The Influence of PAD (Local Original Revenue), DAK (Special Allocation Fund), and DAU (General Allocation Fund) on Economic Growth with Capital Expenditure as the Intervening Variable

Vieza Saestika Falsa Adila[1], Sugeng Hadi Utomo[2]

[1,2] Universitas Negeri Malang, Malang City, Indonesia

ABSTRACT: This research, developed using a quantitative research method, aims to determine the influence of PAD, DAU, and DAK on the economic growth in East Java from 2019 to 2021, with capital expenditure acting as the intervening variable. The Central Bureau of Statistics of East Java provided the fundamental documentation approach as the data collection technique. Ninety units of panel data were gathered to represent the research sample. Path analysis revealed that capital expenditure did not successfully mediate the impact of PAD, DAU, and DAK on economic growth.

KEYWORDS: PAD, DAU, DAK, Capital Expenditure, Economic Growth

INTRODUCTION

Indonesia, a diverse archipelagic nation, has numerous provinces contributing to its economic growth. East Java is a prominent player among these regions, holding a significant role in supporting the country's economic progress. Over the past seven years, from 2016 to 2022, the Gross Regional Domestic Product (PDRB) of East Java has exhibited a growth trajectory closely aligned with the national Gross Domestic Product (GDP) growth rate, signifying the province's substantial economic influence. Based on the report on economic growth published by the Central Bureau of Statistics (BPS) Indonesia (2023), as shown in Figure 1, during the last seven years from 2016 to 2022, the GDP growth rate of East Java has been in line with the total GDP growth rate of Indonesia. From 2016 to 2019, East Java's GDP had a higher growth rate than the national GDP. However, in the year 2020, when Indonesia's stability was disrupted due to the Covid-19 pandemic, the GDP growth rate of East Java became lower than the national GDP. This decline in economic growth was attributed to reduced economic activities by the public due to implementing public activity restrictions as part of the measures to mitigate the impact of the Covid-19 pandemic (Sisilia & Harsono, 2021, p. 8).
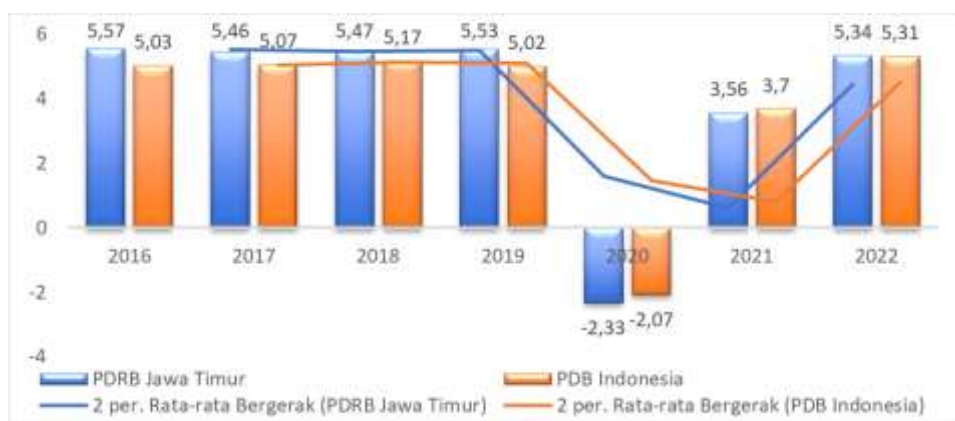

Figure 1. Growth Rate of GRDP in East Java and Indonesia's GDP in 2016 – 2022

With the return of economic activities in the New Normal era from 2021 to 2022, East Java experienced a higher GDP growth rate than the national economic growth rate. The increase in GDP growth achieved by East Java indicates the regional government's autonomous ability to manage financial resources for the local economy, as stated by Uhise (2013:1678).

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The decentralization of power granted to regional governments, allowing them autonomy in managing their finances without intervention from the central government, is stipulated in Law Number 32 of 2004 on Regional Governments (Lisandri et al., 2017, p. 112). This grant of authority makes East Java an autonomous region, as stated by Maheni & Maryono (2021:60), enabling it to utilize and plan its financial resources independently, especially in supporting policies that promote regional progress. The underlying principle behind granting regional autonomy with financial autonomy is based on the consideration that the conditions and needs of the community are best understood by the local government (Sisilia & Harsono, 2021, p. 58). Hence, each planned financial allocation will support the acceleration of regional economic growth.

According to the Endogenous Growth Theory, increasing capital accumulation is crucial for achieving growth (Siswiyanti, 2015, p. 1). Capital accumulation refers to the financial capacity to implement various economic development programs, thus achieving a positive growth rate. The availability of regional finances can be obtained from increasing revenues such as the Local Original Revenue (PAD), utilizing all potential resources of the region, including taxes and assets owned (Wulandari & Badrudin, 2021, p. 74), as well as through grants from the central government such as the General Allocation Fund (DAU) and Special Allocation Fund (DAK) (Sisilia & Harsono, 2021, p. 59). All three budgets serve the common purpose of allocating funds for the welfare of the community and stimulating regional growth (Siswiyanti, 2015, p. 1), with capital expenditure playing a part in assisting this process (Utami et al., 2022, p. 25).

From the perspective of local government finances, PAD, DAU, and DAK collectively influence capital expenditure (Siswiyanti, 2015, p. 1). Therefore, the high economic growth should correspond to an increase in the influence of PAD, DAU, and DAK on capital expenditure (Maheni & Maryono, 2021, p. 60). Considering that the province's regional autonomy as a decentralized entity comprises various districts and municipalities, each with its unique characteristics in development, the utilization of financial budgeting also varies. East Java, with its 69 districts and 21 municipalities, experiences varying levels of regional economic growth. The local governments within the scope of East Java must adeptly manage their financial receipts, both revenues and balance funds, to allocate them for productive capital expenditure, thereby contributing to the increase of East Java's PDRB. In line with Government Regulation Number 12 of 2019, which necessitates provincial governments, including districts and municipalities, to manage their finances independently (Fahrezi et al., 2021, p. 42), this research aims to investigate the impact of local financial receipts, such as PAD, DAU, and DAK, on the economic growth in East Java from 2019 to 2021, utilizing capital expenditure as the intervening variable.

THEORITICAL REVIEW

A. Local Original Revenue (PAD)

Fahrezi et al. (2021:144) define PAD as the revenue received by local governments in each district/municipality based on their success in managing their economic potential. Local taxes serve as a significant potential in maximizing PAD for the financial autonomy of local governments (Wulandari & Badrudin, 2021, p. 74). By increasing PAD, a region can be considered to have good economic growth and is deemed successful in becoming a progressive area without the central government's intervention (Sisilia & Harsono, 2021, p. 60). However, if the received PAD falls under the insufficient category to meet the region's needs, assistance from the central government through balance funds is required to cover the financial shortfall.

B. General Allocation Fund (DAU)

Sisilia & Harsono (2021:61) define DAU as the allocation of funds from the state budget (APBN) distributed to assist in addressing the financial gap of regional governments in fulfilling their decentralized implementation needs. The purpose of providing DAU funds to local governments is to maximize economic development for the welfare of the communities in those areas (Utami et al., 2022, p. 27). DAU addresses the disparities in local tax revenues, making regions with low tax collections the primary recipients of DAU allocations (Uhise, 2013, p. 1680). The distribution of DAU proportions to regional or district/municipality governments is adjusted according to their respective authorities, aiming to achieve horizontal imbalance among the governments (Fahrezi et al., 2021, p. 143).

C. Special Allocation Fund (DAK)

According to Dewi & Suputra (2017:1747), DAK is a fund designated for financing regional programs classified as special activities due to their national importance. Based on Law No. 33 of 2004, the source of DAK comes from the state budget (APBN) and is distributed only to selected regions due to their involvement in specific activities. DAK is specified for special activities encompassing the procurement and improvement of public infrastructure in governance, education, healthcare, and other crucial sectors, including development investment projects (Sisilia & Harsono, 2021, p. 62). Therefore, the primary objective of providing

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DAK to regional governments is to enhance capital expenditure allocation, leading to an inclination to increase fixed assets to improve public services (Sinaga et al., 2020, p. 42).

D. Capital Expenditures

Uhise (2013:1681) defines capital expenditure as the budget allocation to develop fixed assets in the region intended not for trading but to serve public functions. Fixed assets resulting from capital expenditure allocation may include infrastructure, which cannot be traded as they become public facilities (Dewi & Suputra, 2017, p. 1748). Capital expenditure will continue to be increased to expand the number of fixed assets in the region, thereby attracting investors for development projects (Fahrezi et al., 2021, p. 142). This condition undoubtedly benefits the economic growth of the region, as not only can the community benefit from these assets, but the government also gains additional development capital from investors.

E. Economic Growth

According to Uhise (2013:1680), economic growth refers to an increase in per capita GDP accompanied by an increase in per capita Gross Regional Domestic Product (PDRB). GDP is a measurement used to assess the value added to output nationally. In contrast, PDRB is used for regional or local assessments (Wulandari & Badrudin, 2021, p. 75). Economic growth's improvement can be reflected in the successful implementation of government programs in allocating income and planning expenditures (Sisilia & Harsono, 2021, p. 58). The most critical requirement to achieve successful economic growth lies in the sufficiency of capital accumulation for capital expenditure budgeting, allowing for infrastructure improvements and procurement to drive regional economic growth (Sinaga et al., 2020, p. 42).

F. The Influence of PAD, DAU, and DAK on Capital Expenditures

According to the research findings of Maheni & Maryono (2021:66) and Fahrezi et al. (2021:153), capital expenditure is significantly and positively influenced by PAD. If capital expenditure is to be increased, the appropriate step is to strive for an increase in PAD receipts, which would lead to various developments, improvements, and procurement of government-owned fixed assets. However, according to Sumartini & Yasa (2015:258) and Utami et al. (2022:36), PAD does not influence capital expenditure.

Uhise (2013:1686) asserts that DAU significantly and positively affects capital expenditure. Further supported by the research of Lisandri et al. (2017:118), Fahrezi et al. (2021:153), and Utami et al. (2022:36), which also state a similar outcome that increasing DAU and DAK significantly add to the government's fixed assets as capital expenditure rises. However, in the studies conducted by Sumartini & Yasa (2015:258) and Maheni & Maryono (2021:66), no significant relationship was found between DAU and capital expenditure, as the allocation of DAU is only partially designated for routine spending.

G. The Influence of PAD, DAU, DAK, Capital Expenditures on Economic Growth

The availability of funds is necessary to finance all economic development plans supporting economic growth. PAD is reported to significantly and positively influence economic growth (Maheni & Maryono, 2021, p. 67; Sisilia & Harsono, 2021, p. 67; Siswiyanti, 2015, p. 12). However, according to economists Dewi & Suputra (2017:1768), the impact of PAD is significantly negative. Apart from PAD's successful intervention in economic growth, DAU also has a positive and significant effect (Lisandri et al., 2017, p. 119; Sinaga et al., 2020, p. 47; Sisilia & Harsono, 2021, p. 68; Siswiyanti, 2015, p. 13; Sumartini & Yasa, 2015, p. 258; Uhise, 2013, p. 1686). Only one study mentions the negative impact of DAU (Dewi & Suputra, 2017, p. 1768). On the other hand, the influence of DAK on economic growth is mostly negative and significant (Dewi & Suputra, 2017, p. 1768; Siswiyanti, 2015, p. 13). In contrast, (Sisilia & Harsono, 2021, p. 68) shows that the influence of DAU on economic growth is significant and positive.

Maheni & Maryono (2021:67) and Sumartini & Yasa (2015:258) find a positive and significant impact of capital expenditure on economic growth. Each increase in capital expenditure leads to the addition of government-owned fixed assets in the form of public facilities, which will subsequently support the community's economy to foster regional economic growth. In essence, every receipt received by regional governments is designed to be allocated as capital expenditure for economic development, serving the community's interests and affecting regional economic growth. As found in the research of Siswiyanti (2015:14), Lisandri et al. (2017:119), Maheni & Maryono (2021:68), and Sumartini & Yasa (2015:268), significant PAD receipts should be allocated to the capital expenditure budget to accelerate the process of regional economic growth. Studies by Lisandri et al. (2017:119), Maheni & Maryono (2021:68), and Sumartini & Yasa (2015:256) state that increasing the distribution of DAU to regions will enhance economic growth as it allows for additional capital expenditure. The same applies to DAK, according to Maheni & Maryono (2021:68). Based on these explanations, the researcher assumes that increasing the amounts of PAD, DAU, and DAK will lead to an increase in the capital expenditure budget, thus achieving favorable economic growth.

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THINKING FRAMEWORK AND HYPOTHESES
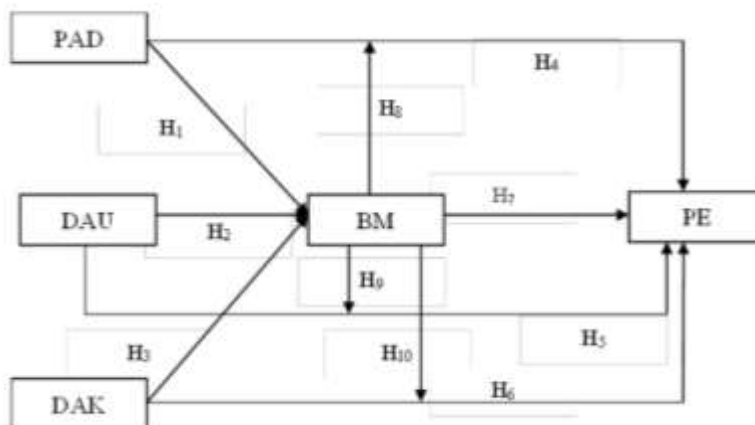Here is the framework to illustrate the path of relationships among variables.

Figure 2. Framework of Thinking

H_1 : PAD has a positive and significant effect on capital expenditure (BM)
H_2 : DAU has a positive and significant effect on capital expenditure (BM)
H_3 : DAK has a negative and non-significant effect on capital expenditure (BM)
H_4 : PAD has a positive and significant effect on economic growth (PE)
H_5 : DAU has a positive and significant effect on economic growth (PE)
H_6 : DAK has a negative and significant effect on economic growth (PE)
H_7 : Capital expenditure (BM) has a negative and non-significant effect on economic growth (PE)
H_8 : Capital expenditure (BM) significantly mediates the relationship between PAD and economic growth (PE)
H_9 : Capital expenditure (BM) significantly mediates the relationship between DAU and economic growth (PE)
H_{10} : Capital expenditure (BM) has a non-significant effect in mediating the relationship between DAK and economic growth (PE)

METHODS
A. Research Design
The government of regencies and cities in East Java province constitutes the population of this research. Secondary data, including reports on local revenue realization, government expenditure realization, and per capita Gross Regional Domestic Product (PDRB) for 2019 to 2021, were obtained from the Central Bureau of Statistics (BPS) of East Java Province. The data were presented cross-sectional, covering all observed variables during the three years for 23 regencies and seven cities, resulting in 90 units of observation data from the overall study dataset. A quantitative research approach was utilized in this study.

B. Research Variable
In this study, there are three types of variables used: Local Original Revenue (PAD), general allocation fund (DAU), and special allocation fund (DAK) as independent variables; economic growth (PE) as the dependent variable; and capital expenditure as the intervening variable (BM).

C. Analysis Method
The analysis method used in the research is path analysis. *Path analysis* is a statistical technique used to examine the relationships between multiple variables in a proposed model. It allows researchers to assess direct and indirect effects among variables and understand their causal relationships.
In this study, the analysis is performed using the IBM SPSS Version 25 software application. The following steps are involved in the path analysis:
1. Data Preparation: The researchers collect the necessary data, clean and organize it, and prepare it for analysis.
2. Classical Assumption Tests: Before conducting the path analysis, classical assumption tests are performed to check if the data meet the assumptions required for the analysis, such as normality, linearity, and independence of errors.

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3. Model Specification: The researchers define the variables and their hypothesized relationships in the proposed model. The model includes the independent variables (PAD, DAU, and DAK), the dependent variable (PE), and the intervening variable (BM).

4. Model Fit Tests: Tests assess how well the proposed model fits the observed data. The model adequately represents the relationships among the variables.

5. Hypothesis Testing: Hypothesis testing involves testing specific hypotheses related to the relationships between the variables. Both partial (individual) and simultaneous (combined) testing of the path coefficients to determine if they are statistically significant.

6. Path Analysis: The actual path analysis is conducted, and path coefficients (β) are estimated. The path coefficients represent the strength and direction of the relationships between the variables in the model.

7. Interpretation of Results: The results of the path analysis are interpreted to understand the relationships and effects among the variables. Researchers can identify which directly and indirectly affect the dependent variable (PE).

The following are the path equations for this research:

$$\text{Equation I: BM} = \beta\text{PAD} + \beta\text{DAU} + \beta\text{DAK} + e_1$$

In this equation, "BM" represents the intervening variable, capital expenditure. It is influenced by the independent variables: "PAD" (local original revenue), "DAU" (general allocation fund), and "DAK" (special allocation fund). The β coefficients represent the path coefficients, indicating the strength and direction of the relationships between the independent variables and the intervening variable. "e1" represents the error term, accounting for unexplained variance or random errors in the equation.

$$\text{Equation II: PE} = \beta\text{PAD} + \beta\text{DAU} + \beta\text{DAK} + \beta\text{BM} + e_2$$

In this equation, "PE" represents the dependent variable, economic growth. It is influenced by all the independent variables (PAD, DAU, and DAK), as well as the intervening variable (BM), capital expenditure. The β coefficients represent the path coefficients, indicating the strength and direction of the relationships between the independent, intervening, and dependent variables. "e2" represents the error term, accounting for unexplained variance or random errors in the equation.

The path coefficients (β) in both equations show how changes in the independent and intervening variables affect the intervening variable (capital expenditure) and the dependent variable (economic growth). The error terms (e1 and e2) capture the unexplained factors that influence the intervening and dependent variables, respectively. Through path analysis, researchers aim to estimate these path coefficients and assess the significance of the relationships between the variables to gain insights into the factors contributing to economic growth.

RESULTS AND DISCUSSION

A. Multiple Regression Analysis

Regression analysis is conducted to build the equation model in this research, to determine the direct effects among variables in formulating the path analysis.

Table 1. Parameter Estimation of Multiple Linear Regression Model Equation I

Variable	Standardized Coefficients Beta
PAD	0,114
DAU	0,964
DAK	-0,258

The data in Table 1 shows that PAD and DAU have a positive relationship with BM, as indicated by the positive parameter estimates. If PAD and DAU increase, BM will also increase, and vice versa. On the other hand, DAK has an inverse relationship with BM, as the parameter estimate shows a negative value. Mathematically, the regression model for Equation I can be written as follows:

$$\text{BM} = 0.114 \text{ PAD} + 0.964 \text{ DAU} - 0.258 \text{ DAK} + e_1$$

Furthermore, Table 2 below shows the regression analysis results for Equation II.

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Table 2. Estimates of Multiple Linear Regression Parameters in Equation II

Variable	Parameter Estimation
PAD	0.864
DAU	0.278
DAK	-0.312
BM	0,084

Table 2 shows that PAD, DAU, and BM have a positive relationship with PE, as indicated by the positive parameter estimates. If PAD, DAU, and BM increase, PE will also increase, and vice versa. On the other hand, DAK has an inverse relationship with PE. If DAK increases, PE will decrease, and vice versa. In this case, a 1 billion rupiah increase in DAK will decrease PE by 59.449 billion rupiahs. Mathematically, the regression model for Equation II can be written as follows:

$$PE = 0.864\ PAD + 0.278\ DAU - 0.312\ DAK + 0.084\ BM + e_2$$

B. Classic Assumption Test

Classic assumption tests are conducted as prerequisites for assessing the goodness of fit of the research model formulated in multiple regression analysis. Several test series include:

Normality Test

Using the Kolmogorov-Smirnov test in the SPSS program, with the condition that if the p-value > α=0.05, the data is normally distributed. The results of the normality test are presented in Table 3.

Table 3. Residual Normality Test Results for the Regression Model

Regression Models	*p-value*	Conclusion
Equation I	0,089	Normal distribution
Equation II	0,200	Normal distribution

The p-values in each equation model have satisfied the normality condition since their values are higher than 5% alpha. This means that the residuals of both regression models meet the normality assumption.

Multicollinearity Test

The assessment criterion applied in this test is that VIF values < 10 indicate no multicollinearity issues.

Table 4. Multicollinearity Test for Regression Model Equation I

Variable	VIF
PAD	1.277
DAU	7.437
DAK	6.893

From Table 4, it can be observed that the VIF values for all variables in Structure I (PAD, DAU, DAK) are less than 10. This indicates that there is no multicollinearity among the dependent variables in Equation I.

Table 5. Multicollinearity Test for Regression Model Structure II.

Variable	VIF
PAD	1.311
DAU	9.924
DAK	7.070
BM	2.678

In Equation II, the goodness of fit of the model is also satisfied as there is no multicollinearity, as indicated by the VIF values meeting the test criteria.

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Heterogeneity Test

The heterogeneity test applies the assessment criteria that the F-statistic value > F-table (0.167) or p-value > α=0.05 indicates no heterogeneity issues.

Table 6. Results of Heterogeneity Test for Residuals in Regression Model

Regression Models	F-statistics	*p-value*	Conclusion
Equation I	40.094	0,000	Homogeneity
Equation II	120.719	0,000	Homogeneity

The data in Table 6 demonstrates that both regression models, Equation I and Equation II, have met the test criteria, indicating that both models have a good fit.

Autocorrelation Test

Table 7. Results of the autocorrelation test for residuals in the regression model.

Regression Models	Durbin-Watson *Statistics*	dL	dU	Conclusion
Equation I	1,973	1,589	1,663	Independent
Equation II	0,782	1,566	1,663	Autocorrelation

Based on Table 8, it is known that the residual of the regression model for Structure I has a Durbin Watson statistic value of 1.973. Therefore, it can be concluded that the residuals in Equation I meet the goodness of fit assumption since dU < d < 4-dU, i.e., 1.663 < 1.973 < 2.337. However, the Durbin-Watson statistic value for the residual of the regression model for Equation II is 0.782, indicating the presence of autocorrelation (not meeting the assumption of independence) because 1.663 < 0.782 < 2.337.

C. Model Fitness Test

This test is conducted to determine the extent to which the independent variables explain the dependent variable in each regression equation model that has been built.

Table 8. Feasibility of the Regression Model

Regression Models	R^2
Equation I	0,627
Equation II	0,850

Based on Table 8, it is known that the coefficient of determination for the regression model of Equation I is 0.627, which means that the Structure I regression model can explain 62.7% of the variability in the data, while the remaining 37.3% is explained by other variables not included in the model. Meanwhile, the coefficient of determination for the regression model of Equation II is 0.850, indicating that the Equation II regression model can explain 85.03% of the variability in the data, while the remaining 14.97% is explained by variables not included in the model.

D. Hypothesis Test

Partial Test

Partial tests are conducted to formulate hypotheses about the direct influence between two variables. It is considered statistically significant if it has a T-statistic value > T-table (1.663) and a p-value < 0.05.

Table 9. Partial Test for Regression Model Equation I

Variable	t	*p-value*	Conclusion
PAD	1,525	0,131	Not significant
DAU	5,363	0,000	Significant
DAK	-1,489	0,140	Not significant
Dependent Variable: Capital Expenditures (BM)			

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Based on Table 9, in Equation I, only the DAU variable meets the significant requirement for partial and direct influence on the BM variable (5.363 > 1.633 and 0.000 < 0.05). Meanwhile, the PAD and DAK variables do not meet the significance requirement for the partial test, indicating that they do not have a significant influence on BM.

Table 10. Partial Test for Regression Model Equation II

Variable	t	*p-value*	Conclusion
PAD	17,991	0,000	Significant
DAU	2,105	0,038	Significant
DAK	-2,792	0,007	Significant
BM	1,224	0,224	Not significant
Dependent Variable: Economic Growth (PE)			

Based on Table 10, it shows that in Equation II, the PAD, DAU, and DAK variables meet the significance requirement in the partial test, indicating that all three variables have a significant influence on PE. On the other hand, BM does not have a significant influence on PE because it has a p-value > α=0.05 and t-statistic (1.224) < 1.663.

Simultaneous Test

The simultaneous test is conducted to determine the combined or simultaneous influence of independent variables on the dependent variable.

Table 11. Results of Simultaneous Test for Regression Model

Regression Models	F	*p-value*
Equation I	48,094	0,000
Equation II	120,719	0,000

Based on Table 11, it is known that the p-value for the simultaneous test in the regression model for each equation is 0.000 < α=0.05, thus it can be concluded that at least one variable has a significant influence on the response in each structure.

E. Path Analysis

Based on the results of multiple linear regression models in Table 1 and Table 2, a summary of the calculation of the direct and indirect effects of PAD, DAU, and DAK variables on PE through BM is as follows:

Table 12. Path Coefficient

Variable Influence					Direct Influence	Indirect Influence	Total Impact
PAD	->	BM			0,114	-	0,114
DAU	->	BM			0,964	-	0,964
DAK	->	BM			-0,258	-	-0,258
PAD	->	PE			0,864	-	0.864
DAU	->	PE			0,278	-	0.278
DAK	->	PE			-0,312	-	-0.312
BM	->	PE			0,084	-	0,084
PAD	->	BM	->	PE	0,864	0,010	0,874
DAU	->	BM	->	PE	0,278	0,081	0,359
DAK	->	BM	->	PE	-0,312	- 0,022	-0,334

From the path coefficient table above, a path diagram can be formed as shown in Figure 2.

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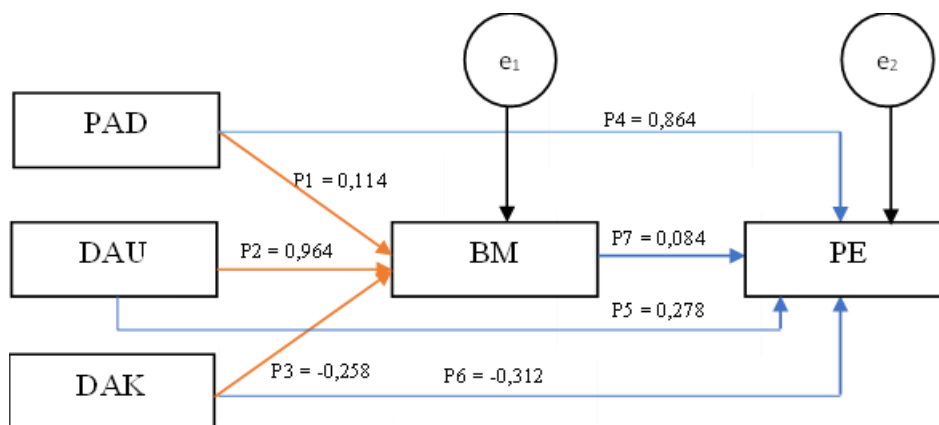

Figure 3. Path Diagram

Based on Table 12 and Figure 2, the indirect effects of the presence of the variable BM as an intervening variable on each independent variable (PAD, DAU, DAK) towards the dependent variable (PE) can be demonstrated.

1. The direct effect of PAD on PE obtained a coefficient value of 0.864, which is greater than the indirect effect through the mediation of the BM variable (0.010). The presence of BM as an intervening variable cannot mediate the effect of PAD on PE.
2. The direct effect of DAU on PE obtained a coefficient value of 0.278, which is greater than the indirect effect through the mediation of the BM variable (0.081). The presence of BM as an intervening variable cannot mediate the effect of DAU on PE.
3. The direct effect of DAK on PE obtained a coefficient value of -0.312, which is greater than the indirect effect through the mediation of the BM variable (-0.022). The presence of BM as an intervening variable cannot mediate the effect of DAK on PE.

F. Discussion

The Influence of Local Original Revenue (PAD) on Capital Expenditure (BM)

Based on the partial test results, Local Original Revenue (PAD) does not significantly influence capital expenditure (BM). The increase in PAD obtained by regional governments does not determine an increase or decrease in capital expenditure. This research agrees with the findings of Sumartini & Yasa (2015:258) and Utami et al. (2022:36), stating that PAD does not impact capital expenditure because PAD allocation is not only budgeted for capital expenditure for regional development for the welfare of the community but also for operational needs such as paying government employee salaries (Utami et al., 2022:36). Additionally, in this context, it shows that the absence of PAD influence in capital expenditure reflects the lack of autonomy of regional governments in generating revenue due to the dependence on central fund transfers such as DAU and DAK (Syam et al., 2018, p. 8). The basis for the finding is that PAD did not influence the capital expenditure of East Java local governments in 2019 - 2021.

The Influence of General Allocation Fund (DAU) on Capital Expenditure (BM)

Based on the findings of the partial test, the General Allocation Fund (DAU) significantly and positively affects capital expenditure (BM). Accordingly, capital expenditure in East Java will grow as the distribution of DAU has a higher capacity for regional governments. This research supports the conclusion of Uhise (2013:1686), Lisandri et al. (2017:118), Fahrezi et al. (2021:153), and Utami et al. (2022:36) that the General Allocation Fund (DAU) significantly and positively affects capital expenditure. The central government distributes DAU to regional governments that generate tax revenue to a certain extent. The provision of funds in the form of DAU will enable regional development funds to be increased through capital expenditure (Syam et al., 2018, p. 8). The basis for the finding is that DAU significantly and positively influenced capital expenditure in East Java local governments in 2019 - 2021.

The Influence of Special Allocation Fund (DAK) on Capital Expenditure (BM)

Based on the findings of the partial test, the Special Allocation Fund (DAK) does not have a significant and positive influence on capital expenditure (BM). The increase in DAK distribution to regional governments in East Java is not affected by the amount of capital expenditure to regional governments. The results of this study align with the opinion of Maheni & Maryono (2021:66), who found that DAK does not impact capital expenditure. The suboptimal utilization of DAK for the development of fixed assets of

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regional governments through capital expenditure becomes the cause of the lack of DAK impact on capital expenditure. Due to the uncertain level of DAK distribution, the central government only distributes it when regional programs are deemed beneficial at a national scale. The basis for the finding is that DAK does not influence the capital expenditure of East Java local governments in 2019 - 2021.

The Influence of Local Original Revenue (PAD) on Economic Growth (PE)

Based on the findings of the partial test, Local Original Revenue (PAD) significantly and positively affects economic growth (PE). In other words, the economic growth of East Java will increase if the regional government can generate more PAD revenue. The results of this study reinforce the findings of Maheni & Maryono (2021:67), Sisilia & Harsono (2021:67), and Siswiyanti (2015:12), all of which revealed a significant and favorable impact of PAD on economic growth. The ability of regional governments to utilize their regional resources will be reflected in the increase in PAD (Asfar et al., 2021, p. 3184). These potentials are capable of further fostering positive economic growth in the region. The basis for the finding is that PAD significantly and positively influences economic growth in East Java Province from 2019 to 2021.

The Influence of General Allocation Fund (DAU) on Economic Growth (PE)

Based on the findings of the partial test, the General Allocation Fund (DAU) significantly and positively affects economic growth (PE). The increase in the distribution of DAU to regional governments will also lead to an increase in the economic growth of East Java. This research agrees with the findings of Lisandri et al. (2017:119), Sinaga et al. (2020:47), Sisilia & Harsono (2021:68), Siswiyanti (2015:13), Sumartini & Yasa (2015:258), and Uhise (2013:1686), which state that economic growth is influenced positively and significantly by the existence of DAU. The central government provides DAU to regional governments to bridge the revenue gap from taxes considered insufficient to finance the economic development budget in support of regional economic growth. The finding is that DAU significantly and positively influences the economic growth of East Java in 2019 - 2021.

The Influence of Special Allocation Fund (DAK) on Economic Growth (PE)

Based on the results of the partial test, it is known that the Special Allocation Fund (DAK) has a significant and negative influence on economic growth (PE). An increase in the distribution of DAK to regional governments leads to a decrease in economic growth in East Java. This research agrees with the findings of Dewi & Suputra (2017:1768), Sinaga et al. (2020:47), and Siswiyanti (2015:13), stating that DAK has a significant and negative impact on economic growth. The allocation of DAK to regional governments is intended to stimulate activities or potential infrastructure development programs with high growth value. However, not all regions or development programs can receive DAK allocation during its distribution, as this fund is considered a special allocation. The negative impact refers to the condition where increased utilization of DAK is not maximized in potential regions or development programs, negatively influencing economic growth.

Capital Expenditure (BM) on Economic Growth (PE)

Based on the results of the partial test, it was found that capital expenditure (BM) does not influence economic growth (PE). An increase in the allocation of capital expenditure by regional governments does not increase or decrease economic growth in East Java. This research supports the statement made by Asfar et al. (2021:3184) that capital expenditure does not impact economic growth. Not all capital expenditure projects can directly benefit local and regional communities. The success of each capital expenditure activity can be measured through the increase in quantity and quality, especially those that directly impact the community and are not merely related to regional income growth. The finding is that capital expenditure does not influence economic growth in East Java in 2019 - 2020, as the perceived benefits of adding assets require a relatively long time to contribute to economic growth.

The Influence of Local Original Revenue (PAD) on Economic Growth (PE) Through Capital Expenditure (BM)

Based on the path analysis results, it was found that capital expenditure (BM) cannot mediate the influence of Local Original Revenue (PAD) on Economic Growth (PE). The direct influence resulting from an increase in PAD will have a much greater value on East Java's economic growth than the indirect influence through the mediation of capital expenditure. The study by Cahyaning (2018), Asfar et al. (2021), Wulandari & Badrudin (2021), and Maheni & Maryono (2021) states that significant PAD receipts will accelerate regional economic growth without being allocated to capital expenditure. This condition indicates that a region's economic growth depends on its government's independence in obtaining revenue from maximized regional potentials. The higher the PAD value, the more regional potentials it possesses, directly determining the level of capital expenditure budget for infrastructure development. However, the budgeted capital expenditure is not directed toward productive or value-added infrastructure in the short or long term. In that case, it will result in suboptimal fund management, leading to a lack of significant impact on economic growth. The basis for the finding is that capital expenditure cannot mediate the influence of PAD on economic growth.

The Influence of PAD (Local Original Revenue), DAK (Special Allocation Fund), and DAU (General Allocation Fund) on Economic Growth with Capital Expenditure as the Intervening Variable

The Influence of General Allocation Fund (DAU) on Economic Growth (PE) Through Capital Expenditure (BM)

Based on the path analysis results, it was found that capital expenditure (BM) cannot mediate the influence of the General Allocation Fund (DAU) on economic growth (PE). The direct influence resulting from an increase in DAU distribution has a much greater value than the indirect influence on economic growth in East Java if mediated through capital expenditure. This finding is in line with the results of the study by Cahyaning (2018), Maheni & Maryono (2021), and Use (2013), stating that capital expenditure cannot affect the increase in DAU on economic growth. Explicitly, this shows that the distribution of DAU by the central government is more than maximized for the development of public services, which includes capital expenditure budgeting. Other costs are allocated, such as office meeting needs and employee requirements, leading to insufficient allocation of DAU to capital expenditure that could contribute to short-term or long-term productive sectors.

The Influence of Special Allocation Fund (DAK) on Economic Growth (PE) Through Capital Expenditure (BM)

Based on the path analysis results, it was found that capital expenditure (BM) cannot mediate the influence of the Special Allocation Fund (DAK) on economic growth (PE). The direct influence resulting from an increase in DAK distribution has a much greater value than the indirect influence on economic growth in East Java if mediated through capital expenditure. This finding agrees with the research by Maheni & Maryono (2021:68), stating that when increased directly, DAK will enhance economic growth without being budgeted for capital expenditure. The distribution of DAK by the central government is provided to support development by selected regional governments, contributing to national economic growth. The additional financing from DAK for development will help achieve economic growth in the region. The lack of mediation influence between DAK and economic growth is also due to the uncertain amount and distribution of DAK to regions, as this fund is considered special and is given only at specific times, needs, and even to certain regions. The mediation influence of capital expenditure is strong in the influence of DAK on economic growth.

CONCLUSIONS

By involving a research sample of 30 districts/cities in East Java province from 2019 to 2021, based on the path analysis testing, it was found that capital expenditure cannot mediate (intervene) the influence of Local Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) on economic growth.

Based on these findings, the researchers recommend that regional governments, especially in East Java or other regions, allocate regional revenue to continuously optimize the region's potential to increase Local Original Revenue (PAD) and achieve autonomy as a self-governing region. Nevertheless, the government of East Java can still rely on General Allocation Fund (DAU) and Special Allocation Fund (DAK) to assist in financing development projects, thereby maximizing the budget allocation for capital expenditure. For future research, this study can serve as a reference for exploring other aspects of local governance or balancing funds besides the General Allocation Fund (DAU) and Special Allocation Fund (DAK).

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