The Effect of the General Allocation Fund and the Special Allocation Fund on Economic Growth

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ABSTRACT

This study aims to determine the effect of General Allocation Funds and Special Allocation Funds on the Economic Growth of the Districts/Cities of South Sulawesi Province. The population in this study is the data on regional original income, general allocation funds, special allocation funds and gross regional domestic product at constant prices in 24 districts/cities of South Sulawesi province. The sampling technique uses purposive sampling technique, namely the technique of determining the sample with certain considerations. The type of data used is secondary data. Data obtained by doing documentation. The data obtained comes from the Realization Report of the Regional Budget (APBD) of South Sulawesi Province from 2015-2019. The analysis method uses the SPSS program. The data in this study will be tested with several stages of testing, namely descriptive statistical tests, classic assumption tests consisting of (normality test, multicollinearity test, autocorrelation test, heteroscedasticity test), and testing all hypotheses through the coefficient of determination test, partial test (t test) and simultaneous test (test f). The results of the study found that general allocation funds had a positive and significant effect on the economic growth of the Regency/City of South Sulawesi Province and special allocation funds had a significant negative effect on the economic growth of the Regency/City of South Sulawesi Province.

1. Introduction

Economic growth has become an important issue in every country's progress in the world. This is because economic growth can be used as a benchmark for increasing or decreasing a country's ability to produce goods and services within a certain period (Rofii & Ardyan, 2017). According to Sukirno (2011) economic growth is a tool to explain or measure the achievements of the development of an economy. Economic growth shows the extent to which economic activity can generate additional income or social welfare in a certain period. Increased economic activity must be supported from the funding side in order to increase the quality and quantity of products produced.

The economic growth of South Sulawesi Province is one of the highest nationally, national economic growth of 5.02% in 2019 where the economic growth of South Sulawesi Province is 6.92%, this means that the economic growth of South Sulawesi Province exceeds National Economic Growth (https://djpb.kemenkeu.go.id).

One measure of the achievement of this development is to use the Gross Regional Domestic Product (GRDP). According to the Department of Economic and Monetary Statistics of Bank Indonesia, GRDP is the total added value of goods and services generated from all economic activities in a region within a certain period, both at current prices and at constant
prices (Manggala, 2019). GRDP at current prices illustrates the added value of goods and services calculated using prices in the current year. GRDP at current prices is used to determine the ability of economic resources, shifts, and the economic structure of a region, while GRDP at constant prices shows the added value of these goods and services which is calculated using prices prevailing in a particular year as the base year. GRDP at constant prices is used to determine real economic growth from year to year or economic growth that is not affected by price factors. GRDP figures are used as material for comparison of development achievements between regions. The greater the GRDP value of an area, the higher the level of the regional economy (Dama, 2016). The higher the level of economic growth, reflects the accelerated growth of economic activity which is in line with the increase in social welfare (Handayani et al., 2016).

The average GRDP of South Sulawesi Province for the last five years led by Makassar City is 104,729,236.88 million rupiahs, then the lowest is Kep Regency. A total of 3,180,692.93 million rupiahs, GRDP growth in several districts/cities in South Sulawesi Province experienced significant fluctuations. The fluctuations that occur show that the economic performance of several districts/cities is still not good, this proves that many districts/cities in South Sulawesi Province have not been able to show significant changes in increasing their GRDP, even though in general South Sulawesi Province has a large contribution to growth. economy in Indonesia.

Regional government management, both at the provincial and district and city levels, entered a new era with the birth of Law Number 22 of 1999 and Law Number 25 of 1999 which regulate regional autonomy and fiscal decentralization. Then the government issued a new policy regarding regional autonomy, namely by enacting Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments. According to Law no. 32 of 2004 concerning Regional Government, decentralization is the transfer of government authority by the central government to autonomous regions to regulate and manage government affairs within the system of the Unitary State of the Republic of Indonesia (Indonesia, 2004).

The implementation of regional autonomy has been regulated in Law no. 9 of 2015 concerning the second amendment to Law no. 23 of 2014 concerning Regional Government. Regional governments have the authority to extract revenue and carry out an allocation role independently in setting development priorities through regional autonomy and fiscal decentralization. The existence of regional autonomy policies and fiscal decentralization is expected to be able to reduce vertical and horizontal inequalities between regions and to equalize development in accordance with the wishes of the regions to develop regions according to their respective regional potentials (Hastuti, 2018).

Balancing funds are divided into three components, namely General Allocation Funds (DAU), Special Allocation Funds (DAK), and Revenue Sharing Funds (DBH). In this study, the researchers only focused on the two components of the balancing fund, namely the General Allocation Fund (DAU) and the Special Allocation Fund (DAK). General allocation funds (DAU) are funds originating from APBN revenues which are allocated with the aim of equal distribution of financial capacity among regions to fund regional needs in the context of implementing decentralization (Ferdiansyah et al., 2018). One of the goals of the central government in providing assistance in the form of the General Allocation Fund (DAU) to regional governments is to stimulate economic growth in a region. So it can be interpreted that the greater the proportion of the General Allocation Fund (DAU) provided by the central government to regional governments, the greater the economic growth that will be obtained by a region (Triani, 2015). Meanwhile, the Special Allocation Fund (DAK) is a fund originating from the APBN that is
allocated to regions to help finance certain needs. DAK aims to help fund special activities which are regional affairs and in accordance with national priorities (Mutiah, 2015; Triani, 2015).

In a previous study conducted by (Siswiyanti, 2015) entitled Effects of PAD, DAU, DAK on Economic Growth with Capital Expenditures as Intervening Variables. The results of the study found that Regional Original Income (PAD) has an effect on the amount of Economic Growth with a positive value, General Allocation Fund (DAU) has an effect on the amount of Economic Growth with a positive value, Special Allocation Fund (DAK) has an effect on the amount of Economic Growth with a negative value and Expenditures Capital can be a mediating variable (intervening) between Regional Original Income (PAD) and Economic Growth.

Furthermore, research (Putri, 2015) found that local revenue has a significant effect on economic growth in districts or cities of Central Java Province, general allocation funds have no significant effect on economic growth in districts or cities of Central Java Province, and inflation has no significant effect on economic growth in districts or cities of Central Java Province. Furthermore, the results of the study (Nisa, 2017) found that Regional Original Income had a significant negative effect on Economic Growth, General Allocation Funds had a positive effect on Economic Growth and Tax Revenue Sharing had a positive effect on District/City Economic Growth in East Java Province in 2011-2015. And the results of the study (Siagian, 2018) found that there was a positive and significant effect of Local Own Revenue (PAD) on Economic Growth, there was a positive and significant influence on General Allocation Funds (DAU) on Economic Growth, and there was a positive but not significant effect on Special Allocation Funds (DAK) on Economic Growth.

Based on this background, this study aims to determine the effect of general allocation funds and special allocation funds on economic growth in districts/cities of South Sulawesi province.

2. Literature Review

Economic growth

According to Sukirno (2011) "economic growth is defined as the development of activities in the economy which causes the goods and services produced in society to increase and the prosperity of society to increase". So economic growth measures the achievement of the development of an economy from one period to another. The ability of a country to produce goods and services will increase. This increased ability is due to the increase in production factors both in quantity and quality.

Classical Economic Growth Theory

The classical economic growth theory was put forward systematically by Adam Smith, Joseph Schumpeter and John Maynard Keynes (Ayuningtias, 2018). The essence of Smith's teachings is the broadest freedom for society in determining economic activity to what it feels best to do without government interference. In addition, this free market economic system will create efficiency, bring the economy to full employment conditions, and guarantee economic growth until a stationary state is reached. Regarding Smith's thinking, Joseph Schumpeter's opinion said that a stationary position would not occur because humans would continue to innovate.

Factors Affecting Economic Growth
The process of economic growth is influenced by two kinds of factors, namely economic factors and non-economic factors. Economic factors, which are none other than factors of production, are the main forces influencing economic growth. The fluctuation in the rate of economic growth is a consequence of changes that occur in the factors of production (Dilliana et al., 2019; Muda & Ridha, 2018). In this modern era, the factors that influence the economy are diverse. Economists regard the factors of production as the main force influencing growth. Some of these production factors consist of (Adisasmita, 2013): a) Natural Resources, b) Organization, c) Capital Accumulation, d) Technological Advances, and e) Division of Labor and Production Scale.

According to the Central Statistics Agency (BPS) ‘South Sulawesi Province in 2019 there are several things that can affect economic growth including: a) the level of dependence on the primary sector, b) the role of consumption as a source of economic growth, c) infrastructure development, d) quality of natural resources people, e) public savings and f) regional government spending.

**General Allocation Fund (DAU)**

According to Abdul Halim (2013), the definition of general allocation funds are funds originating from the regional budget. Meanwhile, according to (Jayanti, 2020), the definition of general allocation funds are funds originating from the APBN which are allocated with the aim of equal distribution of financial capabilities between regions to fund regional needs in the context of implementing decentralization. In this study DAU can be seen from the budget realization report (LRA). The provisions in determining DAU according to the provisions of Law Number 33 of 2004 concerning Balancing are as follows: a) The General Allocation Fund (DAU) is determined to be at least 26% of domestic revenues stipulated in the APBN. b) The General Allocation Fund (DAU) for provinces and regencies/cities is set at 10% and 90% respectively of the General Allocation Fund as stipulated above. c) The General Allocation Fund (DAU) for a particular Regency/City is determined based on multiplying the amount of the General Allocation Fund for a Regency/City determined by the State Budget with the portion of the Regency/City concerned. d) The portion of the Regency/City as referred to above is the proportion of the weight of the Regency/City throughout Indonesia.

**Purpose of the General Allocation Fund**

Syahidin (2020) identified several objectives for the central government to provide assistance in the form of DAU (block grants) to regional governments, namely: a) To encourage the creation of justice between regions (geographical equity). b) To increase accountability (promote accountability). c) To promote a more progressive tax system. Local taxes tend to be less progressive, imposing high tax rates on people on low incomes. d) To increase the acceptability of local taxes. The central government subsidizes some local government spending to reduce local taxes. Meanwhile Aryanti (2018) explains that the purpose of establishing DAU is to reduce inequality in regional financing needs, DAU will provide certainty for regions to finance expenditure needs which are the responsibility of each region with a proportion of at least 26% of net domestic revenue has been determined in the state budget.

**The Relationship of Allocation Funds to Economic Growth**

According to (Boediono 2009; Nuari, 2017) "economic growth is a process of increasing output per capita in the long run". So, the percentage increase in output must be higher than the percentage increase in population and there is a tendency in the long run that this growth will continue. According to Boediono there are economists who make a more stringent
definition, namely that growth must "source from the internal processes of the economy" (Suweni, 2020). This last provision is very important to pay attention to in the regional economy, because it is possible for a region to experience growth but that growth is created due to the large amount of aid or injections of funds from the central government and the growth stops if the injections of funds are stopped. Injections of funds or income transfers from the central government to local governments are also known as balancing funds, one of the balancing funds provided by the central government to regional governments namely DBH, DAU, DAK. DAU is a block grant that is given to all districts and cities for the purpose of filling the gap between their capacity and fiscal needs, and is distributed according to a formula based on certain principles which generally indicate that poor and underdeveloped areas should receive more than rich areas. In other words, an important goal of DAU allocation is within the framework of equal distribution of public service provision capabilities among regional governments in Indonesia (Kuncoro, 2014; Febriana & Praptoyo, 2015).

**Special Allocation Fund (DAK)**

Special allocation funds are regional revenues obtained from the APBN which are intended to assist special activities in certain areas which are regional affairs and according to national priorities (Anggoro, 2017). DAK is primarily intended to finance the needs for basic community service facilities and infrastructure that have not yet reached standards or to accelerate regional development. The amount of the DAK value for a region is determined annually according to the availability of funds in the APBN. Because of its special nature, DAK is not given to all regions, but is only given to certain regions. In determining the regions that are entitled to DAK, the Government determines it based on general criteria, special criteria, and technical criteria. Regions can receive DAK if they meet three criteria, namely: 1. general criteria based on a net fiscal index. 2. special criteria based on laws and regional characteristics. 3. technical criteria based on the technical index of related fields.

**Purpose of the Special Allocation Fund**

Special Allocation Funds (DAK) are funds originating from APBN revenues allocated to certain regions with the aim of helping fund special activities which are regional affairs and in accordance with national priorities (Ferdiansyah et al., 2018). Programs that become national priorities are contained in the Government's Work Plan in the relevant fiscal year. Then, technical ministers propose specific activities to be funded from the DAK and are determined after coordination with the Minister of Home Affairs, Minister of Finance, and State Minister for National Development Planning, in accordance with the Government's Work Plan. The technical minister submits decisions regarding special activities to the Minister of Finance. In general, the purpose of special allocation funds is to finance the needs for basic community service facilities and infrastructure that have not yet reached standards or to accelerate regional development (Hairiyah et al., 2018).

3. **Research Method and Materials**

This type of research is quantitative research. The population in this study is data on regional original income, general allocation funds, special allocation funds and gross regional domestic product at constant prices in 24 districts/cities of South Sulawesi province. The sampling technique uses a porposive sampling technique, namely a sampling technique with certain considerations (Sugiyono, 2015). The sampling criteria used are: 1) Data published in BPS for 2018-2019. 2) Names of Regencies/Cities in the data on General Allocation Funds, Special Allocation Funds and Gross Regional Domestic Product at Constant Prices must be
written the same and have complete data. 3) If the names of regencies/cities are not the same, then the names of regencies/cities are taken which are the same between the data on General Allocation Funds, Special Allocation Funds and Gross Regional Domestic Product at Constant Prices. The following are Regencies/Cities in South Sulawesi Province which are the samples in this study.

The data for this study uses secondary data types collected from local government documents at the Central Bureau of Statistics (BPS) of South Sulawesi Province such as Regional Own Revenue, General Allocation Funds, Special Allocation Funds and Gross Regional Domestic Product at Constant Prices. The data used is time series data from the Regency/City of South Sulawesi Province in 2015-2019. Data collection techniques in this study used the documentation method. The data that has been collected will be tested with several stages of testing. The first stage is a descriptive statistical test. The second stage is the classical assumption test which consists of (normality test, multicollinearity test, autocorrelation test, heteroscedasticity test). The third stage is to test all the hypotheses proposed in this study and will be proven through the coefficient of determination test, partial test (t test) and simultaneous test (f test).

4. Results and Discussion

The first stage in analyzing the research data is descriptive statistical analysis. Descriptive statistics are used to find the average (mean) and standard deviation, maximum and minimum values of the variables of general allocation funds, special allocation funds and economic growth. The general allocation fund variable / DAU (X1) with a total of 48 data (N) has an average (mean) of Rp. 679,209,454.80 with a minimum value of Rp. 454,752,410 and a maximum of Rp.1,379,148,200 with a standard deviation of 192,714,864.4. While the special allocation fund variable / DAK (X2) has an average (mean) of Rp. 257,180,258.30 with a minimum value of Rp. 127,529,699 and a maximum of Rp. 469,382,187 with a standard deviation of Rp. 76,144,823.92. And for the economic growth variable (Y) it has an average (mean) of Rp. 13,390.938.40 with a minimum value of Rp. 3,422,670 and a maximum of Rp. 122,465,829 with a standard deviation value of Rp. 22,447,534.79.

The second stage is the classical assumption test which consists of a normality test aimed at testing whether in the regression model, the confounding or residual variables have a normal distribution. The normality test is intended to test normality, using the Kolmogorov-Smirnov test. Normality with a sample of 48 shows that the probability value is 0.200 > Sign 0.05. So that this value meets the assumption that the data is normally distributed based on the Kolmogorov-Smirnov test decision.

Next is the multicollinearity test used to determine whether or not there is a deviation from the classical assumption of multicollinearity, namely the existence of a linear relationship between the independent variables in the regression model. The test method used in this study was to look at the inflation factor (VIF) value in the regression model. The variance inflation factor (VIF) value of the investment variable is less than 5, so it can be concluded that between the independent variables there is no personal anmulticollinearity. It is known that the DW value = 1.507, compared to the significance table value of 5% (0.05) with a total sample of 48, the independent variable 2 (K = 2) = 1.43 so that the dU result is obtained from table r = 1.6176. The DW value is greater than the Du limit and less than (2-dU) = 2 – 1.6176 = 0.3824. So it can be concluded that there is no autocorrelation.

Next is the heteroscedasticity test used to determine whether or not there is a deviation from the classical assumption of heteroscedasticity, that is, there is an inequality of the variance
of the residuals for all observations in the regression model. The test method used is the Glesjer test.

Based on the Glejser test that has been carried out, it shows that heteroscedasticity occurs in variable X1 because 0.000 < 0.05 while for variable X2 there is no heteroscedasticity because of a significant value of 0.365 > 0.05.

The constant value (a value) is -46,655,265.59 and for the general allocation fund variable (X1) for the B value is 0.137. Meanwhile, the special allocation fund variable (X2) for the B value is -0.128 so that the multiple linear regression equation can be obtained as follows:

\[ Y = -46,655.265,59 + 0.137X1 - 0.128X2 + e \]

This model can be interpreted that the constant value of economic growth (Y) is -46,655,265.59 which states that if the variable General Allocation Fund (X1) and special allocation fund (X2) then economic growth does not increase to zero or equal to -196,621,447,6. The value of the regression coefficient (b1) for the General Allocation Fund (X1) variable in this study is 0.137, it can be stated that the General Allocation Fund (X1) has a positive effect on economic growth. This shows that when there is an increase of 1% in the General Allocation Fund (X1), it will have an impact on increasing economic growth by 0.137. While the coefficient value (b2) for the Special Allocation Fund (X2) variable in this study is -0.128, it can be stated that the Special Allocation Fund (X2) has a negative effect on economic growth. This shows that when there is a decrease of 1% in special allocation funds (X2), it will have an impact on a decrease in economic growth of 0.128.

The third stage is testing all hypotheses with a partial test (t test), simultaneous test (f test) and test the coefficient of determination. The coefficient of determination is used to measure how far the model's ability to explain the variation in the dependent variable.

The correlation coefficient (R) = 0.860 indicates that the correlation of the independent variable and the dependent variable, namely income (Y) is closely related to the variable general allocation funds (X1) and special allocation funds (X2) and is positive and close to 1.

The coefficient of determination (R2) = 0.740, which indicates that variations in economic growth (Y) in the districts/cities of South Sulawesi Province, can be explained by the variable general allocation funds (X1) and special allocation funds of 74%, while the remaining is 36%, influenced by other factors.

The F value is 63.983 with a significance value of 0.000, because the probability or Sig value indicates 0.000 is less than 0.05, the regression model can be used to predict general allocation funds and special allocation funds together or simultaneously affect economic growth.

Furthermore, the partial test (t test), aims to determine the partial effect of each independent variable of general allocation funds and special allocation funds on economic growth. The General Allocation Fund (DAU) variable has a calculated t value of 9.000 with a significant probability of 0.000. This shows that general allocation funds affect economic growth because the probability value is significantly less than 0.05. And the Special Allocation Fund (DAK) variable has a t-value of -3.326 with a significant probability of 0.002. This shows that special allocation funds affect economic growth because the probability value is significantly less than 0.05. Therefore the Special Allocation Fund (DAK) variable has an effect on economic growth.

Discussion
The results of hypothesis testing show that the general allocation fund variable has a positive and significant effect on the economic growth of the Regency/City of South Sulawesi Province. This means that the higher the DAU received by a regional government, the greater the regional government's GRDP value. This is because the role of the DAU is very significant, because regional spending is dominated by the total DAU. Each DAU received by the regional government will be designated for regional government expenditure, one of which is for capital expenditure. This is consistent with the theory which states that there is a positive influence between general allocation funds and economic growth, meaning that if general allocation funds increase, economic growth will also increase ceteris paribus. The General Allocation Fund is a type of transfer of funds between levels of government that is not tied to a particular expenditure program. This general allocation fund is intended to replace transfers in the form of subsidies to autonomous regions. The purpose of this transfer is to close the fiscal gap and equalize fiscal capacity between regions. So that the general allocation funds for each region will not be the same amount. Ferdiansyah (2018), states that the General Allocation Fund (DAU), is a fund originating from the APBN which is allocated with the aim of inter-regional financial equity to finance its expenditure needs in the context of implementing decentralization. With regard to the financial balance between the central and regional governments, this is a consequence of the transfer of authority from the central government to the regional governments. Thus, there is a significant transfer in the state budget from the central government to regional governments, and local governments can freely use these funds whether to provide better services to the community or for other purposes that are not important.

The results of research conducted by Siswiyanti (2015) state that the General Allocation Fund (DAU) has a significant positive effect on economic growth. This grant can be used for many purposes according to the needs. So that the General Allocation Fund (DAU) is one of the balancing funds that can be used to develop infrastructure and infrastructure in the area. And it is hoped that this development will have an impact on the rate of economic growth in the area so that fiscal imbalances do not occur. This research is also consistent with previous research conducted by (Gunantara & Dwirandra, 2014; Mawarni & Abdullah, 2013; Nisa, 2017) which says that the general allocation fund (DAU) has a significant effect on economic growth. This means that the higher the DAU received by a regional government, the greater the regional government's GRDP value. This is because the role of the DAU is very significant, because regional spending is dominated by the total DAU. Each DAU received by the regional government will be designated for regional government expenditure, one of which is for capital expenditure. This is not much different from the role of PAD, namely the development of infrastructure and infrastructure by the local government will have an impact on economic growth.

The results of hypothesis testing show that the special allocation fund variable has a negative and significant effect on the economic growth of the Regency/City of South Sulawesi Province. This is because the value of the special allocation funds received by the local government is used to fund special activities which are regional affairs. The specific activities in question are in accordance with the functions set by the APBN, for example for public services, education, and others. This means that it may not be misused/used for activities outside the provisions. The Special Allocation Fund (DAK) is one of the central government financial transfer mechanisms to the regions which aims, among other things, to increase the provision of regional physical facilities and infrastructure according to national priorities and reduce disparities in growth rates between regions and services between sectors (Talangamin
et al., 2021). One example of a special need which is a regional matter as well as a national priority includes: the need for transmigration, the need for several types of investment or infrastructure, road construction in remote areas, primary irrigation channels. However, it should be noted that not all regions receive the Special Allocation Fund (DAK), because the Special Allocation Fund (DAK) aims for equity and to improve the condition of physical infrastructure which is considered a national priority. So that the higher the Special Allocation Fund (DAK) in an area does not always mean the higher the rate of economic growth in that area. Because the Special Allocation Fund (DAK) is only used to finance development that is regional need and which is a national priority.

This research is consistent with previous research conducted by (Dewi & Suputra, 2017; Siswiyanti, 2015; Sulaeman & Silvia, 2019) stating that DAK has no effect on economic growth. This is because the value of the DAK received by the regional government is used to fund special activities which are regional affairs. The specific activities in question are in accordance with the functions set by the APBN, for example for public services, education, and others. This means that it may not be misused/used for activities outside the provisions

5. Conclusion

Based on the results of the research and discussion that have been described previously, it can be concluded that the general allocation fund has a positive and significant effect on the economic growth of the Regency/City of South Sulawesi Province. Meanwhile, the special allocation fund has a negative and significant effect on the economic growth of the Regency/City of South Sulawesi Province. This means that the general and special allocation funds are the determining factors for the increase and decrease in economic growth in the 24 districts/cities of the province of Sulawesi.

Based on the results and analysis conducted by the researcher, this study still has many shortcomings, so it needs to be corrected and considered again for further research. As for the suggestions that the researcher can give regarding the results of this study, namely first, it is hoped that the central government can increase returns in the distribution of general allocation funds in order to improve the quality of regional financial management to become more transparent in accordance with predetermined standards. Second, district/city local governments in South Sulawesi Province should be able to pay attention to and maximize the performance of their regional apparatus in an effort to increase local revenue. also maximize the use of DAU and DAK to overcome inequality of capabilities between regions and increase regional economic growth. Third, future research can improve the limitations in this study and increase the number of samples and years of observation to get comprehensive results.

6. References


