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THE INFLUENCE OF REGIONAL ORIGINAL INCOME, GENERAL ALLOCATION FUNDS, SPECIAL ALLOCATION FUNDS ON ECONOMIC GROWTH AND HUMAN DEVELOPMENT INDEX
(Study on Regency/City Government of East Java Province Year 2020-2022)

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ABSTRACT

The aim of this research is to determine the effect of Regional Original Income (PAD), General Allocation Funds (DAU), and Special Allocation Funds (DAK) on the Human Development Index (HDI) with Economic Growth as a mediating variable. The sample used in this research was 38 districts/cities in East Java during the period 2020 to 2022. The research method used was path analysis. The results obtained show that: (1) PAD has a positive and significant effect on economic growth, DAU has a negative and significant effect on economic growth, DAK has a positive and significant effect on economic growth; (2) PAD has a positive and significant effect on HDI, DAU has a negative and insignificant effect on HDI, DAK has a negative and significant effect on HDI, economic growth has a positive and significant effect on HDI; (3) PAD has an indirect and significantly positive effect on HDI through economic growth, DAU has an indirect and significantly negative effect on HDI through economic growth, and DAK has an indirect and significantly positive effect on HDI through economic growth.

Keywords: Regional Original Income, General Allocation Funds, Special Allocation Funds, Economic Growth and Human Development Index.

INTRODUCTION

Based on BPS data (2020), East Java Province's HDI from 2010 - 2019 has always increased and in 2019 East Java's HDI achievement has entered the high category, namely 71.50%. However, when compared with the other five islands of Java, namely West Java, Jakarta, Central Java, Yogyakarta and Banten, the HDI in East Java is still at the lowest proportion. This is due to the low level of education pursued by the majority of East Javanese people, who only reach junior high school. It can be seen from the gap in points for each district/city in East Java Province, while the government education program is up to nine years or until graduation from vocational school/high school. Apart from that, the low life expectancy is due

to poor nutrition in several areas of East Java. In fact, one of the pillars of Indonesia's economic strength is East Java and East Java's GDP contribution to Indonesia is almost 15% after DKI Jakarta. Then 50-70% of the goods in the central eastern province come from East Java.

During the 2011-2022 period, the slowdown in East Java's HDI growth occurred four times, namely in 2014 (slowing 0.87 percent), 2017 (slowing 0.76 percent), 2018 (slowing 0.71 percent), and in 2020 (slowing 0.30 percent). The slowdown in HDI achievement in 2020 was caused by a decrease in growth in the adjusted expenditure/capita/year component, while other components continued to grow positively. After the intensity of the COVID-19 pandemic gradually decreased, especially in 2022, economic activity recovered and caused the 2021 HDI to increase.

From this data, it can be seen that in 2017, East Java's HDI was 70.27 while the national HDI was 70.81. Then in 2018, there was an increase of 0.7% in East Java's HDI to 70.77 and the national HDI experienced a small increase, namely 71.39. In 2019, East Java's HDI increased by 1.0% to 71.5, while the national HDI rose slightly to 71.92. In 2020, East Java's HDI rose by 0.3% to 71.71, while the national HDI only rose slightly to 71.94. In 2021, there was an increase in East Java's HDI by 0.6% to 72.14, while the national HDI rose slightly higher to 72.29. In 2022, East Java's HDI will increase again by 0.8% to 72.75, while the national HDI will increase slightly to 72.91 (Central Statistics Agency, 2024).

East Java is one of the largest provinces on the island of Java with a population reaching 41.150 million people according to the 2022 population census series data with an area of 47,803.49 km2. So it is not surprising that East Java has many urban areas. East Java has several sectors that can encourage economic growth, namely agriculture, manufacturing industry, trade, hotels and restaurants. Even though it is still in the atmosphere of the Covid-19 pandemic, the realization of East Java APBD revenue in 2021 is ranked first nationally, reaching 103.97% of the revenue target of IDR. 32.9 trillion, as of December 31 2021 Rp. 34.2 trillion. In second place is Gorontalo Province with a percentage of 102.28%, while in third place is West Java Province with a percentage of 102.07%.

Table 1.2 Data on Realized APBD Revenue for East Java Province FY 2021

Description	Ceiling	Realization	Percentage
PAD	Rp. 16.2 trillion	Rp. 18.35 trillion	116.33%
a. Regional Tax	Rp. 13.1 trillion	Rp. 15.4 trillion	116.88%
b. Regional levies	Rp. 114.55	Rp. 110.95	96.86%

	billion	billion	
c. Regional Wealth Results	Rp. 435.73 billion	Rp. 408.64 billion	93.78%
d. Others PAD	Rp. 2.5 trillion	Rp. 3 trillion	118.24%
Transfer Income	Rp. 14.7 trillion	Rp. 15.1 trillion	102.9%
Other Regional Income	Rp. 174.74 billion	Rp. 158 billion	90.56%
Regional Shopping	Rp. 33 trillion	IDR 33.8 trillion	102.56%

Source: East Java Province Central Statistics Agency (East Java Province APBD 2021)

In the first quarter of 2021, East Java's economic growth reached Rp. 587.33 trillion measured using Gross Regional Domestic Product (GRDP) at current prices, while GRDP at constant prices reached IDR. 406.43 trillion. East Java's economic growth rate decreased by 0.44% in the first quarter of 2021 compared to the first quarter of 2020 (y-on-y). Because the 2021 RKPD has set an economic growth target of 4.07-5.77%, achieving this target requires more effort and commitment from the regional government and of course with support from the central government (Central Statistics Agency, 2023).

Indonesian economic data according to the Central Statistics Agency (BPS) shows that in the third quarter of 2021 it only grew by 3.51 percent year-on-year (yoy) and experienced a slowdown from economic growth in the second quarter of 2021 which grew by 7.07 percent (yo). The slowdown in the Indonesian economy in the third quarter of 2021 cannot be separated from the increasing number of Corona Virus Disease 2019 (COVID-19) cases.

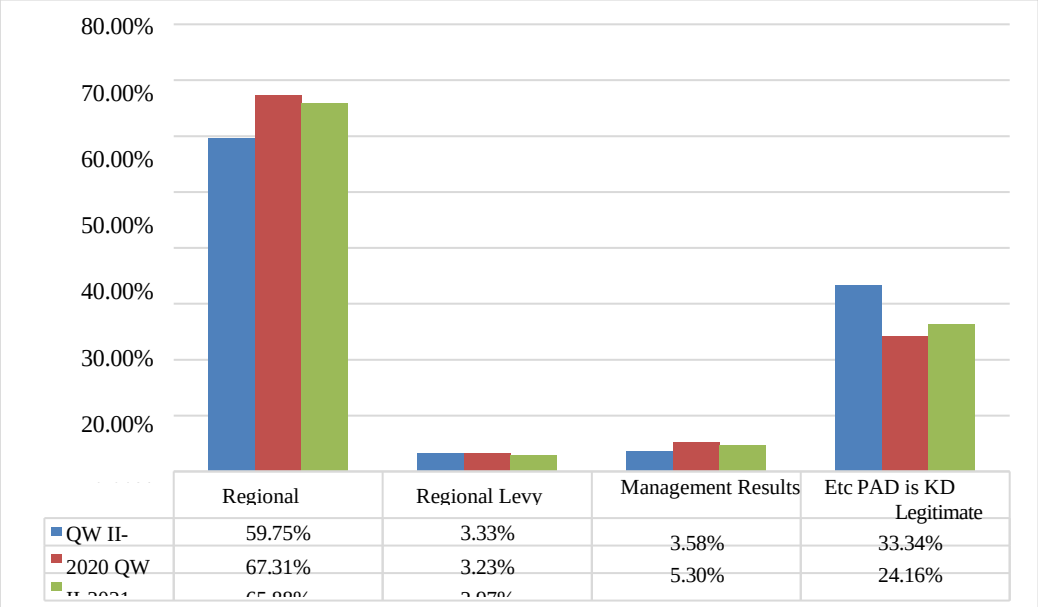
As a result of the spread of the Delta variant, the policy that the government can take is to limit community mobility, which is called the Implementation of Emergency Community Activity Restrictions (PPKM) starting from July 3 2021. The PPKM rules are contained in the Minister of Home Affairs Instruction Number 15 of 2021 concerning the Implementation of Restrictions on Community Activities.

The 2019 Corona Virus Disease emergency in the Java and Bali regions ultimately resulted in a decline in community activity both between the second quarter of 2021 to the third quarter of 2021, and from the third quarter of 2020 to the third quarter of 2021. As a result, national economic activity has also decreased due to the emergency PPKM status from the city center to the district level.

Even though the national economy is experiencing a slowdown due to the decline in the level of community mobility, BPS shows that there has been an increase in motor vehicle sales both quarter to quarter (q-to-q) and year on year (y-

on-y). Motorcycle sales in the third quarter of 2021 increased by 28.76 percent from the third quarter of 2020. Likewise, on a q-to-q basis, there was an increase in motorbike sales from the second quarter of 2021 to the third quarter of 2021 by 15.65 percent. Meanwhile, wholesale car sales (sales up to dealer level) also increased by 110.65 percent from the third quarter of 2020 to the third quarter of 2021. The sharp increase in car sales was caused by the Luxury Goods Sales Tax (PPnBM) incentive for middle and upper economic groups due to the national economic recovery due to the pandemic on the consumption side. BPS, (2021).

The deviation from the economic growth target in the third quarter of 2021 is considered to be still on a positive path and the Indonesian economy is still relatively normal because it is still in the PPKM period. However, the weakening of the economy cannot be underestimated because the continuous decline in economic growth will also affect the human development index itself, which is becoming increasingly uncontrollable.



Source: DJPK Data Portal, 2023 (processed)

Figure 1. Composition of PAD Realization in the Consolidated APBD in East Java Province Quarter II 2020-2022 (in Percent)

The composition of PAD realization experienced significant changes in 2020-2022 with the contribution of regional taxes to PAD in quarter II-2022 showing an increase of 65.88% or 6.13% compared to quarter II-2020. The contribution of regional levies in the second quarter of 2020 fell from 3.33% to 2.97% in the second quarter of 2022. Other contributions to legitimate PAD decreased sharply to 26.42%

in quarter II-2022 compared to quarter II-2020 which had a contribution of 33.34%.

Realization of PAD for Quarter II-2022 in East Java Province reached IDR 17.32 trillion or 44.05% of the target set in FY 2022. In nominal terms, this achievement increased by IDR 440.07 billion from the realization in Quarter II-2021 and decreased by IDR 227 .79 billion from the realization achievements in Quarter II-2020. Realization of the revenue target fell by 1.42% and 0.06% compared to the realization percentage in Quarter II-2021 and 2020.

The PAD component resulting from the Management of Separated State Assets experienced a decrease of minus 8.54%, and Regional Levy amounted to minus 5.60%, while the components that experienced an increase were Regional Taxes reaching 0.44% and Other Legitimate PAD amounting to 12.19 %. East Java Provincial Government's PAD has the highest contribution to Consolidated PAD reaching 48.30%, followed by the Municipal Government. Surabaya at 13.32%, Pemkab. Sidoarjo by 4.02%, and Pemkab. Gresik at 3.15%. Apart from these 4 (four) Regional Governments, the remaining 13 (thirteen) Regional Governments only have a PAD contribution to Consolidated PAD of less than 3 percent, furthermore 22 (twenty two) Regional Governments only contribute less than 1%.

The composition of PAD realization in the 2021-2022 period experienced quite significant changes where the contribution of Regional Tax to PAD decreased in Quarter II-2022 reaching 65.88% or an increase of 1.43% compared to the contribution in Quarter II-2021. The contribution of Regional Levies fell to 2.97% in Quarter II-2022 compared to Quarter II-2021 which reached 3.23%. The increase occurred in the contribution of other legitimate PAD, in Quarter II-2022 it reached 26.42% compared to Quarter II-2021 which had a contribution of 24.16%.

Ferdiansyah et al., (2018) stated that the General Allocation Fund (DAU) is funds originating from the APBN which are allocated with the aim of equalizing financial capacity between regions to finance regional needs in the context of implementing decentralization. Law Number 33 of 2004 concerning financial balance between the central government and regional governments explains that DAU aims to equalize financial capabilities between regions which is intended to reduce disparities in financial capabilities between regions through the application of formulas that take into account needs and potential.(Harahap, 2017). The provision of DAU from the center to regional governments is a consequence of the transfer of authority from the central government to regional governments.

Thus, with significant transfers into the APBN, it is hoped that regional governments can utilize DAU to provide better services to the community so that it will create healthy lives and longer life expectancies, improve the quality of education and the community's standard of living.Harahap, (2017). In this case, DAU is an important fund, the transfer of funds from the central government is funds

sourced from the APBN which are allocated to each region with the aim of reducing disparities in financial and economic capacity in a region. (Febriyanti and Titik 2017).

Special Allocation Fund dimintended to help finance activities that play an important role in the dynamics of the development of basic service facilities and infrastructure in areas, special activities in certain areas which are regional affairs and in accordance with national priorities, in particular to finance the needs of basic community service facilities and infrastructure that have not yet reached certain standards or to encourage the acceleration of regional development. Harahap, (2017).

Regional development will encourage local governments to improve the quality of human development oriented towards community welfare. The Human Development Index can be used to measure the level of human welfare which is closely related to fiscal decentralization, where the idea of fiscal decentralization is that the central government is responsible for ensuring the allocation of its monetary assets for regional government financial management. Hera, N (2020).

According to Nasution, AH (2016) since the enactment of the Law package regarding Regional Autonomy, many people often talk about the positive aspects. It cannot be denied that regional autonomy brings positive changes to regions in terms of regional authority to regulate themselves. However, it also raises several problems, namely the emergence of worry amidst optimism, namely:

1) Existence of Income Exploitation.
   a) One of the consequences of regional autonomy is greater regional authority in terms of financial management, both the revenue collection process and the allocation process. Having this kind of authority will create inherent risks, to obtain regional income they will make efforts to maximize, not optimize. This is driven by the fact that regions must have sufficient funds to carry out their activities.
   b) Many have intensified the collection of taxes and levies. What is considered to be exploitative like this will actually cause problems in the long term. Which shows that the government is unable to develop entrepreneurial traits (*entrepreneurship)*to society. These problems include the collection of taxes and levies, even though the items collected are only around one hundred rupiah, but if calculated per month what must be spent is not small.

2) Understanding of the Unsettled Concepts of Decentralization and Regional Autonomy.

   Decentralization is an implementation mechanism that concerns the pattern of relations between the national government and local governments in government. Decentralization is needed in order to increase the efficiency and effectiveness of government administration. As a vehicle

for political education in the region. To maintain the integrity of the unitary state or national integration. As a means of accelerating development in the region. And create a clean and authoritative government. Therefore, understanding of the concepts of decentralization and autonomy must be solid.

Based on Law No. 23 of 2014, Law No. 23 of 2014 concerning Regional Government regulates various aspects related to government at the regional level. The following are several important points regulated in the Law:

a) Division of State Territory: This law regulates the division of state territory, including regional government authority.
b) Authority of the Central Government: There are government affairs which are completely under the authority of the central government (absolute government affairs), as well as concurrent government affairs which are divided between the center, provinces and districts/cities.
c) Special Allocation Funds (DAK): When regions have financial limitations to finance government affairs, especially those related to basic services, the central government can use DAK to help regions in accordance with national priorities.

This law reflects the political reality that Indonesian citizens want a role inmanagement of one's own affairs. However, good government management is currently not being implemented optimally. The mentality of central and regional officials has not yet undergone fundamental changes. In Kristian Widya's research (2012), the regional budget is allocated more for employee expenditure. Approximately seventy percent of the regional budget is allocated for personnel expenditures. Around 120 regional governments are threatened with bankruptcy because of this.

Kristian Widya (2012) also revealed problems related to development gaps between regions. Starting between urban and rural areas, which causes regions in various regions to feel that the implementation of regional autonomy has not fully brought justice to society

3) The Condition of Human Resources for Government Apparatus That Has Not Fully Supported the Implementation of Regional Autonomy.

a) Since the implementation of regional autonomy, someRegional governments can carry out the constitutional mandate to improve the standard of living of the people, make the people prosperous and make the people smarter. Based on existing data, 20% of regional governments are able to implement regional autonomy and produce welfare for the people in the region. However, 80% of regional

governments are still considered to have not succeeded in implementing the vision, mission and decentralization program.

b) The human position is very important in this implementation because it is a dynamic element as a subject that drives the wheels of government organizations. So, unfavorable implications for the implementation of regional autonomy arise from the inadequate quality of mentality and human capacity.

4) Corruption in the Region

A phenomenon that has occurred for a long time in many circles related to the implementation of regional autonomy is the occurrence of corrupt practices in the regions. Many officials still have the habit of wasting people's money. Corrupt practices that still frequently occur include the process of procuring regional goods and services. The budget for an item is much greater than the market price. Providing excessive facilities to regional officials is also evidence of the regional government's lack of wisdom in managing regional finances.

RESEARCH METHODS

This research uses a quantitative research approach that is associative in nature, because the data or information collected is realized in the form of numbers or qualitative data that is added up (scoring). Associative research is used to analyze direct and indirect influences through a variable or intervening variable (Yuliarmi & Marhaeni, 2019:66). This research was designed as an expost-facto type of research. Expost-facto research is research carried out to examine an event that has occurred and then look back at the factors that could have caused the study to arise (Sugiyono, 2016: 23).

It is said to be ex post-facto (causality) because this research looks for the causal influence of the independent variable (X) on the dependent variable (Y2) through the intervening variable (Y1). In this study, researchers wanted to test the influence of the variables Original Regional Income, Special Allocation Funds, and General Allocation Funds on Economic Growth and the Human Development Index. Economic Growth in this research is an intervening variable.

RESEARCH RESULTS AND DISCUSSION

Data analysis

Descriptive Analysis of Research Variables

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	***Minimum***	***Maximum***	***Mean***	***Std. Deviation***
PAD	114	131.84	5314.70	554.3279	769.75901
DAU	114	367576298.00	1803388873.00	938294918.4386	305641696.93242
DAK	114	76136504.00	860898058.00	350804510.6754	154333696.12272
Economic growth	114	-6.46	8.88	1.6355	3.76730
HDI	114	62.70	82.74	72.3551	5.03888
Valid N (listwise)	114				

Source: Processed data, 2024

The results of descriptive statistical tests in Table 2 show that the number of N is 114. This means that there are 114 observation data examined for each variable. Referring to the data in Table 4.1, it can be explained that:

1. The Regional Original Income variable obtained a minimum value of 131.84 and a maximum value5,314.70. This means the amount of Original Regional Income inRegency/City of East Java Provincethe smallest was 131.84 billion Rupiah, namely what happened inPasuruan Cityduring 2021. Meanwhile, the amount of Original Regional Income inRegency/City of East Java Provincethe biggest is5.31470Billions of Rupiah, namely what happened toSurabaya City during 2022. The data shows a mean value of554.33with standard deviation769.76.This means that the average amount of Regional Original Income inRegency/City of East Java Provinceduring the 3 year research period from 2020 to 2022 it was 554.33 billion Rupiah.
2. The general allocation fund variable obtains a minimum value of367,576,298and maximum value1,803,388,873. This means the amount of general allocation funds inRegency/City of East Java Provincethe smallest is367,576,298 thousand rupiahnamely what happened toMojokerto Cityduring 2022. Meanwhile, the amount of general allocation funds inRegency/City of East Java Provincethe biggest is1,803,388,873 thousandrupiah that is what happened toJember Regencyduring 2020. The data shows a mean value of938,294,918.43with standard

deviationamounting to 305,641,696.93.This means the average amount of general allocation funds inRegency/City of East Java Provincefor the 3 year research period from 2020 to 2022 is equal to938,294,918.43 thousandrupiah.

3. The special allocation fund variable obtains a minimum value of76,136,504and maximum value860,898,058. This means the amount of special allocation funds inRegency/City of East Java Provincethe smallest is76,136,504 thousand rupiahnamely what happened toMadiun Cityduring 2020. Meanwhile, the amount of special allocation funds inRegency/City of East Java Provincethe biggest is860,898,058 thousandrupiah that is what happened toSurabaya Cityduring 2022. The data shows a mean value of350,804,510.67with standard deviationamounting to 154,333,696.12.This means the average amount of special allocation funds inRegency/City of East Java Provincefor the 3 year research period from 2020 to 2022 is equal to 350,804,510.67 thousandrupiah.
4. The economic growth variable obtained a minimum value of -6.46 and a maximum value8.88. This means the level of economic growth inRegency/City of East Java Provincethe smallest was -6.46 percent, which happened inStone Cityduring 2020. Meanwhile, the level of economic growth inRegency/City of East Java Provincethe biggest is8.88 percentnamely what happened toTuban Regencyduring 2022. The data shows a mean value of1,635 with standard deviation3,767.This means the average level of economic growth inRegency/City of East Java Provinceduring the 3 year research period from 2020 to 2022 it was 1.64 percent.
5. The Human Development Index variable obtained a minimum value of 62.70 and a maximum value 82.74. This means the level of the Human Development Index atRegency/City of East Java Provincethe smallest was 62.70 percent, namely what happened inSampang Regencyduring 2020. Meanwhile, the level of the Human Development Index inRegency/City of East Java Provincethe biggest is82.74 percentnamely what happened toSurabaya Cityduring 2022. The data shows a mean value of72.35with standard deviation 5,038.This means the average level of the Human Development Index is atRegency/City of East Java Provinceduring the 3 year research period from 2020 to 2022 it was 72.35 percent.

4 Path Analysis Results (Path Analysis)

Data testing in this research uses path analysis techniques (*Path Analysis*), where path analysis is an extension of multiple linear regression analysis to test the causal relationship between 2 or more variables. The stages of carrying out the path analysis technique are:

1) Calculation of path coefficients and determining structural model equations

Path coefficient calculations were carried out using SPSS 26.0 for Windows software, and the results obtained were shown in Table 3 below:

Table 3. Path Analysis Test Results (Structure 1)

Coefficients[a]						
Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	*Std. Error*	*Beta*		
1	(Constant)	27,935	5,937		4,705	,000
	PAD	,390	,095	,422	4,090	,000
	DAU	-1,446	,301	-.792	-4,805	,000
	DAK	1990E-9	,000	,460	2,741	,007
a. Dependent Variable: Economic Growth						

Source: Primary data processed, 2024

Based on the results of substructure path analysis 1 as presented in Table 4.2, the following structural equation can be created.

Y1 = 0.390

The regression coefficient value of the Original Regional Income and Special Allocation Fund variables is positive, thus indicating that the Original Regional Income and Special Allocation Fund variables have a significant positive effect on the Economic Growth variable (Y1). Meanwhile, the regression coefficient value of the General Allocation Fund variable is negative, thus indicating that the General Allocation Fund variable has a significant negative effect on the Economic Growth variable (Y1).

Table 4. Path Analysis Test Results (Structure 2)

Coefficients[a]						
Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*Q*	*Sig.*
		B	*Std. Error*	*Beta*		
1	(Constant)	6,015	,299		20,088	,000
	PAD	,075	,007	,785	11,258	,000

DAU	-.029	.026	-.153	-1.115	,267
DAK	-.082	,015	-.705	-5,463	,000
Economic growth	.012	,006	,119	2,019	,046

a. Dependent Variable: HDI

Source: Primary data processed, 2024

Based on the results of substructure path analysis 2 as presented in Table 4then the structural equation can be made as follows.

Y2 = 0.075 X1– 0.029 X2 – 0.082

The regression coefficient value of the Regional Original Income and Economic Growth variables is positive with a significance result of less than 0.05. This shows that the variables Original Regional Income and Economic Growth have a positive relationship with the Human Development Index variable (Y2). Meanwhile, the regression coefficient value of the General Allocation Fund and Special Allocation Fund variables is negative, thus indicating that the General Allocation Fund and Special Allocation Fund variables have a negative effect on the Human Development Index variable (Y2).

1) CoefficientDetermination (adjusted R2)

Table 5. Coefficient of Determination Results

Structure	Equality	*R Square*	*Adjusted R Square*
1	Y1 = 0.390 X1 – 1,446 X2 + 1,990 X3 + e1	0.242	0.221
2	Y2 = 0.075 X1– 0.029 X2 – 0.082	0.697	0.686

Source: Primary data processed, 2024

Table 5 shows in structural equation 1 (path analysis 1) the magnitude of the influence of the independent variable on the dependent variable as shown byThe determination value (R Square) of 0.242 means that 24.2% of the variation in Economic Growth is influenced by variations in Regional Original Income(X1),General Allocation Fund(X2), andSpecial Allocation Fund(X3)while the remaining 75.8% is explained by other factors not included in the model.

Meanwhile, in structural equation 2 (path analysis 2) the magnitude of the influence of the independent variable on the dependent variable is shown byThe determination value (R Square) of 0.697 means that 69.7% of the variation in the Human Development Index is influenced by variations in Regional Original Income(X1),General Allocation Fund(X2),Special Allocation Fund(X3) AndEconomic growth(Y1), while the remaining 30.3% is explained by other factors not included in the model.

Based on substructure 1 and substructure 2 models, a final path diagram model can be prepared. Before constructing the final path diagram model, the standard error value is first calculated as follows.

ei =$\sqrt{1 - \mathrm{R_i}^2}$

e1 = = = 0.871$\sqrt{1 - {R_1}^2}\sqrt{1 - 0{,}242}$

e2 = = = 0.550$\sqrt{1 - {R_2}^2}\sqrt{1 - 0{,}697}$

Calculations based on the effect of error (ei), obtained the results of the effect of error (e1) of 0.871 and the effect of error (Pe2) of 0.550. Therefore, the formulation of the regression equation formed is:

Y1 = 0.390 X1 – 1,446 X2 + 1,990 X3 + 0.871

Y2 = 0.075 X1– 0.029 X2 – 0.082

Referring to the results of the influence of these errors, the results of the total coefficient of determination are as follows:

R^2_m = 1 – $(e_1)^2$ $(e_2)^2$

= 1 – $(0{,}871)^2$ $(0{,}550)^2$

= 1 – (0,7586) (0,3025)

= 1 – 0,229 = 0.771

The total determination value of 0.771 means that 77.1% of the variation in the Human Development Index is influenced by variations in Regional Original Income,General Allocation Fund,Special Allocation FundAndEconomic Growth, while the remaining 22.9% is explained by other factors not included in the model.

Direct Effect Test Results

The influence of the variables Original Regional Income, General Allocation Funds and Special Allocation Funds on Economic Growth and the influence of the variables Original Regional Income, General Allocation Funds, Special Allocation Funds and Economic Growth on the Human Development Index was tested using the t test. The test criteria to explain the interpretation of the influence between each variable are if the significance value is <0.05 then H0 is rejected and H1 is accepted, if the significance value is >0.05 then H0 is accepted and H1 is rejected.

1) Direct influence of Original Regional Income (X1) on Economic Growth (Y1) of districts/cities in East Java Province.

a) Hypothesis Formulation

H_0:$\beta_1 \leq$ 0: Original Regional Income (X1) has no positive effect on Economic Growth (Y1)district/cityin East Java Province.

H_1:β_1 > 0: Original Regional Income (X1) has a positive effect on Economic Growth (Y1)district/cityin East Java Province.

b) Real rate 5% orα= 0.05

c) Testing Criteria

The significance value is 0.000 ≤ 0.05 thenH0rejected thenH1accepted.

d) Conclusion

Results of influence analysisregional original income on economic growthThe significance value obtained was 0.000 with a positive regression coefficient value of 0.390. A significance value of 0.000 < 0.050 indicates that H1 is accepted. This result means thatLocally-generated revenueinfluentialpositive and significant towards Economic Growth.

2) Direct influence of General Allocation Funds (X2) on Economic Growth (Y1) of districts/cities in East Java Province.

a) Hypothesis Formulation

H_0:β_2≤0: General Allocation Funds (X2) have no positive effect on Economic Growth (Y1) of districts/cities in East Java Province.

H_1:β_2>0 : General Allocation Funds (X2) have a positive effect on Economic Growth (Y1) of districts/cities in East Java Province.

b) Real rate 5% orα= 0.050

c) Testing Criteria

The significance value is 0.000 ≤ 0.05 thenH0rejected thenH1accepted.

d) Conclusion

Analysis resultsThe influence of the General Allocation Fund on Economic Growth obtained a significance value of 0.000 with a negative regression coefficient value of -1.446. A significance value of 0.000 < 0.05 indicates that H1 is accepted. This result means that the General Allocation Fund has a negative and significant effect on Economic Growth.

3) Direct influence of Special Allocation Funds (X3) on Economic Growth (Y1) of districts/cities in East Java Province

a) Hypothesis Formulation

H_0 :β_3≤ 0: Special Allocation Funds (X3) have no positive effect on Economic Growth (Y1) of districts/cities in East Java Province.

H_1 :β_3> 0 : Special Allocation Funds (X3) have a positive effect on Economic Growth (Y1) of districts/cities in East Java Province.

b) Real rate 5% orα= 0.05

c) Testing Criteria

The significance value is 0.007 < 0.05 thenH0rejected thenH1accepted.

d) Conclusion

Analysis resultsThe influence of Special Allocation Funds on Economic Growth obtained a significance value of 0.007 with a positive regression coefficient value of 1.990. A significance value of 0.007<0.05 indicates that H1 is accepted. These results mean that the Special Allocation Fund has a positive effect on the Economic Growth of districts/cities in East Java Province.

4) Direct influence of Regional Original Income (X1) on the Human Development Index (Y2) of districts/cities in East Java Province.

a) Hypothesis Formulation

H_0 :$\beta_4 \leq$ 0: Original Regional Income (X1) has no positive effect on the Human Development Index (Y2) of districts/cities in East Java Province.

H_2 :$\beta_4 >$ 0 : Original Regional Income (X1) has a positive effect on the Human Development Index (Y2) of districts/cities in East Java Province.

b) Real rate 5% orα= 0.05

c) Testing Criteria

The significance value is 0.000 ≤ 0.05 thenH_0rejected thenH_2accepted.

d) Conclusion

The results of the analysis of the influence of Regional Original Income on the Human Development Index obtained a significance value of 0.000 with a positive regression coefficient value of 0.075. A significance value of 0.000<0.05 indicates that H2 is accepted. These results mean that Regional Original Income has a positive and significant effect on the Human Development Index.

5) The influence of General Allocation Funds (X2) on the Human Development Index (Y2) of districts/cities in East Java Province.

a) Hypothesis Formulation

H_0:$\beta_5 \leq$0: General Allocation Funds (X2) have no positive effect on the Human Development Index (Y2) of districts/cities in East Java Province.

H_2:$\beta_5 >$0 : General Allocation Funds (X2) have a positive effect on the Human Development Index (Y2) of districts/cities in East Java Province.

b) Real rate 5% or α= 0.05

c) Testing Criteria

The significance value is 0.267 > 0.05 thenH_0rejected andH_2accepted

d) Conclusion

Analysis resultsThe influence of the General Allocation Fund on the Human Development Index obtained a significance value of 0.267 with a negative regression coefficient value of -0.029. The significance value of 0.267 > 0.05 indicates that H2 is rejected. This result means that the General Allocation Fund has a negative and insignificant effect on the Human Development Index of districts/cities in East Java Province.

6) The influence of Special Allocation Funds (X3) on the Human Development Index (Y2) of districts/cities in East Java Province.

a) Hypothesis Formulation

H_0:$\beta_6 \leq$0: Special Allocation Funds (X3) have no positive effect on the Human Development Index (Y2) of districts/cities in East Java Province.

H_6:$\beta_6 >$0 : Special Allocation Funds (X3) have a positive effect on the Human Development Index (Y2) of districts/cities in East Java Province

b) Real rate 5% or α= 0.05

c) Testing Criteria

Significance value 0.000 ≤ 0.05.

d) Conclusion

Analysis The influence of Special Allocation Funds on the Human Development Index obtained a significance value of 0.000 with a negative regression coefficient of -0.082. A significance value of 0.000 < 0.05 indicates that H6 is rejected. This result means that the Special Allocation Fund has a negative and significant effect on the Human Development Index.

7) Direct influence of Economic Growth (Y1) on the Human Development Index (Y2) of districts/cities in East Java Province.

a) Hypothesis Formulation

H_0:$\beta 7$ ≤0: Economic Growth (Y1) has no positive effect on the Human Development Index (Y2) of districts/cities in East Java Province

H_2:$\beta 7$ >0 : Economic Growth (Y1) has a positive effect on the Human Development Index (Y2) of districts/cities in East Java Province

b) Real rate 5% or α= 0.05

c) Testing Criteria

The significance value is 0.046 ≤ 0.05 then H_0 rejected then H_2 accepted.

d) Conclusion

Influence analysisEconomic Growth against the Human Development Index obtainedmarksignificantsi is 0.046 with a positive regression coefficient value of 0.012. Marksignificantsi 0.046 < 0.05 indicates that H7 is accepted. This result means that Economic growth influential positive and significant to the Human Development Index.

Sobel Test Results (Indirect Effect Testing)

The Sobel test is an analytical tool to test the significance of the indirect relationship between the independent variable and the dependent variable which is mediated by the mediator variable. The Sobel test is formulated with the following equation and can be calculated using the Microsoft Excel application. If the Z calculation value is greater than 1.96 (with a confidence level of 95 percent), then the mediator variable is considered to significantly mediate the relationship between the dependent variable and the independent variable.

1) Indirect effect of Regional Original Income (X1) on the Human Development Index (Y2) through Economic Growth (Y1) as an intervening variable.

Testing the indirect influence of the Regional Original Income variable (X1) on the Human Development Index variable (Y2) through the Economic Growth variable (Y1) as an intervening variable, is carried out using the following steps:

a) Hypothesis Formulation

H_0:β_8=0 : Economic Growth (Y1) is not an intervening variable for the influence of Original Regional Income (X1) on the Human Development Index (Y2) of districts/cities in East Java Province.

H_3:β_8≠0 : Economic Growth (Y1) as an intervening variable from the influence of Original Regional Income (X1) on the Human Development Index (Y2) of districts/cities in East Java Province.

b) A real level of 5% will result in a z table value of 1.96%

c) Testing Criteria

(1)If Z calculated ≤ Z Table 1.96 then$H0$ is accepted and H8 is rejected, meaning that Economic Growth (Y1) is not an intervening variable.

(2)If Z count ≥ Z Table 1.96 then$H0$ is rejected and H8 is accepted, meaning Economic Growth (Y1) is an intervening variable.

d) Calculation

To test the significance of the indirect effect, the z value of the ab coefficient is calculated using the following formula:

$$S_{b1b7} = \sqrt{b7^2 S_{b1}^2 + b1^2 S_{b7}^2}$$

$S_{\beta_1\beta_7}=\sqrt{(0{,}422)^2(0{,}006)^2 + (0{,}119)^2\ (0{,}095)^2}$

S_{b1b7}=0.01158508

Information :

Sb1b7	= the size of the indirect standard error
Sb1	= standard error of coefficient b1
Sb7	= standard error coefficient b7
b1	= path X_1against Y1
b7	= path Y_1against Y2
b1b7	= path X_1towards Y1 (b1) with path Y1 towards Y2 (b7)

To test the significance of the indirect effect, calculate the z value of the ab coefficient using the following formula.

$$Z = \frac{b1b7}{Sb1b7}$$

$Z = \frac{(0{,}119)(0{,}422)}{0{,}01158508} = \frac{0{,}050218}{0{,}0115850}$

Z= 4.336315

e) Conclusion

Therefore the calculated Z is 4.336315> 1.96. This means that Economic Growth (Y1) is a variable that mediates Original Regional Income (X1) on the Human Development Index (Y2) or in other words, Original Regional Income has an indirect effect on the Human Development Index.

2) Indirect influence of General Allocation Funds (X2) on the Human Development Index (Y2) through Economic Growth (Y1) as an intervening variable.

Testing the indirect influence of the General Allocation Fund variable (X2) on the Human Development Index variable (Y2) through the Economic Growth variable (Y1) as an intervening variable, is carried out using the following steps:

a) Hypothesis Formulation

H_0:β_9= 0 : Economic Growth (Y1) is not an intervening variable for the influence of the General Allocation Fund (X2) on the Human Development Index (Y2) of districts/cities in East Java Province.

H_3:β_9≠ 0: Economic Growth (Y1) is not an intervening variable for the influence of the General Allocation Fund (X2) on the Human Development Index (Y2) of districts/cities in East Java Province.

b) A real level of 5% will result in a Z table value of 1.96%

c) Testing Criteria

(1) If Z calculated ≤ Z Table 1.96 then$H0$ is accepted and H1 is rejected, meaning that Economic Growth (Y1) is not an intervening variable.

(2)If Z count ≥ Z Table 1.96 then$H0$ is rejected and H1 is accepted, meaning Economic Growth (Y1) is an intervening variable.

d) Calculation

To test the significance of the indirect effect, the z value of the ab coefficient is calculated using the following formula:

$$S_{b2b7} = \sqrt{b7^2 S_{b2}^2 + b2^2 S_{b7}^2}$$

$$S_{\beta_2\beta_7}=\sqrt{(-0{,}792)^2(0{,}006)^2 + (0{,}119)^2\ (0{,}301)^2}$$

S_{b2b7}=0.03613284

Information :

Sb2b7	= the size of the indirect standard error
Sb2	= standard error of coefficient b2
Sb7	= standard error coefficient b7
b2	= path X_2against Y2
b7	= path Y_2against Y2
b2b7	= path X_2against Y2 (b2) with path Y2 against Y2 (b7)

To test the significance of the indirect effect, calculate the z value of the ab coefficient using the following formula:

$$Z = \frac{b2b7}{Sb2b7}$$

$$Z = \frac{(0{,}119)(-0{,}792)}{0{,}03613284} = \frac{-0{,}094248}{0{,}03613284}$$

Z= -2.6083751

e) Conclusion

Therefore the calculated Z is -2.6083751 > -1.96. This means that Economic Growth (Y1) is a variable that mediates the General Allocation Fund (X2) on the Human Development Index (Y2) or in other words the General Allocation Fund has an indirect effect on the Human Development Index through Economic Growth.

3) Indirect influence of Special Allocation Funds (X3) on the Human Development Index (Y2) through Economic Growth (Y1) as an intervening variable.

Testing the indirect effect of the Special Allocation Fund variable (X3) on the Human Development Index variable (Y2) through the Economic Growth variable (Y1) as an intervening variable, is carried out using the following steps:

a) Hypothesis Formulation

H_0:β_{10}= 0 : Economic Growth (Y_1) not as an intervening variable in the influence of the Special Allocation Fund (X3) on the Human Development Index (Y2) of districts/cities in East Java Province.

H_3:β_{10}≠ 0 : Economic Growth (Y_1) not as an intervening variable from the influence of the Special Allocation Fund (X3) on the Human Development Index (Y2) of districts/cities in East Java Province

b) A real level of 5% will result in a Z table value of 1.96%

c) Testing Criteria

(1) If Z calculated ≤ Z Table 1.96 then $H0$ is accepted and H1 is rejected, meaning that Economic Growth (Y1) is not an intervening variable.

(2)If Z count ≥ Z Table 1.96 then $H0$ is rejected and H1 is accepted, meaning Economic Growth (Y1) is an intervening variable.

d) Calculation

To test the significance of the indirect effect, the z value of the ab coefficient is calculated using the following formula:

$$S_{b3b7} = \sqrt{b7^2 S_{b3}^2 + b3^2 S_{b7}^2}$$

$S_{\beta3\beta7}=\sqrt{(0.460)^2\ (0{,}006)^2 + (0{,}119)^2\ (0{,}000)^2}$

S_{b3b7}= 0.00276

Information :

Sb3b7 = the size of the indirect standard error

Sb3 = standard error of coefficient b3

Sb7 = standard error coefficient b7

b3 = path X_3against Y3

b7 = path Y_3against Y2

b3b7 = path X_3against Y3 (b3) with path Y3 against Y2 (b7)

To test the significance of the indirect effect, calculate the z value of the ab

coefficient using the following formula:

$$Z = \frac{b3b7}{Sb3b7}$$

$$Z = \frac{(0,119)(0,460)}{0,00276} = \frac{0,05474}{0,00276}$$

Z= 19.833

e) Conclusion

Because the calculated Z is 19.833 > 1.96. This means that Economic Growth (Y) is able to mediate the Special Allocation Fund (X3) on the Human Development Index (Y2) or in other words the Special Allocation Fund can indirectly influence the Human Development Index through Economic Growth.

Discussion of Research Results

The Influence of Original Regional Income, General Allocation Funds, and Special Allocation Funds on Economic Growth in district/city governments in East Java

The results of the analysis show that Regional Original Income has a positive and significant effect on Economic Growth, as indicated by a positive regression coefficient value of 0.390 and a significance value of 0.000 <0.05, so the hypothesis is accepted. This result means that the higher the Original Regional Income in districts/cities in East Java, the impact it will have on increasing economic growth in East Java Province. When economic activity increases, the flow of government revenue through PAD also increases. Government spending reflects government policy to improve people's welfare. PAD in the form of taxes, levies, management of separated regional assets, and other legitimate regional original income can contribute to increasing economic growth which is used to provide public services for the community (Siregar, 2023).

The results of the analysis show that the General Allocation Fund has a negative and significant effect on Economic Growth, as indicated by a negative regression coefficient value of -1.446 and a significance value of 0.000 <0.05. This result means that the higher the General Allocation Fund given to districts/cities in East Java, the more economic growth will decrease in districts/cities in East Java Province. The results of this research are in line with research by Rahma Putri Ayu Lestari, Intan Nur Safarina (2023) that an increase in the DAU variable is correlated with a decrease in Economic Growth in East Java. This negative relationship underlines that changes in the DAU variable contribute greatly to the observed variations in Economic Growth over a certain period. This finding is also supported by the results of previous research by Ni Wayan Ratna Dewi and I Dewa Gede Dharma Suputra (2017), which supports the idea that the General Allocation Fund (DAU) has a partially negative impact on Economic Growth. Thus, this research supports existing scientific viewpoints, and as such, contributes to a deeper

understanding of the complex relationship between DAU and Economic Growth, especially in the context of East Java Province.

The results of the analysis show that the Special Allocation Fund has a positive and significant effect on the economic growth of districts/cities in East Java Province, as indicated by a positive regression coefficient value of 1.990 and a significance value of 0.007<0.050, so the hypothesis is accepted. The positive direction between variables shows that the higher the Special Allocation Funds given to districts/cities in East Java, the impact it will have on increasing economic growth in districts/cities in East Java Province. Special Allocation Funds have a positive impact on economic growth in District/City regional governments in East Java Province because the DAK received by regional governments is allocated specifically to fund the needs for building facilities and infrastructure, one of which is infrastructure to encourage economic growth. This indicates that the development of facilities and infrastructure, especially infrastructure based on needs, can encourage the production of goods and services so that the regional economy will grow. These results are in accordance with research conducted by Kumala (2018), which obtained the results that DAK has a positive relationship with economic growth. This means that if DAK increases, economic growth will increase. These results support research by Panggabean et al (2022) which shows that Special Allocation Funds have a positive influence on Economic Growth. This means that the higher the Special Allocation Fund, the higher the Economic Growth, and vice versa. Similar research by Mokoginta et al. (2023) also found that special allocation funds had a positive and significant effect on economic growth.

The Influence of Original Regional Income, General Allocation Funds, Special Allocation Funds, and Economic Growth on the Human Development Index in district/city governments in East Java

The results of the analysis show that Regional Original Income has a positive and significant effect on the Human Development Index, as indicated by a positive regression coefficient value of 0.075 and a significance value of 0.000 <0.05, so the hypothesis is accepted. This result means that the higher the Original Regional Income in districts/cities in East Java, the impact it will have on increasing the Human Development Index in East Java Province.

The results of the analysis show that the General Allocation Fund and Special Allocation Fund have a negative effect on the Human Development Index, which is indicated by a negative DAU coefficient value of -0.029 and is not significant, and a negative DAK regression coefficient value of -0.082. This result contradicts the theory regarding DAK, where DAK aims to provide public service facilities in the context of accelerating regional development. These results indicate that the DAK received by the region will not have a positive impact on development if DAK

management is not implemented properly, Nashshar, et al (2022),. In addition, the use of DAK data that is not divided by field type can provide biased research results, where DAK funding is allocated to various national priority activity fields. Meanwhile, the HDI component only covers three areas, namely life expectancy at birth, average and expected length of schooling, and per capita expenditure per year.

Apart from that, the data shows a decrease in General Allocation Funds provided by Regencies/Cities in East Java Province from 2020 to 2022, causing a negative influence on the Human Development Index. These results support research conducted by Sulastri and Efendri (2021) which states that General Allocation Funds and Special Allocation Funds have a negative effect on the Human Development Index (HDI).

The results of the analysis show that economic growth has a positive and significant effect on the Human Development Index, as indicated by a positive regression coefficient value of 0.012 and a significance value of 0.046 <0.050, so the hypothesis is accepted. These results mean that the higher the economic growth in districts/cities in East Java, the impact it will have on increasing the Human Development Index in East Java Province.

These results support research conducted by Bahasoan (2019) which found that economic growth and HDI in Central Sulawesi Province showed a positive and significant relationship, meaning that for every 1 percent increase in economic growth, the HDI of Central Sulawesi Province would increase by 1.46. . The relationship between economic growth and human development explains that economic performance influences human development, especially through household and government activities. This result is also in accordance with research by Angela and Budhi (2021) which found that economic growth has a positive effect on the Human Development Index. This indicates that increasing economic growth by 1% will increase the human development index by 0.257.

The influence of Regional Original Income, General Allocation Funds, and Special Allocation Funds indirectly on the Human Development Index through Economic Growth in district/city governments in East Java

The results of the analysis show that Economic Growth (Y1) is a variable that mediates Original Regional Income (X1) on the Human Development Index (Y2) which is indicated by a calculated Z value of 4.3347> 1.96, thus Regional Original Income has an indirect effect on the Human Development Index through Economic Growth. This result means that the higher the Regional Original Income owned by districts/cities in East Java Province, the higher economic growth will encourage the Human Development Index to be better and higher for districts/cities in East Java Province.

The analysis results show that Economic Growth(Y1) is a variable that mediates the General Allocation Fund (X2) on the Human Development Index (Y2) which is indicated by the calculated Z value of -2.60837 > -1.96, thus the General Allocation Fund has an indirect effect on the Human Development Index through Economic Growth. This result means that the higher the General Allocation Funds received by districts/cities in East Java Province, the higher the economic growth, the better and higher the Human Development Index will be for the districts/cities in East Java Province. These results support research conducted by Noviasari (2017) which states that General Allocation Funds have a negative effect on Regency/City GRDP. This result is also in accordance with research by Angela and Budhi (2021) which found that economic growth has a positive effect on the Human Development Index.

The results of the analysis show that Economic Growth (Y1) is a variable that mediates the Special Allocation Fund (X3) on the Human Development Index (Y2) which is indicated by the calculated Z value of 19.833 > 1.96, thus the Special Allocation Fund has an indirect effect on the Index. Human Development through Economic Growth. This result means that the higher the Special Allocation Funds received by districts/cities in East Java Province, the higher the economic growth, the better and higher the Human Development Index will be for the districts/cities in East Java Province. These results support research conducted by Sulastri and Efendri (2021) which states that Special Allocation Funds have an effect on the Human Development Index (HDI).

CONCLUSION

The conclusions that can be drawn based on the previous explanation are as follows.

1) Regional Original Income and Special Allocation Funds have a positive and significant effect on Economic Growth. Meanwhile, the General Allocation Fund has a negative and significant effect on Economic Growth.
2) Regional Original Income and economic growth have a positive and significant effect on the Human Development Index. Meanwhile, General Allocation Funds and Special Allocation Funds have a negative effect on Economic Growth.
3) Regional Original Income, General Allocation Funds and Special Allocation Funds have an indirect effect on the Human Development Index through Economic Growth.

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