Effect of Regional Genuine Revenue and General Allocation Funds on Economic Growth with Regional Expenditures as Intervening Variables (Study On the Regencies/Cities in East Java 2019-2021)

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ARTICLE DETAILS

ABSTRACT

Purpose: The objective of this study is to determine the importance of regional expenditure mediation in the correlation between regional original income, general fund allocation, and economic growth.

Methodology: The study sample is 38 districts or cities within the East Java Province. Employs quantitative research methods and utilizes secondary data collection techniques. The utilized data consists of the actualization of regional own-source revenue, general allocation funds, and expenditure categories, along with the rate of regional gross domestic product based on constant prices. The present study employs the total sampling technique. The research using the SmartPLS 3 software application.

Findings: Local Own Revenue and General Allocation Funds have a significant effect on Regional Expenditures. Local Own Revenue is found to have a significant influence on Economic Growth, whereas General Allocation Funds do not exhibit a significant impact on Economic Growth. Regional Expenditures have note a direct effect on Growth of economics. Regional Expenditures do not act as a mediator between Regional Original Income and General Allocation Funds with Economic Growth.

Implications: The research suggests that the government has the opportunity to enhance local economic growth by maximizing local sources of income by prioritizing the allocation of funds from the regional budget and regional development budget in a manner that aligns with effective budget management practices. By doing so, the government can ensure that the desired outcomes are achieved and that there is a positive correlation between budget allocations and actual results.
Introduction
Indonesia is a nation that upholds a framework of regional autonomy in the execution of its governance. The concept of regional autonomy, as defined in Law Number 23 of 2014, comprises the rights, powers, and obligations granted to an autonomous area to independently manage the affairs of the government and the well-being of the local community in accordance with applicable regulations. Regional autonomy offers a platform for individual regions to foster community engagement within their respective areas, thereby enhancing their overall performance in the pursuit of regional self-governance. The implementation of decentralisation has led to the initiation of regional development efforts, including the improvement of infrastructure. Effective development is contingent upon the concurrent progress of the local economy, with infrastructure development playing a pivotal role in shaping the trajectory of regional economic growth. Economic growth can be conceptualised as a deliberate endeavour to enhance the vitality and well-being of a nation, quantifiable through the metric of real income per individual. The assessment of economic progress necessitates the utilisation of an appropriate measuring apparatus, such as an economic growth measuring instrument, which encompasses the Gross Domestic Product (GDP). The province of East Java exhibited a negative growth rate of -2.33% in the year 2020, followed by a subsequent positive growth of 3.57% in 2021. The utilisation of the economic growth percentage serves as a commonly employed metric for assessing the efficacy of regional development and economic advancement. The rapid development of specific regions, accompanied by the advancement of fiscal activities that necessitate the allocation of resources from provincial governments, has resulted in post-financing expenditures. These expenditures encompass both routine operational expenses and developmental investments, which necessitate substantial accessibility to assets in order to finance government activities. In addition to the task of fund management, local governments benefit from various forms of financial assistance, including Local Own Revenue, financing mechanisms, and alternative sources of income. The responsibility for determining the approach to leveraging each asset lies with the local government. The proposed measure is expected to enhance regional autonomy, prompting the regional administration to actively pursue opportunities to harness the region’s potential and capabilities in order to foster economic expansion at the regional level.

With the exception of some districts and cities, such as Surabaya, Sidoarjo, and Gresik, which have a higher percentage of PAD to the district, the proportion of general allocation funds to district/city district spending in eastern Java in 2019–2021 is still relatively high compared to the council’s initial income. The low ratio of PAD to local spending suggests that PAD-producing resources, such as higher local taxes and other natural resources, cannot be used to their fullest potential. This might be because there is a propensity for the federal government to transfer money, which weakens the region’s capacity to meet its own demands. The local government responded to the transfer from the federal government, namely that which came from the Public Allocation Fund, by increasing regional expenditure more than it did with its own regional income, which resulted in the occurrence of the flypaper effect phenomenon. When a local government responds to local spending by using the balance sheet or transfer fund of the region rather than using the outcomes of regional income, the flypaper effect phenomenon takes place.
According to the research (Harahap et al., 2019); (Rhamedia et al., 2022); (Zainuddin & Batubara, 2020); and (Abdur et al., 2019), the impact of combining general budgetary resources with regional original income on economic growth stems from their roles in fostering regional autonomy and facilitating opportunities for regional development. By effectively organizing regional autonomy, these factors contribute to the promotion of economic growth. The study ((Dewi & Suputra, 2017) conducted, however, revealed that the region's initial income has little bearing on economic expansion. Because the funds received by the region are not used to develop prasarana infrastructure that can support economic growth, ((Dewi & Suputra, 2017); and (Putra, 2019) demonstrate that the general budgetary resources has no impact on economic growth. As a result, the general budgetary resources role has no bearing on economic development.

Up to now, research on economic growth in Indonesia has been conducted in a number of different provinces, districts, and cities. However, there are discrepancies in the findings of some studies, necessitating additional study, particularly if it is connected to the board's initial revenue and the general allocation fund. Research time, research object, research population, and research sample variations are also novel and subsequently support or refute the findings of earlier studies. For the 2019–2021 fiscal year, this research will be conducted in the district or city in eastern Java.

**Literature Review and Hypotheses Development**

**Agency Theory**
The central government functions as a principle and the local government as a representative in the realization of balance funds, which clarifies the agency relationship in terms of public finances. Local governments receive policies from the federal government to rule and take action in their respective jurisdictions. With the implementation of this strategy, the central government has provided balancing money to local governments to assist regional governments in carrying out their functions.

**Peacock & Wiseman**
According to the Peacock Wiseman theory, the government constantly seeks to boost its expenditure by relying on tax revenue; if tax receipts rise, government spending will follow suit.

**Regional Genuine Revenue**
The income that a region can get within the terms of the law, as governed by Law No. 23 of 2014, is referred to as regional income. The region's first revenue is meant to be used by the local government to uphold the requirement that local autonomous funds be used in accordance with the region's capacity and strength.

**General Allocation Funds**
Based on No. 33 of 2004, general budgetary resources is a transfer fund derived from APBN income used and intended to balance the financial forces in the autonomous regions in carrying out the function of decentralization of the region.

**Economics Growth**
Economic growth is the strengthening of components of the economy that affect the commodities and services generated in society, hence raising the level of prosperity in the neighborhood. The performance of the economic growth from the previous year as well as from the present or forthcoming years can be evaluated using this economic growth.

**Regional Expenditures**
Local expenditures are defined as local liabilities under Law Number 23 of 2014 as a deduction from the value of net wealth during the relevant period of the budget year. Regional purchases are all of an area's outlays within a year of the budget that are not reimbursed by the region and are
allocated fairly and equally for the growth and enhancement of the community's well-being.

**Impact of Genuine Revenue to Regional Expenditures**
Regional income is defined as revenue gathered by the local government in accordance with statutory rules. According to Peacock Wiseman's idea, taxes are used by the government to boost local spending. Local real income will rise if the government can boost the tax rate. The local government's use of the increase in local spending will depend on the local original income. (Kustianingsih et al., 2022). According to research by (Linawati & Tohari, 2021); (Fadilah & Helmayunita, 2020); (Rizal et al., 2021); (Putri & Haryanto, 2019); and (Kustianingsih et al., 2022), the real income of the area affects the spending of the area. This leads to the following theory being formed:

H1: Genuine Revenue Influences Regional Expenditures in Eastern Java County/City in 2019–2021

**Impact of General Allocation Funds to Regional Expenditures**
According to the theory of agency, this central government has a role as a principle that delegated power to the regional authority, which then acted as an agent to control the local government's operations. The local government receives balance funds from the central government in the form of public allocation funds to help finance local spending expenditures that should be used as efficiently as feasible. Public funding allocated with the understanding that the local government will be answerable to the federal government. Regional expenditure is significantly influenced by the general allocation fund, which was assigned to the exhaustion of financial resources across the regions to satisfy the needs of local spending in accordance with this decentralization. According to the studies done by dilakukan (Linawati & Tohari, 2021); (Fadilah & Helmayunita, 2020); (Rizal et al., 2021); (Putri & Haryanto, 2019); dan (Kustianingsih et al., 2022) the general allocation fund affects regional spending. This leads to the following theory being formed:

H2: General Allocation Funds Influences Regional Expenditures in Eastern Java County/City in 2019–2021

**Impact of Regional Genuine Revenue to Economics Growth**
One of the income streams that might accelerate a region's economic growth is regional income. The local government will aim to increase its economic growth by bolstering the means of local development for public services that are governmental obligations if the income obtained is high because high income leads to high fund growth, increasing the level of regional independence. According to research (Harahap et al., 2019); (Rhamedia et al., 2022); (Zainuddin & Batubara, 2020); dan (Abdur et al., 2019), the real income of the area affects economic expansion. This leads to the following theory being formed:

H3: Regional Genuine Revenue Influences Economics Growth In Eastern Java County/City in 2019–2021

**Impact of General Allocation Funds to Economics Growth**
The level of estimation used to calculate a region's development targets, particularly government spending on infrastructure projects, depends on the public allocation money secured by the region. The region's local administration strives to boost regional economic growth, as seen by the advanced state of the infrastructure (Abdur et al., 2019). According to research by Harahap et al., 2019); (Rhamedia et al., 2022); (Zainuddin & Batubara, 2020); dan (Abdur et al., 2019), the general allocation fund affects economic expansion. This leads to the following theory being formed:

H4: General Allocation Funds Influences Economics Growth in Eastern Java County/City in 2019–2021

**Impact of Regional Expenditures to Economics Growth**
The growth of the economy will be propelled by effective allocation of regional resources and
active engagement with the public. The assessment of economic growth has been quantified through the increase in overall well-being and the achievement of developmental objectives. Government spending policies are widely believed to have the potential to stimulate economic growth. According to a body of research conducted by Harahap et al. (2019), Linawati and Tohari (2021), and Rahmedia et al. (2022), it has been found that regional expenditure exerts a significant influence on economic growth. It is possible to formulate the following hypothesis:

H5: Regional Expenditures Influences Economics Growth In Eastern Java County/City in 2019–2021.

Regional Expenditures Mediate the Influence of Regional Genuine Revenue on Economic Growth

The regional government utilizes the regional budget in the form of APBD to execute the development plan through diverse development sectors and projects. The objective is to make investments that directly impact the productive economy of the community and foster economic growth within the region. According to Rhamedia et al. (2022), Local income refers to the earnings that are utilized for local expenditures, specifically designated for regional investments, encompassing both capital investments and operational expenditures on services. This allocation of funds is anticipated to contribute to the advancement of economic growth. According to Linawati and Tohari (2021), According to several studies (Harahap et al., 2019; Linawati & Tohari, 2021; and Rahmedia et al., 2022), it has been found that regional spending plays a mediating role in the relationship between local real income and economic growth. Based on the aforementioned information, it is possible to formulate the following hypothesis:

H6: Regional Expenditures Mediate the effect of Regional Genuine Revenue on Economic Growth In Eastern Java County/City in 2019–2021

Regional Expenditures Mediate the Influence of General Allocation Funds on Economic Growth

The allocation of regional expenditures is given priority in order to finance essential services for the community, in alignment with the minimum service standards that aim to enhance the overall welfare of the community. (Linawati & Tohari, 2021) conducted a study on the topic. The measurement of per capita income can serve as an indicator of the level of well-being within a society. One of the primary contributors to local purchases is the balance fund, also known as the general allocation fund. There is a positive correlation between the magnitude of local receipts and the allocation of funds for local expenditure, ultimately resulting in a boost to regional economic growth. According to Harahap et al. (2019), According to a study conducted by Harahap et al. (2019) and Linawati & Tohari (2021), it was found that regional spending plays a mediating role in the relationship between general allocation funds and economic growth. Based on the aforementioned information, it is possible to formulate the following hypothesis:

H7: Regional Expenditures Mediate the effect of General Allocation Funds to Economic Growth in Eastern Java County/City in 2019–2021

The study's conceptual framework is depicted in Figure 1, as presented below:
Method
The research was carried out in a particular district or city located within the East Java Province. The data for the study was obtained by accessing the official websites of the Directorate General of Financial Balance under the Ministry of Finance, available at www.djpk.kemenkeu.go.id, and the Central Statistics Agency of the East Java Province, accessible at www.jatim.bps.go.id. The study's sample population comprised 38 districts or cities situated within the East Java Province. The present study utilizes quantitative research methods by employing secondary data collection techniques. The data utilized in this study includes the actualization of local indigenous revenue, general allocation funds, regional expenditure, and the local gross domestic product rate calculated using constant prices. The study utilizes a sampling technique referred to as total sampling, wherein all elements from the population being studied are selected as a complete set. This study investigates two independent variables, local genuine income and the general budgeting fund. Furthermore, in this study, economic growth is considered as the dependent variable, whereas regional spending is regarded as the mediating variable. The research data underwent analysis utilizing a software application, such as SmartPLS 3.

Table 1 operational definition of variables:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Proxy</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Genuine Revenue (X1)</td>
<td>Realised</td>
<td>District Taxes + District Retributes + Distinguished District Property Management Results + Other Legitimate Income (Law No.33 of 2004)</td>
</tr>
<tr>
<td>General Allocation Funds (X2)</td>
<td>Realised</td>
<td>Fiscal Void + Fund of Alocation (Law No. 33 of 2004)</td>
</tr>
<tr>
<td>Economics Growth (Y)</td>
<td>PDRB</td>
<td>Gross Regional Domestic Product at constant prices (Bappenas on Dewi &amp; Suputra, 2017)</td>
</tr>
<tr>
<td>Regional Expenditures (Z)</td>
<td>Realised</td>
<td>Direct Shopping + Indirect Shopping (Permendagri 13 of 2006)</td>
</tr>
</tbody>
</table>

Results and Discussion

![Graph showing the PLS results of the PLS Algorithm](image)

Figure 2 PLS Results of PLS Algorithm

Outer Model Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Outer Loading value</th>
<th>measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Genuine Revenue (X1)</td>
<td>1,000</td>
<td>Valid</td>
</tr>
<tr>
<td>General Allocation Funds (X2)</td>
<td>1,000</td>
<td>Valid</td>
</tr>
<tr>
<td>Regional Expenditures (Z)</td>
<td>1,000</td>
<td>Valid</td>
</tr>
<tr>
<td>Economics Growth (Y)</td>
<td>1,000</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: Smart PLS 3 Output

Correlation is said to be valid if it has a value > 0.7. Based on table 2 above, all variables have values above 0.7, so all variables are said to be valid.
Table 3 Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Genuine Revenue (X1)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>General Allocation Funds (X2)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Regional Expenditures (Z)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Economics Growth (Y)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Source: Smart PLS 3 Output

A component called composite reliability is used to evaluate a variable indicator's level of reliability. A structure may be deemed dependable if the composite's reliable value is greater than 0.6. All variables are considered dependable because they all have values over 0.6 in table 3 above.

Inner Model Test

Table 4 Coefficient Determination

<table>
<thead>
<tr>
<th>Variable</th>
<th>R-Square</th>
<th>R-Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Expenditures (Z)</td>
<td>0.899</td>
<td>0.897</td>
</tr>
<tr>
<td>Economics Growth (Y)</td>
<td>0.932</td>
<td>0.930</td>
</tr>
</tbody>
</table>

Source: Smart PLS 3 Output

R-Square Adjusted model Line I = 0.897 indicates that the General Allocation Fund in describing Z (Regional Shopping) is 89.7%, indicating that the model substantially fits. The variable ability X is the Regional Real Income. (strong).

Test of Hypothesis

Table 5 below shows the outcome of testing the hypothesis by examining at the T statistics and P-value

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>PAD (X1) -&gt; BD (Z)</td>
<td>9.687</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>DAU (X2) -&gt; BD (Z)</td>
<td>6.097</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>PAD (X1) -&gt; PE (Y)</td>
<td>9.861</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>DAU (X2) -&gt; PE (Y)</td>
<td>0.283</td>
<td>0.777</td>
<td>No Supported</td>
</tr>
<tr>
<td>H5</td>
<td>BD (Z) -&gt; PE (Y)</td>
<td>0.002</td>
<td>0.999</td>
<td>No Supported</td>
</tr>
<tr>
<td>H6</td>
<td>PAD (X1) -&gt; BD (Z) -&gt; PE (Y)</td>
<td>0.002</td>
<td>0.999</td>
<td>No Supported</td>
</tr>
<tr>
<td>H7</td>
<td>DAU (X2) -&gt; BD (Z) -&gt; PE (Y)</td>
<td>0.001</td>
<td>0.999</td>
<td>No Supported</td>
</tr>
</tbody>
</table>

Source: Smart PLS 3 Output
The first hypothesis's T statistics value is 9.687 > 1.96 & P-value is 0.000, indicating that Z (Regional Expenditures) has an impact on X1 (Regional Natural Income). The second hypothesis's T-statistics value is 6.097 > 1.96 & P-value is 0.000, indicating Z (Regional Expenditures) has an impact on X2 (General Allocation Fund). The third hypothesis states that Y (Economics Growth) has an impact on X1 (Regional Natural Income) because T statistics = 9.861 > 1.96 & P Value = 0.000 0.05. With T statistics of 0.283 1.96 & a P-Value of 0.777 > 0.05 for the fourth hypothesis, it can be concluded that X2 (General Allocation Fund) does not impact of Y (Economics Growth). With a T statistic of 0.002 1.96 & a P value of 0.999 > 0.05 for the fifth hypothesis, it can be concluded that Y (Economics Growth) has no effect on Z (Regional Shopping). The influence of X1 (Area Natural Income) on Y (Economics Growth) is not mediated by Z (Regional Purchases), according to the sixth hypothesis, which has a T-statistics value of 0.002 and P-Values of 0.999 > 0.05 (not significant). The influence of X2 (General Allocation Fund) on Y (Economics Growth) is not mediated by Z (Regional Shopping), according to the seventh hypothesis' statistical T value of 0.001 and P-values of 0.999 > 0.05 (insignificant).

Discussion

Effect Regional Genuine Revenue on Regional Expenditures

The evaluation of the first hypothesis, which compares the Natural Income of the Region with Regional purchases, yielded significant results. The analysis T statistics of 9.687, which exceeded the critical value of 1.96, indicating a statistically significant relationship. Additionally P Value is 0.000 < 0.05. This implies that the level of local income is significant effect on local consumer spending.

Influence of Regional Genuine Revenue on local spending and its subsequent positive effects are noteworthy. This observation demonstrates a positive correlation between the level of regional income reception and the corresponding allocation of funds towards the area's expenditures. The local government will endeavor to enhance the quality of its services to the community in response to the rise in regional income. This will be achieved through the allocation of funds towards capital and operational expenditures aimed at improving public services (Linawati & Tohari, 2021). There is an expectation that every region can enhance the reception of its viewpoints originating from regional income sources by optimizing the potential of its area's acceptance to the same extent as it does from regional taxes. According to Peacock and Wiseman's theoretical framework, the government aims to enhance regional expenditure by means of taxation. If the government has the ability to increase the tax rate, it follows that the local real income will also experience an increase. The augmentation of the initial income in this region will result in an escalation of the local expenditure utilized by the local government, thereby establishing a positive correlation between the Regional Natural Income and the regional spending (Kustianingsih et al., 2022).

Find of this study provide additional support to the existing research conducted by (Linawati & Tohari, 2021); (Fadilah & Helmayunita, 2020); (Rizal et al., 2021); (Putri & Haryanto, 2019); and (Kustianingsih et al., 2022) which posited that the initial income level of a given area significantly influences the expenditure patterns within that region.

Effect General Allocation Funds on Regional Expenditures

The analysis is significant results for the second hypothesis, which examined the impact of the General Allocation Fund on regional shopping. The T statistics obtained were 6.097, exceeding the critical value of 1.96, indicating a statistically significant effect. Additionally P-Value is 0.000 < 0.05. This implies that the allocation of funds has a significant influence on local purchasing activities.

The General Allocation Fund refers to a mechanism through which funds are transferred to local governments from the Gross Regional Domestic Product (GDP). Its primary objective is to
facilitate the regulation of financial capabilities across different regions and to provide funding for regional needs, thereby supporting the implementation of decentralization (Kustianingsih et al., 2022). Drawing upon the theoretical framework of agency, it can be posited that the central government, in adherence to a fundamental principle, delegates authority to the local government as an agent, thereby empowering it to oversee and regulate the activities of its respective regional administration. The central government allocates public funds to the local government in order to facilitate local spending and promote efficient utilization of resources. The Alpaski Public Fund will be subject to oversight by the local government agency, which in turn reports to the central government as its primary authority. The allocation of general funds aimed at addressing regional disparities in financial capacity to support local expenditure within the context of decentralization has significant implications (Rhamedia et al., 2022).

This study's conclusions provide additional support to the previous research conducted (Linawati & Tohari, 2021); (Fadilah & Helmayunita, 2020); (Rizal et al., 2021); (Putri & Haryanto, 2019); and (Kustianingsih et al., 2022) which posited that general allocation funds exert influence on regional expenditure.

**Effect Regional Genuine Revenue on Economics Growth**

The evaluation of the third hypothesis, which examines the impact of regional natural income on economic growth, was conducted using data from. The results indicate that the T statistics value obtained was $9.861 > 1.96$. Additionally, the P-Value obtained is 0.000, below the 0.05 level of significance. The influence of natural income on economic growth is evident.

According to Putra (2019), regional natural income (PAD) refers to a significant source of regional revenue derived from various sources within a specific area. The primary objective of PAD is to grant the local government the necessary financial resources to encourage the adoption of regional autonomy, in alignment with the area's potential. The regional income sector assumes a significant role as it provides insights into the region's capacity to fund governmental initiatives and promote regional development. According to Harahap et al. (2019), it can be argued that Natural Income constitutes a significant source of revenue capable of stimulating regional economic growth. If the regional income is elevated, it follows that the funds held by the regional government will also experience an increase. Consequently, the level of regional independence will be enhanced, prompting the local government to implement measures aimed at further augmenting economic growth. This will be achieved by supplementing the means of regional development with public services that are considered obligatory responsibilities of the government.

The findings of this study provide further support for the investigations conducted by (Harahap et al., 2019); (Rhamedia et al., 2022); (Zainuddin & Batubara, 2020); dan (Abdur et al., 2019) which assert that the actual income of the locality exerts an impact on economic development.

**Effect General Allocation Funds on Economics Growth**

The evaluation of the fourth hypothesis, which examines the effect of the General budgeting Fund on economic growth, was conducted using the data presented in Table. The T-statistics value is 0.283, is less than value of 1.96. The P-Value was calculated to be 0.777 > 0.05. This implies that the allocation of funds doesn't have a significant effect on economic growth.

The study's findings show that there is no real association between the General budgeting Fund and economic growth. The General Allocation Fund is utilized for regular procurement and routine expenditures that pertain to the ongoing operational needs of the government. According to Putra (2019), routine purchases encompass various types of transactions such as official purchases, shopping for goods, and subsidies for autonomous areas. The region does not utilize the general allocation funds it receives for the development of infrastructure that can effectively facilitate
economic growth. Consequently, the general allocation fund does not play a significant role in influencing economic growth.

The findings of this investigation have bolstered the previous research conducted by Hakim (2021), Dewi and Suputra (2017), and Putra (2019). The study reveals that the general allocation fund does not exert any influence on economic growth.

**Effect Regional Expenditures on Economics Growth**

The fifth assessment of the hypothesis regarding the Impact of Regional Shopping on Economic Growth, as indicated in Table a T-statistics value of 0.002, which falls below the value of 1.96. The corresponding P-Value of 0.999 > 0.05. These findings suggest that there is no significant influence of Regional Shopping on economic growth.

According to empirical research, it has been found that local purchases do not exert any discernible influence on economic growth. The discrepancy in regional spending allocation by local governments is primarily characterized by a greater emphasis on official and routine expenditures, rather than on infrastructure investments aimed at fostering regional economic growth. The effect of local purchases on economic growth is negligible. According to Putra (2019), The categorization of local shopping, as determined by governmental affairs, encompasses two distinct types: mandatory shopping and discretionary shopping. The prioritization of purchasing obligatory affairs is aimed at safeguarding and enhancing the quality of life for individuals, with the objective of fulfilling the region's obligations. These obligations manifest in the form of enhancing fundamental services such as education, healthcare, social facilities, among others. Public allocation funds are either not utilized or utilized to a minimal extent for the development of infrastructure facilities that can facilitate economic growth. Consequently, the impact of the General Allocation Fund on economic growth is negligible.

The findings of this study provide further support for the previous research conducted by Putra (2019) and Putri (2021), which indicate that regional expenditure does not have a significant impact on economic growth.

**Regional Expenditures Mediates the Effect of Regional Genuine Revenue on Economics Growth**

The findings from the evaluation of the sixth hypothesis indicate that Regional Shopping acts serving as a mediator in the connection between Regional Shopping and Economic growth. The analysis conducted in Table yielded a T-statistics value of 0.002, accompanied by P-Values of 0.999 > of 0.05. Consequently, the results indicate that Regional Shopping does not act as a mediator in the effect between Regional Real Income and economic growth.

Regional income is a significant factor that has the potential to enhance the economic growth of a given region. Higher regional income is associated with increased funds held by the regional government and a greater level of regional independence. Consequently, the local government will implement measures to enhance economic growth by augmenting regional development through the provision of public services, which are considered government responsibilities. According to Putra (2019), The local government will endeavor to enhance the quality of its services to the community as a result of the rise in regional income. This objective will be achieved through the allocation of local funds towards capital spending and operational spending, aimed at improving public services. According to Linawati and Tohari (2021), The effect of local genuine income on economic growth is not effectively mediated by regional purchases due to the relatively low proportion of capital spending allocations that directly affect economic growth, as well as the higher proportion of employee spending allocations that do not have a significant impact on economic growth. According to Hendriwiyanto (2014).
The findings of this study provided further support for the research conducted by Hendriwiyanto (2014), the mediating effect of local spending on the relationship between Dearah Natural Income and economic growth in the district or city in eastern Java from 2019 to 2021 is found to be insignificant.

**Regional Expenditures Mediates the Effect of General Allocation Funds on Economics Growth**

The analysis in Table evaluates the seventh hypothesis, the results indicate that the T statistic value is 0.001, with P-Values of 0.999 > 0.05. Therefore, it can be concluded that the Purchasing Area does not mediate the influence of the Aloxic Area Fund on economic growth.

The Allocation Fund refers to a form of intergovernmental fiscal transfer from the central government, specifically from the National Budget (APBN), with the objective of facilitating financial equilibrium among different regions and supporting the fulfillment of regional needs in the context of decentralization. According to Kustianingsih et al. (2022), General allocation funds are typically utilized for the purpose of routine purchases, which encompass the necessary expenditures required for the maintenance of the government's day-to-day operations. Common types of purchases encompass official procurement, consumer shopping for goods, and subsidies allocated to autonomous regions, among others. According to Putra (2019), The impact of general budgetary funds on economic growth is not effectively mediated by regional purchases. This is primarily due to the relatively low proportion of allocation dedicated to capital spending, which has a direct effect on economic growth. Conversely, a larger portion of the allocation is allocated to employee spending, which has limited impact on economic growth. According to Hendriwiyanto (2014).

The findings of this study provide further support to the research conducted by Hendriwiyanto (2014). The mediate effect of local spending on the relationship between general allocation funds and economic growth in the district or city in eastern Java from 2019 to 2021 is found to be insignificant.

**References**


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