
The Impact of Regional Original Revenue, Regional Transfer Funds, Capital Expenditures, and Regional Government Surplus on Economic Growth

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Abstract:

This study aims to analyze the effect of local original income, transfer funds to regions, capital expenditure and silpa of local governments of regencies/cities in North Maluku Province in 2021-2024. The sample in this study was 40 samples taken using saturated sampling techniques. The analysis tool used was multiple linear regression analysis of panel data using Eviews 13 as a statistical test tool. The results of the study showed that: (1) local original income did not affect economic growth, (2) transfer funds to regions did not affect economic growth, (3) capital expenditures.

Keywords: *Economic Growth, Local Original Income, Transfer Funds to Regions, Capital Expenditure and Silpa*

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1. Introduction

The fiscal decentralization system introduced by the Indonesian government in 2001 has increased autonomy in managing regional economies. However, despite the implementation of fiscal decentralization, improving service quality, reducing disparities between regions, and developing regional economies remain challenges for regional governments. Therefore, it is important to understand the factors influencing economic growth in these regions. Regional governance is a form of government program designed to grant rights, authorities, and obligations to autonomous regions to regulate and manage government affairs and for the benefit of local communities within the Unitary State of the Republic of Indonesia (Nurjanna et al., 2023)

As autonomous regions, regions have the power and responsibility to represent the interests of their communities based on the principles of openness, public participation, and accountability to the community. The granting of regional

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autonomy is based on the premise that regions have a better understanding of the needs and level of public services in their regions. To meet all the needs of local communities, the Government strives to improve their own financial performance, primarily by increasing revenue from Regional Original Revenue (PAD). This is done both by increasing acceptance of new PAD sources, taking into account the economic situation and the potential of the local community in accordance with regulations (Sisilia & Harsono, 2021). Through Law Number 1 of 2022 concerning the ability of regions to obtain funds, it should be able to be improved. Through increasing PAD, which is considered capital sourced from the region, the accumulation should have a more positive impact and contribute to accelerating economic growth (Purbasari Heppy, 2024)

The State Budget (APBD) reflects the economic and social decisions of local communities. Revenue relates to budget revenues, particularly local taxes and import duties, related to the receipt of contributions and support from the Central Government. Locally-Owned Revenue (PAD) is the primary source of regional income and can be used to finance the implementation of the National Government and regional development. However, most local governments in Indonesia still rely on Central Government Transfer Funds, such as compensation funds, to cover regional expenditures (Halim, 2001). According to Anikmah and Hari (2021), central government revenue is a crucial source of income for local governments. The state also hopes that not all regions rely on compensation funds to meet regional spending needs. Regions are expected to be financially independent and reduce dependence on the central government.

By utilizing these funding sources, regional governments can optimize budget allocation and use not only to benefit economic development and progress, but also to improve the welfare of local communities. For regional governments to promote regional development and economic growth, securing investment and funding for investment is paramount. Both domestic and foreign investment play a crucial role in accelerating regional economic.

According to Government Accounting Standards (SAP), capital expenditures are expenditures incurred as part of capital formation and generate benefits over several accounting periods, including maintenance costs, maintenance or renewal expenses to extend the useful life of assets and also increase the capacity and quality of the system. According to Sri and Wa (2022), the purpose of capital expenditures is to build public facilities that can improve the quality of public services. The allocation of resources in the capital expenditure budget is a process that has political interests. This budget is actually intended to cover the community's need for public facilities and infrastructure provided by the Regional Government

Increasing Economic Growth is a goal expected by a region, to achieve this goal it is expected that the Regional Government will implement its regional autonomy which has been given authority from the Central Government to manage the finances of each Regional Government. The source of Regional funding for financing various

public facilities is the utilization of the Budget Financing Surplus (SILPA). SILPA is the surplus between the realization of revenue and expenditure as well as the receipt and expenditure of financing in the APBN/APBD during one year of the reporting period. The Budget Financing Surplus of the previous year is regional financing receipts used to cover the budget deficit when the realization of revenue is less than the realization of expenditure.

By utilizing these funding sources, regional governments can optimize budget allocation and use not only to benefit economic development and progress, but also to improve the welfare of local communities. For regional governments to promote regional development and economic growth, securing investment and funding for investment is paramount. Both domestic and foreign investment play a crucial role in accelerating regional economic development by driving growth and creating jobs. The government carries out infrastructure development and adds community development funding to that infrastructure, commonly referred to as capital expenditure (Putri and Manisha, 2021).

In North Maluku Province, the influence of Regional Original Revenue (PAD), Regional Transfer Funds, Capital Expenditures, and the Surplus (Silpa) on Economic Growth can be seen from the region's fiscal and economic performance in 2024. Realized regional revenue reached IDR 13.12 trillion, with the largest contribution coming from Regional Original Revenue (TKD), which reached 90.39% of total regional revenue, while PAD only contributed 10.13%. Realized regional expenditure amounted to IDR 10.70 trillion, with a focus on goods expenditure and Capital Expenditures for infrastructure such as roads and bridges. Despite a contraction in regional spending of -3.16% compared to the previous year, the processing and mining sectors remained major contributors to regional economic growth. North Maluku's performance in 2024 showed positive growth, with the transportation and warehousing sectors experiencing significant increases due to increased port activity. However, the high dependence on TKD indicates the need for efforts to increase Regional Original Revenue (PAD) and more efficient management of regional expenditure to support sustainable economic growth. The purpose of this study is to determine the influence of Regional Original Revenue (PAD), Regional Transfer Funds, Capital Expenditures, and the Surplus (Silpa) on Economic Growth.

2. Theoretical Background

Fiscal Federalism Theory

The theory of fiscal federalism explains the relationship between decentralization and the economy, public welfare, and public services. The form of fiscal federalism is a tiered government structure where each level is assigned responsibilities and sources of revenue. Therefore, fiscal federalism is a basic unit of guidance established in a region to prepare national and regional government finances. In the

draft, fiscal federalism is defined as the government level (city/district), which is an extension of the central government

The definition of fiscal federalism theory developed by Hayek, Musgrave, and Oates (1972) in (Muhammad, 2012) explains that economic growth is achieved through fiscal decentralization through the implementation of regional autonomy. Fiscal decentralization can increase economic growth and public welfare because the central or regional government will be more efficient in producing and providing public goods. Decentralization will increase economic efficiency because regional governments know their regions better than the central government in providing public services. This creates activity efficiency and triggers faster economic growth in the regions. This theory explains how financial decentralization can increase the efficiency and welfare of local communities. This theory shows that by granting autonomy to regional governments to manage their regional financial resources, this theory also regulates the relationship between the central government and regional governments

Economic Growth

Economic growth is also a crucial indicator for assessing the performance of an economy, particularly for analyzing the results of economic development in a region. Growth occurs when the production of goods and services increases compared to previous years (Etik and Syahrur, 2018). Economic growth achieved by a regional economy at a relatively high level of economic growth is highly effective in improving public welfare, as it increases through the creation and expansion of jobs and business opportunities that accompany economic growth. In other words, economic growth will have a down-hatching effect through the creation and absorption of labor, resulting in an increased income for the population and ultimately increasing economic growth.

Regional Original Revenue

Regional Original Revenue (PAD) is income derived from sources within a region. Regional Original Revenue is collected through various laws and regulations applicable in each region and is used to meet all regional needs. (Farras et al., 2023). Regional revenue is a right held by the Regional Government that increases the value of net assets. In Law No. 1 of 2022 which regulates the financial relationship between the Central Government and Regional Governments, there is a financial management system that regulates the financial rights and obligations between the Central Government and Regional Governments which are implemented fairly, transparently, accountably and in harmony

Regional Transfer Funds

Regional Transfer Funds are funds originating from the Regional Revenue and Expenditure Budget (APBN). These funds are provided to regions for the implementation of decentralization, consisting of special autonomy funds and

adjustments. Regional Transfer Funds consist of the General Allocation Fund, Special Allocation Fund, and Revenue Sharing Fund.

General Allocation Funds are funds provided to regional governments from the State Revenue and Expenditure Budget (APBN). By providing flexibility to regional governments, these funds can be used to promote fiscal equity among regions and for various purposes such as employee salaries, infrastructure, and social programs. Furthermore, there are no strict provisions for the use of these funds

Special Allocation Fund This fund is allocated to certain regions with the aim of helping fund special activities that are regional affairs and in accordance with the regulations stipulated by Law Number 1 of 2022 which has stricter usage compared to DAU. Pauer et al (2020) stated that the allocation of DAK can have an impact on the Capital Expenditure budget because DAK adds to the fixed assets owned by the Government in improving public services

Revenue Sharing Funds (DBH) are funds allocated based on APBN revenues and specific performance, provided to non-producing regional governments to increase equity within a region, aiming to reduce fiscal disparities between the central and regional governments. DBH can be considered a crucial fund for regions receiving revenue from the central government. Revenues include personal taxes or taxes derived from the central government, acquisition fees, building taxes, and others.

Capital Expenditures

Capital expenditures are expenditures used to improve an existing asset or investment and generate profits over a specific period. Capital expenditures are government expenditures made to form capital. Capital expenditures can include land, equipment, machinery, buildings, and structures. Increasing capital expenditures in the form of fixed assets such as infrastructure, equipment, facilities, and infrastructure is crucial for increasing economic productivity, as higher capital expenditures lead to higher economic productivity.

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Hypothesis Development

The Effect of Locally Generated Revenue on Economic Growth

Locally Generated Revenue is the income received by a region, which is levied based on the size of its revenue. Increasing Locally Generated Revenue (PAD) is actually a pathway to Economic Growth, as regions with positive Economic Growth are more likely to experience increases in PAD. This perspective suggests that Regional Governments should focus more on empowering local economic forces to generate Economic Growth rather than simply issuing legislation related to taxes and levies. Increasing Locally Generated Revenue (PAD) becomes a pathway to increased Economic Growth because the community participates in the regional government network. Research conducted by Febry et al. (2016) and (Haris, 2023) found that Locally Generated Revenue has a positive effect on Economic Growth.

H1: Locally Generated Revenue has a positive effect on Economic Growth

The Impact of Regional Transfer Funds on Economic Growth

Transfer funds, or balancing funds, are a source of revenue derived from the State Budget (APBN) to support the implementation of regional government authority in achieving the goals of granting regional autonomy, particularly improving public services and welfare. Balancing funds include the Special Allocation Fund (DAK), used to finance government projects, the General Allocation Fund (DAU), used to pay employee salaries, and tax and non-tax revenue sharing funds, used to address vertical inequality between the central and regional governments (Nurzen and Riharjo, 2016) cited in Irawaty et al., 2022). Research conducted by Laodini et al. (2023) and Meiran & Lilik, 2023, found that Regional Transfer Funds have a positive effect on economic growth.

H2: Regional Transfer Funds have a positive effect on economic growth

The Impact of Capital Expenditure on Economic Growth

Capital expenditure is part of the regional government budget, designed to create capital formation in the region, with the aim of increasing fixed assets in the region. Capital expenditures undertaken by regional governments, such as construction and improvements, enable the community to enjoy the benefits of regional development. Government investments contribute to the regional economy. The availability of good infrastructure is expected to create efficiency and effectiveness in various sectors, increasing community productivity, which in turn will lead to increased economic growth (M. Abdul et al., 2021). Research conducted by T, G, and Anjely (2023), Santi (2014), and Waryanto (2017) indicates that capital expenditure has a positive effect on economic growth.

H3: Capital expenditure has a positive effect on economic growth

The Impact of Budget Surplus (SiLPA) on Economic Growth

The Budget Surplus (SiLPA) is the unused budget remaining from the previous year and is re-budgeted for the following year. Capital expenditure, on the other hand, is spending used for investment in long-term assets such as buildings, roads, bridges, and other public facilities. SiLPA primarily occurs due to inaccurate budget planning, lower-than-budgeted spending, or higher-than-expected revenue. SiLPA is often considered a good indicator of government financial management performance because it demonstrates effective and efficient financial management. Research conducted by (Eka et al., 2021) states that Silpa has a positive impact on Economic Growth.

H4: Silpa has a positive impact on Economic Growth

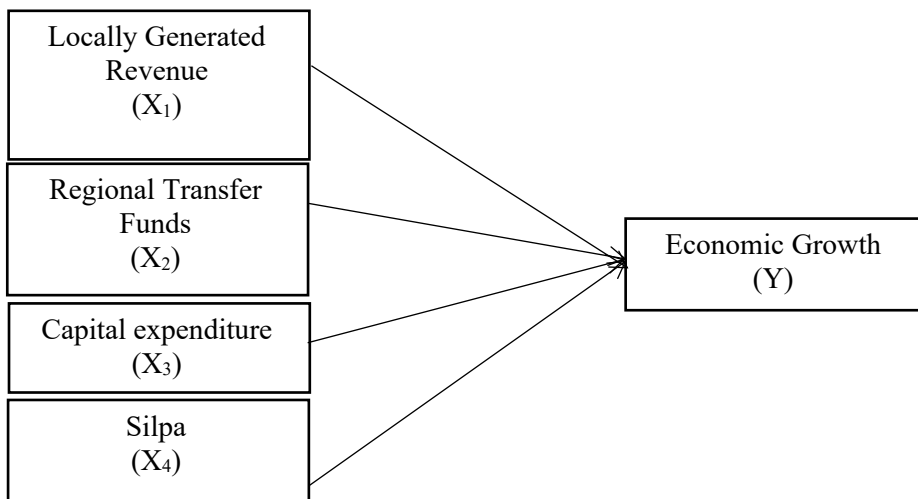


Figure 1 Framework of Thought

3. Methodology

Data Types and Sources

This study uses quantitative data, and the data source used is secondary data in the form of panel data regression. The data sources used in this study were secondary data obtained from the Central Statistics Agency (BPS) and the Directorate General of Fiscal Balance.

Data Collection Techniques

This study employed a documentary study for data collection, collecting secondary data in the form of Regional Original Revenue, Regional Transfer Funds, Capital Expenditures, and Budget Surplus (Silpa) for 2021-2024, obtained from the DJPK (Directorate General of Fiscal Balance) website, books, articles, and other relevant data.

Data Analysis Model

The analytical method used to test the variables in this study was multiple linear regression analysis. This multiple linear regression analysis was used to determine the effect of independent variables on the dependent variable. Data analysis using EViews was used to analyze the regression data

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

Y = Economic Growth

α = Constant

β_1 - β_4 = Regression coefficient

X1 = Investment

X2 = Capital Expenditure

X3 = Transfer Funds to Regions

X4 = Local Original Income

E = Error term

Operational Definition of the Variable

Economic Growth

Economic growth is an increase in output or real income. A region's economic growth can be measured using an indicator called Gross Regional Domestic Product (GRDP). The data unit used is a percentage sourced from the Central Statistics Agency (BPS) or the Ministry of Finance.

Regional Original Income

Regional Original Income is revenue from a region's own sources collected based on regional regulations and applicable laws and regulations. It consists of regional taxes (HPD), regional levies (RD), income from regional company profits (PLPD), and other legitimate income (LPS). Regional Original Income is measured by looking at the total revenue received by the regional government from regional sources. The data unit used is the Rupiah, sourced from the Central Statistics Agency (BPS) and the Directorate General of Fiscal Balance.

Regional Transfer Funds

Regional Transfer Funds are allocated funds from the State Budget (APBN) provided to regional governments. These funds include the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue Sharing Fund (DBH).

The General Allocation Fund (DAU) is a distribution of funds from the Central Government to regional governments sourced from APBN revenues. The goal is to ensure equitable distribution of financial resources across regions. The data unit used is Rupiah, sourced from the Central Statistics Agency (BPS) and the Directorate General of Fiscal Balance.

The Special Allocation Fund (DAK) is a balancing fund distributed to specific regional governments and derived from APBN revenues. Its purpose is to help fund

specific local activities. The data unit used is Rupiah, sourced from the Central Statistics Agency (BPS) and the Directorate General of Fiscal Balance

DBH (Revenue Sharing Fund) is a fund sourced from the State Budget (APBN) allocated to the government based on a percentage to fund regional needs for the implementation of decentralization. The data unit used is the Rupiah, sourced from the Central Statistics Agency (BPS) and the Directorate General of Balance

Capital Expenditures

Capital Expenditures are expenditures originating from a regional government budget used to acquire fixed assets or other assets that can provide benefits for more than one period. Capital Expenditures are measured using total capital expenditures, consisting of land capital expenditures, equipment and machinery capital expenditures, building and construction capital expenditures, roads, irrigation and network capital expenditures, and other physical capital expenditures, as reported in the Budget Realization Report (LRA) in the Government Financial Report. This data is obtained from the Central Statistics Agency (BPS) and the Directorate General of Fiscal Balance.

Silpa

The Budget Financing Surplus (SILPA) is the difference between regional revenues and expenditures at the end of the fiscal year. Silpa reflects unused funds, either due to inefficiency, delays in implementation, or inadequate budget planning. Although it can be reused in the following year, Silpa can also be an indicator of low budget management effectiveness. SILPA is measured as the difference between total revenues and expenditures incurred during a fiscal year and is taken from the Budget Realization Report (LRA) prepared by the regional government after the fiscal year ends. The data was obtained from the Directorate General of Fiscal Balance

4. Empirical Findings/Result

The results should be clear and concise, contains all scientific findings obtained as data processing results. This section is expected to provide a scientific explanation that can logically explain the reason for obtaining those results that are clearly described, complete, detailed, integrated, systematic, and continuous.

Descriptive Statistics

The method used in this study is descriptive statistics, which is research conducted to obtain a true picture of the actual conditions in the analysis. Descriptive statistics provide explanations of the minimum, maximum, average (mean), and standard deviation values of the dependent variables.

Table 1
Descriptive Test Results Descriptive Statistical Analysis Test Results

	PE	PAD (Rp)	DT (Rp)	BM (Rp)	SILPA (Rp)
Rata-rata	0,138900	64,481	894,645	228,488	53,824
Nilai Tengah	0,036050	49,540	785,250	214,840	33,800
Maksimum	1,618500	228,250	1,901.270	593,260	257,680
Minimum	0,005000	4,380	525,990	43.,40	-66,490
Std. Dev.	0,297290	54,226	303,631	120,880	61,992
Sum	5,556000	257,924 0	35,785.83 0	9,139,550	188,3840
Sum Sq. Dev.	3,446869	1,14680 2	3,595493	5,698710	1,306656
Observations	40	40	40	40	35

Source: Processed Data (2025)

Based on Table 1, the Economic Growth (Y) variable shows an average mean value of 0.138900, the highest value of 1.6186500 which occurred in Central Halamahera Regency in 2021, then the lowest value of 0.005000 which occurred in Ternate City in 2023, with a standard deviation value of 0.297290. The Regional Original Income variable (X1) shows an average mean value of 64,481,000,000. The highest value was 228,250,000,000, which occurred in South Halmahera Regency in 2024. Then, the lowest value was 4,380,000,000, which occurred in West Halmahera Regency in 2024, with a standard deviation value of 54,226,560,281. The Regional Transfer Funds (X2) variable shows an average value of 894,645,750,000. The highest value was 1,901,270,000,000, which occurred in Central Halmahera Regency in 2023. The lowest value was 525,990,000,000, which occurred in the Taliabu Islands in 2021, with a standard deviation of 303,631,597,945. The Capital Expenditure variable (X3) shows an average mean value of 228,488,750,000, the highest value of 593,260,000,000 which occurred in South Halmahera Regency in 2024, then the lowest value of 43,140,000,000 which occurred in the Taliabu Islands in 2024, with a standard deviation value of 120,880,428,463. The Silpa variable (X4) shows an average mean value of 53,824,000,000, with the highest value of 257,680,000,000 occurring in East Halmahera Regency in 2023, and the lowest value of -66,490,000,000 occurring in South Halmahera Regency in 2024, with a standard deviation value of 61,992,805,332.

Classical Assumption Test

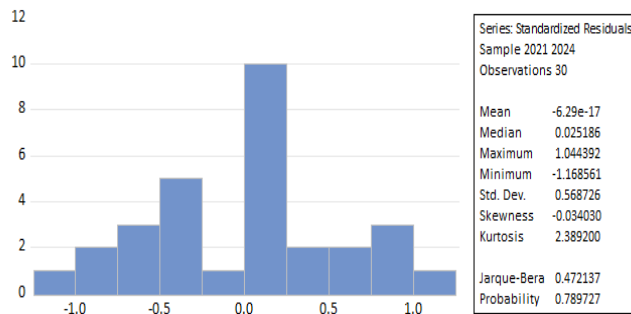


Figure 1. Normality Test

Source: Secondary data processed by researchers (2025)

Figure 2 shows the Jarque-Bera value of 0.472137 with a probability of 0.789727. Therefore, it can be concluded that the model in this study is normally distributed, as the probability value of 0.789727 is greater than 0.05.

Table 2
Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser			
Null hypothesis: Homoskedasticity			
F-statistic	1,366888	Prob. F(4,25)	0,2737
Obs*R-squared	5,383649	Prob. Chi-Square(4)	0,2501
Scaled explained SS	5,613270	Prob. Chi-Square(4)	0,2300

Source: Data processed by researchers (2025)

Table 2 shows the chi-square probability value of Obs*RSquared at 0.2501, which is greater than 0.05. Therefore, it can be concluded that this model does not have heteroscedasticity.

Table 3
Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	1,324313	Prob. F(2,23)	0,2855
Obs*R-squared	3,097974	Prob. Chi-Square(2)	0,2125

Source: Data processed by researchers (2025)

Based on the results in Table 3, the chi-square probability value of 0.2125 is greater than 0.05. This indicates that there is no autocorrelation in this research's regression model.

Table 4
Multicollinearity Test Results

	PE	PAD	DT	BM	SILPA
PE	1,000000	0,420046	0,501000	0,363733	-0,078770
PAD	0,420046	1,000000	0,645382	0,242714	0,072664
DT	0,501000	0,645382	1,000000	0,388385	0,494616
BM	0,363733	0,242714	0,388385	1,000000	0,131492
SILPA	-0,078770	0,072664	0,494616	0,131492	1,000000

Source: Data processed by researchers (2025)

Based on the results in Table 4, it can be seen that none of the correlations between variables exceeds 0.8. This indicates that this regression model does not exhibit multicollinearity, meaning there is no correlation between the variables.

Hypothesis Testing.

Table 5
R2 Coefficient of Determination Test

R-squared	0,830441
Adjusted R-squared	0,692674

Source: Data processed by researchers (2025)

The results of the coefficient of determination test in the table above show an adjusted R2 value of 0.692647. This concludes that economic growth can be explained by the independent variables, namely Regional Original Revenue, Regional Transfer Funds, Capital Expenditure, and the expected budget surplus (Silpa), amounting to 69.26%. The remaining 30.74% is influenced by other variables not measured in this regression model.

Simultaneous Test (F Test)

Table 6
Simultaneous Test (F Test)

F-statistic	6,027875
Prob(F-statistic)	0,000556

Source: Data processed by researchers (2025)

The table above shows a probability (F-statistic) of 0.000556, which is less than the significance value of 0.05. Therefore, it can be concluded that the hypothesis is accepted. This indicates that there is a simultaneous significant influence between the variables of Regional Original Revenue, Regional Transfer Funds, Capital Expenditure, and Budget Surplus on Economic Growth, as measured using the efficiency ratio.

Table 7
Panel Data Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5,784418	29,41560	0,196645	0,8466
PAD	-1,576194	0,875175	-1,801005	0,0906
DT	0,272990	1,039354	0,262653	0,7962
BM	1,006887	0,440893	2,283746	0,0364
SILPA	-0,146592	0,232601	-0,630230	0,5374

Source: Data processed by researchers (2025)

Based on the results in Table 7 above, the regression formulation is as follows:

$$Y = 5,784 - 1,576PAD + 0,272DT + 1,00BM - 0,232SILPA + e$$

The regression model formulation can be explained as follows:

- 1) The constant in the multiple regression is 5.784, meaning that Economic Growth will be 5.784 if the variables Regional Original Income, Regional Transfer Funds, Capital Expenditure, and Surpa are all 0.
- 2) The regression coefficient of X1 (Regional Original Income) is -1.576. This indicates that if variable X1 (Regional Original Income) increases by one, the value of Y (Economic Growth) will increase by -1.576 units, assuming the other independent variables remain constant.
- 3) The regression coefficient of X2 (Regional Transfer Funds) is 0.272. This indicates that if variable X2 (Regional Transfer Funds) increases by one, the value of Y (Economic Growth) will increase by 0.272 units, assuming the other independent variables remain constant.
- 4) The regression coefficient of X3 (Capital Expenditure) is 1.00. This shows that if the variable X3 (Capital Expenditure) increases by one, the value of Y (Economic Growth) will increase by 1.00, assuming the other independent variables are constant.
- 5) The regression coefficient X4 (Silpa) is 0.232. This shows that if the variable X4 (Silpa) increases by one, the value of Y (Economic Growth) will increase by 0.232, assuming that the other independent variables are constant

5. Discussion

The Influence of Regional Original Income on Economic Growth

The research concluded that Regional Original Income did not have a significant impact on Economic Growth in the ten regencies/cities in North Maluku Province, which means that Hypothesis 1 was rejected. This indicates that Regional Original Income management is not optimal, resulting in the revenue potential not being fully realized, resulting in no change or increase in Economic Growth

The results of this study do not support the theory of fiscal federalism. This theory emphasizes that regional fiscal autonomy should empower regional governments to be more responsive to local needs and allocate resources efficiently to encourage sustainable economic growth. This lack of alignment creates factors that hinder the mechanisms predicted by the theory. Weaknesses in the implementation of fiscal decentralization at the regional level contribute to the failure of local revenue (PAD) to drive economic growth, in line with fiscal federalism.

The Impact of Regional Transfer Funds on Economic Growth

The research concluded that Regional Transfer Funds had no impact on economic growth in ten regencies/cities in North Maluku province, thus rejecting Hypothesis 2. This indicates inadequate allocation of funds and a lack of capacity of local governments to manage and utilize transfer funds productively, resulting in no increase in economic growth

The results of this study do not support the theory of fiscal federalism. Fiscal decentralization, realized through the transfer of funds from the central government to the regions, should empower regional governments to exercise their authority more effectively in response to local needs, which will drive economic growth. Transfer funds are expected to address regional fiscal constraints. However, if the research indicates otherwise, then transfer funds are not allocated according to development priorities that drive growth or the regional government's capacity to manage these funds is still limited

The Effect of Capital Expenditure on Economic Growth

The research concluded that capital expenditure has an impact on economic growth, which means that hypothesis 3 is accepted. Capital expenditure can increase a region's productive capacity. Investments in physical infrastructure such as roads, bridges, ports, and telecommunications networks facilitate more efficient economic activity. Furthermore, capital expenditure in the form of educational and healthcare facilities improves the quality of human resources, which in turn increases economic growth. Sustainable and planned capital expenditure can send a positive signal to economic actors about the government's commitment to long-term development

The results of this study support the theory of fiscal federalism. This is in line with the principles of fiscal federalism theory, which emphasizes that fiscal decentralization grants regional governments the authority to manage resources and determine development priorities according to local needs. Capital expenditures are a key instrument in infrastructure development and economic growth. The greater the budget allocation for effective and targeted capital expenditures, the greater the potential for economic growth in a region through infrastructure development. Increased capital expenditures, coupled with good and proper financial governance, contribute positively to economic growth.

The Impact of Budget Surplus on Economic Growth

This study's results support the theory of fiscal federalism. This theory aligns with the principles of fiscal federalism, which emphasizes that fiscal decentralization grants regional governments the authority to manage resources and determine development priorities according to local needs. Capital expenditures are a key instrument in infrastructure development and economic growth. The greater the effective and targeted budget allocation for capital expenditures, the greater the potential for economic growth in a region through infrastructure development. Increased capital expenditures, coupled with sound financial governance, positively contribute to economic growth

The results of this study do not support the theory of fiscal federalism. This theory emphasizes that fiscal autonomy and resource allocation at the regional level should enable regional governments to be more responsive to local needs and encourage economic growth. However, the existence of high Silpa actually hinders economic growth in a region. Large Silpa reflects the inability of regions to effectively manage and spend available funds, which contradicts the idea that fiscal decentralization will result in better and more productive resource allocation. Accumulating Silpa indicates inefficiencies in planning, implementation, and prioritization of development at the regional level, so that the potential fiscal benefits of autonomy are not realized according to the theory's ideals

6. Conclusions

Based on the analysis and discussion of the research data, the following conclusions can be drawn:

- 1) Regional Original Revenue has no effect on economic growth. Therefore, the first hypothesis stating that Regional Original Revenue has an effect on economic growth is rejected. This is because Regional Original Revenue management has not been optimal, resulting in the revenue potential not being fully realized, resulting in no change or increase in economic growth.
- 2) Regional Transfer Funds have no effect on economic growth. Therefore, the first hypothesis stating that Regional Transfer Funds have an effect on economic growth is rejected. This occurs due to the ineffective allocation of funds and the inadequate capacity of local governments to manage and utilize transfer funds productively, resulting in no increase in economic growth
- 3) Capital expenditure has a positive effect on economic growth, therefore the first hypothesis stating that capital expenditure has a positive effect on economic growth is accepted. Capital expenditure can increase a region's productive capacity. Investment in physical infrastructure such as roads, bridges, ports, and telecommunications networks facilitates more efficient economic activity. Furthermore, capital expenditure in the form of educational and health facility development improves the quality of human resources, which in turn increases economic growth. Sustainable and planned capital expenditure can send a

positive signal to economic actors about the government's commitment to long-term development.

- 4) The budget surplus (Silpa) has no effect on economic growth, therefore the first hypothesis stating that Silpa has an effect on economic growth is rejected. High Silpa can indicate inefficiencies in budget planning, implementation, and absorption. Funds that should be used to finance infrastructure projects, improve public services, or stimulate economic activity are stagnate in regional coffers. The accumulation of Silpa from year to year can slow regional economic growth due to missed opportunities for investment and increased productivity

Based on the limitations of this study, the researcher recommends that future researchers add other variables beyond those studied, such as investment and financial performance. Further research is also recommended to increase the number of years studied. This study only covered the period 2021-2024.

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