the growth of the village itself based on diversity, participation, genuine autonomy, democratization, and community empowerment [1]. From the above understanding, the authors conclude that ADD is a part of village finances obtained from sharing local taxes and part of the central and regional financial balance funds received by the District/City for the village which are distributed proportionally. The benefits of village funds are prioritized to finance development and community empowerment in order to improve the welfare of rural communities, the quality of human life, and poverty alleviation, as outlined in the Village Government Work Plan (RKPD). Village funds have a broad impact, from a poverty perspective to growing the economy in rural areas. In terms of poverty, with village funds, the poverty rate in rural areas has doubled compared to that in cities. The Village Fund is not only to alleviate villages from poverty but also to attract young people not to urbanize. Village funds can create job opportunities for young people. Like what happened in Nglanggeran Village, thanks to the management of the Purba Volcano tourism, hundreds of youths got creative jobs managing tourism. It also happened in the Tourism Village in Dlingo District, Bantul, Yogyakarta. Hundreds of youths in this sub-district now enjoy working as managers of dozens of tourist objects scattered in their villages. Referring to Law No. 6/2014, village funds are funds allocated in the APBN, intended for villages and used to finance government administration, development implementation, community development, and community empowerment. Village funds are intended to improve public services in villages, alleviate poverty, advance the village economy, and address development gaps between villages. Village funds will be useful and have a positive role as a lubricant for the economic wheels of village development if they meet the classification, including use with good governance, avoid misuse of use, are transparent, optimal through self-management, and can be accounted for by conducting strict supervision. Since 2015, the Government of Indonesia has spent village funds amounting to IDR 187 trillion. With details, the 2015 budget was IDR 20.7 trillion, 2016 reached IDR 47 trillion, 2017, IDR 60 trillion in 2018, and 2019 IDR 60 trillion. The construction of various facilities encourages the increased and equal distribution of public facilities. In the end, the village is expected to be self-sufficient with its own economic activities in accordance with the characteristics and needs of the village. From the explanation of village funds, the authors conclude that village funds are funds sourced from the state budget allocated to villages, which aim to carry out development in villages in order to improve the standard of living and the economy in the village.

## ***2.2 Hypothesis development***

PAD is used to finance regional expenditures; therefore, PAD is a source of regional revenue. The existence of a source of funding in the form of infrastructure development and public facilities enjoyed by the community must be able to improve and prosper the people. Regions with positive economic growth have the possibility to get an increase in PAD. From this perspective, local governments should concentrate more on empowering local economic forces to create economic growth rather than simply issuing regulatory products related to taxes or levies [23]. Therefore, PAD must have an impact on economic growth, so that the regions will not be successful if they cannot increase significant economic growth despite the increase in PAD. If the opposite happens, then there are indications of excessive PAD exploitation of the community without paying attention to the productivity of the community itself. The increase in PAD is actually access to economic growth. Regions with positive economic growth have the possibility of getting an increase in PAD. This perspective suggests that local governments should concentrate more on empowering local economic forces to create economic growth rather than simply issuing regulatory products related to taxes and fees. The increase in PAD will encourage regional economic growth. An increase in PAD will trigger and spur regional economic growth to be better than the previous regional economic growth. The increase in PAD can also optimize and increase activities in sectors related to economic growth, such as industry and trade, the service sector, and other sectors. One of the main objectives of fiscal decentralization is the creation of regional independence. The regional government is expected to be able to explore local financial sources, particularly through PAD. If PAD increases, the funds owned by local governments will be higher. Several previous

studies stated that PAD is positive for economic growth and PAD also affects economic growth [8], [17], [12,]. Meanwhile, empirical findings from [14], [20], [6] prove that PAD has the opposite (negative) effect on economic growth.

H1: PAD has a positive effect on EG.

In the Law of the Republic of Indonesia No. 6 of 2014 (article 67, paragraph 2) states that villages have obligations, including improving the quality of life of rural communities, developing village community empowerment, and providing and improving services to village communities. ADD is intended to finance the Village Government program in carrying out government activities and community empowerment as well as improving the economy of the village community. ADD is a stimulant fund assistance or stimulant funds to encourage and finance village government programs supported by community self-help participation in carrying out government activities, development, and community empowerment. ADD is financial that comes from the central government, which is given to villages to build villages. The higher the village funds provided, the higher the level of village development. Increasing the level of development can increase the economic activities of the Bima Regency community. Therefore, the higher the village fund, the higher the economic growth of the area. This opinion shows that the allocation of village funds has an important role in regional economic growth. ADD is able to improve regional fiscal and economic performance and is able to reduce the number of poor people and increase the gross domestic product of the agricultural sector [15]. Meanwhile, [1] proved that the role of village fund allocation in the development of physical infrastructure in Mahakam Ulu District is still small. This shows, when the village fund allocation is properly allocated, it will increase economic growth, increase the human development index, and reduce poverty.

H2: ADD has a positive effect on EG.

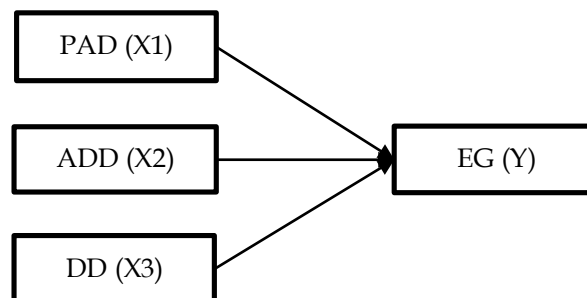
The term village funds itself first appeared officially in the Law of the Republic of Indonesia No. 6 of 2014 (article 72) regarding villages as one of the seven sources of village income. Basically, the purpose of allocating village funds is to improve public services, alleviate poverty, advance the village economy, address gaps between villages, and strengthen village communities. One of the important factors in providing village funds is to make changes and accelerate the wheels of rural economic development in the village. The village program will run according to the target time and as expected if it is supported by village funds which will streamline the development process in the village. Building from the village is one of the government's commitments to bring just economic equality. That is why the amount of village funds continues to be increased every year, including also for indigenous peoples in recognition of the rights of indigenous peoples. To achieve economic equality, the distribution of village funds must be followed by strengthening village institutions, as well as open budget management which needs to be developed for perfection. With good village governance through the principles of "good governance", the effort to become an independent prosperous village is not impossible. So the disclosure of recent cases in several media has become a measure of success in applying these principles. Examination of several village government personnel by legal officials because the implementation of development that has failed, is not qualified, misdirected, and does not meet the needs is a setback that must be evaluated. Towards an independent prosperous village that is advanced and prosperous will only be achieved by good, optimal, transparent, and accountable government governance. Building from the village is one of the government's commitments to present just economic equality. For this reason, the amount of village funds continues to be increased every year. Indigenous peoples are also given access to welfare. To achieve economic equality in the distribution of village funds, strengthening village institutions, and the openness of budget management need to be developed for improvement [22]. Village funds are able to provide opportunities for villages to develop the community economy. This development is

through training and marketing of community crafts, developing livestock and fisheries businesses, and developing tourist areas through Village-Owned Enterprises (BUMDes). The goal of community welfare can be carried out by the village by paying attention to the touch of initiation, innovation, creation, and cooperation between village officials and the community. With the better life in the village, it will have an impact on the village economy itself, because an area will progress if it is supported by the adequate infrastructure so that the existence of village funds will increase economic growth in the village [21], [1].

H3: DD has a positive effect on EG.

### 2.3 Conceptual framework

EG is an event, where there is a change in an area that is based on the increasing number of transaction activities carried out by the community as a result of the better per capita income of the community. An indicator of economic growth is the improvement in existing infrastructure and a source of income from activities that are being developed in the area. PAD is part of the financing used by regions in developing their territories, besides that there is also a policy from the government, namely the allocation of village funds and village funds that can be used to finance and build villages for the purpose of providing all facilities for the community to support activities. The purpose of this study was to analyze and determine the effect of PAD, ADD, and DD on EG. The conceptual framework of this study is described in Figure 1.



**Figure 1:** Variable model

## 3. Methodology

### 3.1 Measurement and objectivity

The associative quantitative approach is explained by emphasizing the theory of using research variables through data and statistical results [13] used as an approach in this study. Associative research is a study that has the aim of knowing the effect of two or more variables and to explain, predict, and examine a symptom [18]. This study uses research objects, namely the effect of PAD, ADD, and DD on economic growth in East Kalimantan Province. The data used in this study are 2016-2019. As from the objectives formulated in the introduction, the sample in this study was Kalimantan Province with data from 7 districts/cities that existed for 4 periods.

### 3.2 Data collection technique

The data used were collected using the documentation method, namely by studying existing documents from the Central Bureau of Statistics of East Kalimantan Province via the <https://kaltim.bps.go.id> page.

### 3.3 Explanation of variables

This research is a causality study, which aims to examine the effect of independent variables consisting of PAD, ADD, and DD, on the dependent variable, namely (EG). Operationally PAD is all regional revenue

originating from the original regional economic sources in East Kalimantan Province. Meanwhile, ADD is a financial budget provided by the government to villages, the source of which comes from the Regional Tax Revenue Sharing received by districts in East Kalimantan Province. DD is the financial budget given to the village government, the source of which comes from the central government (in this case the APBN) to the Province of East Kalimantan. Then, EG as per capita output in a certain period includes production, distribution, and consumption in the province of East Kalimantan.

### 3.4 Analysis model

Data analysis was carried out using quantitative analysis methods, namely by collecting, processing, and interpreting the data obtained so as to provide correct and complete information for solving the problems faced [7]. In analyzing the data, researchers used multiple regression analysis using SPSS software. The multiple linear regression analysis models use a significance limit of 0.05 (5%), so it can be formulated as follows:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where: Y = EG, b = constant, b<sub>1</sub>b<sub>2</sub>b<sub>3</sub> = regression coefficient for each variable, X<sub>1</sub> = PAD, X<sub>2</sub> = ADD, X<sub>3</sub> = DD, and e = error term.

## 4. Findings

Explaining the statistical results in analyzing the data is called descriptive statistics in Table 1. It can be explained that the PAD variable obtains an average value of 8.820 with a standard deviation value of 0.685, while the minimum value is 7.18, and the maximum value is 9.70. PAD as the most dominant variable among others (ADD, DD, and EG) in statistical terms. The next step is to test the data with the aim of knowing whether the data has been normally distributed or not. For more details, it is summarized in Table 2.

**Table 1:** Results of descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PAD	35	7.18	9.70	8.8209	.68584
ADD	35	8.39	8.66	8.5334	.09716
DD	35	6.98	8.27	7.8449	.32797
EG	35	-.85	.90	.3877	.36497
Valid N (listwise)	35				

Source: Own tabulation

**Table 2:** Normality test results

		Unstandardized Residual
N		35
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.31868861
Most Extreme Differences	Absolute	.079
	Positive	.043
	Negative	-.079
Test Statistic		.079
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

Source: Own tabulation

Table 2 highlights the acquisition of the Asymp value. Sig. (2-tailed) of 0.200, it can be concluded that all data used in this study are normally distributed. The autocorrelation test aims to examine whether a linear

regression model has a correlation between confounding errors in period  $t$  with errors in the previous period ( $t-1$ ). If there is a correlation, it is called autocorrelation disease. Of course, a good regression model is a regression that is free of autocorrelation [7]. To test the results of autocorrelation, it is necessary to do a test which is commonly called the autocorrelation test.

**Table 3:** Autocorrelation test results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.487 <sup>a</sup>	.238	.164	.33375	1.748

Source: Own tabulation

Table 3 presents  $dU < dw < -dU$  ( $1.6662 < 1.748 < 2.338$ ) according to the flux on D-W, so it can be concluded that the data used is free from autocorrelation. Next, a multicollinearity test was carried out, with the aim of seeing whether the data were mutually correlated or not. For more details, see Table 4. Based on the multicollinearity test, the acquisition of tolerance values for all variables is greater than 0.10, while for the acquisition of a VIF value less than 10. Referring to the existing provisions, it can be concluded that there is no multicollinearity symptom in this regression model. Testing observations with one another to check for inequality between variants is called the heteroscedasticity test. The heteroscedasticity test can be done by regressing the absolute residual value of the estimated model on the independent variable. If the significant level is greater than 5%, the regression model analyzed does not contain heteroscedasticity symptoms.

**Table 4:** Multicollinearity test results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	PAD	.556	1.800
	ADD	.926	1.080
	DD	.536	1.867

Source: Own tabulation

**Table 5:** Heteroscedasticity test results

Model		t	Sig.
1	(Constant)	-.465	.645
	PAD	3.300	.032
	ADD	.634	.531
	DD	-1.830	.077

Source: Own tabulation

Table 5 shows that all variables used, the significance value for each variable is above 5%, so it can be concluded that there is no heteroscedasticity symptom in the regression model. The next step is to test the hypothesis in order to determine the effect of each variable X on variable Y.

**Table 6:** Hypothesis test results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.507	5.773		.261	.796
	H1	.344	.112	.647	3.076	.004



	H2	.169	.612	.045	.276	.785
	H3	.445	.238	.400	1.868	.041

Source: Own tabulation

Acquisition for each variable, where for PAD (X1) and DD (X3) obtained t values of 3.076 and 1.868 with probability values of 0.004 and 0.041, so it can be concluded that PAD and DD have a positive and significant effect on EG (Y). On the one hand, ADD is a variable with a coefficient of 0.045 with a probability of 0.785 (above the requirement). These results state that ADD does not have a significant effect on EG (see Table 6).

## 5. Discussions

Empirical findings indicate that PAD has an influence on EG in East Kalimantan. The results of this study indicate that the increasing amount of PAD received by the East Kalimantan provincial government will have an impact on increasing supporting facilities in people's daily activities. With the increasing number of supporting facilities for the community, it will make it easier for the community to carry out various activities, especially activities that can have an impact on improving the economy because better facilities in an area will have an impact on changes in the regional economy. PAD is one of the sources of regional financing so that with the increasing number of PAD received, the budget allocation for infrastructure needs will also increase and of course the financing for improving supporting facilities will also increase. Indonesia as a developing country has economic growth which can be said to be in good condition amidst the sluggish global economic conditions. Indonesia's economic growth in the third quarter of 2016 grew by 5.04 percent. This is inseparable from the role of regional development which is an important part of the development of Indonesia. It is an archipelagic country consisting of 33 provinces and one of the provinces in Indonesia with a good economic growth rate in Bali Province. Bali Province is one of the regions with the tourism sector as the main backbone in maximizing regional economic growth. Our findings are consistent with what was done by [3], [6] that PAD has a positive effect on economic growth. PAD is a source of income that functions to finance the needs of the area, such as the development of infrastructure and infrastructure. The economic rate in an area is also influenced by the infrastructure in the area, the better the facilities and infrastructure, the more it will affect the rate of economic growth in that area. Good EG is influenced by various factors. In general, the main sources for EG are an investment. Investments that are able to improve the quality of capital or human and physical resources which subsequently succeed in increasing the number of productive resources and which can increase the productivity of all resources through new discoveries, innovations, and technological advances. Investment triggers EG and PAD because an increase in an investment indicates an increase in investment or capital formation. PAD is all regional revenue that comes from the original regional economic source, which is measured by the amount of the Regency / City PAD target for each fiscal year.

PAD is a source of regional revenue whose growth must be continuously spurred on. PAD aims to provide authority to local governments to finance the implementation of regional autonomy in accordance with regional potential as a manifestation of decentralization. PAD can be used as an indicator in assessing the level of independence of a region in managing its regional finances, the higher the ratio of PAD compared to total income the higher the level of independence of a region. Statistically, it shows that ADD does not have a significant effect on EG. This indicates that ADD is considered unable to provide an increase in economic growth in East Kalimantan Province. So, it is hoped that the government will always pay attention to all of its people, especially the provision of various public facilities. There is a real difference with previous studies conducted by [12], [8] that ADD can increase economic growth. The relationship between ADD and EG is one of the government programs whose main objective is to improve the welfare of the community. Where the village is given flexibility in terms of using the budget to finance various activities, especially the improvement of more adequate infrastructure. The analysis also highlights if DD has a positive and significant

effect on EG. This indicates that the village has utilized DD maximally and effectively to support village development. Thus, the policy of using DD indirectly contributes to efforts to realize development growth in accordance with the Regional Medium Term Development Plan (RPJMD). Intervention and its relation to the role of government in the people's lives are generally carried out through DD because this is a fiscal instrument provided by the government originating from the APBN which aims to provide flexibility to the village authorities. The village can carry out development in a better direction and can be utilized by the community. It is in agreement with the previous study by [15] who highlighted that DD also had a significant effect on EG to be an important part of this. The maximum use of DD for the benefit of the community is not only physical development but also non-physical development, namely improving human quality. DD is expected to be a suggestion to encourage regional development growth and its utilization will be synchronized with remote area development policies.

## **6. Conclusions**

Based on the study results obtained through statistical testing, it can be concluded that the two hypotheses (H1 and H3) have been accepted which proves that PAD and DD have a significant effect on EG. Meanwhile, the second hypothesis (H2) actually highlights that ADD does not have a significant effect on EG. This indicates that the ADD that has been given has not been able to have a positive impact on the village so far. Economic growth is a process of increasing the production of goods and services in all economic activities in a country in a certain period. Economic growth shows the extent to which economic activity will generate additional public income in a certain period. The granting of regional autonomy affects the economic growth of a region because it gives regional governments the freedom to make their own financial plans and make policies that can affect the progress of their regions. Based on the decision of the Indonesian People's Consultative Assembly No. XV / MPR / 1998, the government has issued a policy on regional autonomy on January 1, 2001, the Government of the Republic of Indonesia officially declared the start of the implementation of regional autonomy. With the existence of regional autonomy, it gave rise to new dimensions in the form of decentralization and deconcentration. Republic of Indonesia Law No. 32 of 2004 explains that part of decentralization is the transfer of government authority by the central government to autonomous regional governments to regulate and manage government affairs in the Indonesian system.

## **7. Implications and recommendations**

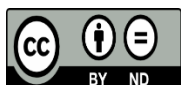
In addition to PAD, economic growth can also be affected by the allocation of village funds, wherewith the allocation of village funds, local governments can use these funds for development needs in the regions, according to their function, the allocation of village funds is intended to finance development in villages, the funds are sourced from the APBD, so that there is equitable development throughout the region, between urban and rural areas. The allocation of village funds is intended to give flexibility to villages to develop villages, without having to wait and depend on the local government. So that the village can carry out and finance all the needs in improving the economy in the village, the better the infrastructure will have an effect on improving the community's economy. The allocation of village funds is one that needs to be considered for a region in improving the standard of living of the community and equitable development. Thus, it is hoped that the allocation of village funds can continue to be increased in terms of quantity. The allocation of funds that is evenly distributed and right on target and the management of income sources in an optimal, efficient and effective manner in the use of the expenditure budget are the main things that must always be prioritized. The implication of this study is the need for an evaluation by the central government regarding ADD so that ADD can run effectively. Evaluation, in this case, can be carried out including socialization of government regulations and human resource training, so as to reduce the use of funds outside of priority and the potential for abuse of DD. Our suggestion goes to local governments so that they can optimize PAD sources and attract as much investment as possible from private investors because it can strengthen the influence of the

relationship between PAD and EG.

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