

Banten's Economic Growth: Regional Financial Performance Impacts (2014 – 2023)

Rahmatu Azzahra^{a,*}, Nugraha^b

^a Accounting Education Department, Education University of Indonesia, Bandung City, Indonesia

^b Accounting Education Department, Education University of Indonesia, Bandung City, Indonesia

*Corresponding author. E-mail address: rahmatuazzahra@upi.edu

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ABSTRACT

This study investigates the role of local government policies in managing local finances towards economic growth in Banten Province in 2014 - 2023. This study aims to evaluate the level of fiscal decentralization, regional independence, and the effectiveness of local revenue in driving economic growth as measured by the growth of gross regional domestic product value. Quantitative research methods through causal descriptive are used to examine 80 observational data. The results show that fiscal decentralization has a negative effect on economic growth, while the level of regional independence and the effectiveness of local revenue have a positive effect on economic growth. The findings show that the implementation of local government policies in accordance with the principle of decentralization is very important in optimizing regional potential which ultimately has an impact on sustainable regional economic policies. This study highlights government policies in determining local revenue targets, increasing efficiency in regional development and governance, and allocation of accountable and transparent resources can encourage community welfare and regional development. The recommendations provided aim to evaluate policies and encourage innovation in the context of regional development through targeted fiscal policies.

1. Introduction

1.1 Background

Economic growth is a continuous process of change aimed at achieving a better economic condition within a certain period (Mulyaningsih, 2019). The economic condition of a region is the responsibility of the local government in designing and implementing policies tailored to the region's needs based on optimizable resources. Indonesia, with its diverse resources and local wisdom, applies a regional autonomy system that grants authority to local governments to manage their affairs. This aligns with the principles of Pancasila democracy, which allows communities to participate more actively in national development.

Decentralization, introduced after Indonesia's reform era, brought significant implications for policy implementation, establishing the principle of regional autonomy to support national development. The concept of decentralization as outlined in Law Number 23 of 2014 grants local governments the rights, authority, and responsibilities to manage their governance and community interests independently. Local governments are entrusted with broad authority to formulate policies

related to regional resource management, enabling them to develop their potential in efforts to improve public welfare (Mulyaningsih, 2019). The implementation of regional autonomy is expected to maximize democratic ideals, promote independence among local governments to reduce dependence on the central government, and enhance optimal and dynamic resource management.

According to Law Number 23 of 2014, regional governance includes both the local government and the Regional House of Representatives (DPRD), and regulates their interactions in fulfilling duties and authority, including establishing fair, proportional, democratic, transparent, and accountable financial relations. Furthermore, local governments are responsible for budget planning, including the preparation of the Regional Medium-Term Development Plan (RPJMD), the Draft of Regional Financial Policy (RKKD), the Regional Revenue and Expenditure Budget (APBD), and the implementation and accountability of these budgets.

The governance of financial relations between the central and local governments is further regulated in Law Number 1 of 2022 concerning Central and Regional Financial Relations. This regulation aims to achieve effective and efficient budget allocations and promote fair and accountable financial management to improve community welfare. Local governments have the right to formulate policies and manage regional budgets to optimize regional development. The financial management carried out by local governments is reflected in the Regional Revenue and Expenditure Budget (APBD). The APBD illustrates the local government's capacity to plan expenditure and revenue policies for regional development (Khusaini, 2018). It portrays a government's work plan involving revenue sources and projected expenditures. Budget planning should reflect the effectiveness and efficiency of financial management, indicating how far the region's development targets can be achieved (Darinsyah, 2014). This aligns with the *value for money* concept based on three key indicators: economy, efficiency, and effectiveness. The application of this concept in the public sector is intended to minimize unproductive expenses and achieve optimal results aligned with the development goals (Pratama et al., 2022).

To achieve effective and efficient budgeting, strong cooperation is required between local governments and DPRD in formulating the APBD. According to Law Number 17 of 2003 on State Finance, the APBD planning mechanism includes several stages: formulation, discussion, ratification and implementation, monitoring, and evaluation. Additionally, the roles of the Regional Development Planning Agency (Bappeda), related regional apparatuses, and the public are crucial in creating effective and efficient policies aligned with regional visions and missions while ensuring transparency and accountability in budget preparation. APBD components such as revenues, expenditures, and regional financing should contribute to economic growth.

According to the Central Statistics Agency (BPS, 2023), Indonesia's economic growth increased in 2023. This is in line with the opinion of Purwovidhu (2024) in the financial media of the Ministry of Finance which stated that Indonesia's economic conditions grew consistently amidst global environmental disruption. However, for 9 years, Indonesia's economic growth rate has not reached the target set in the National Medium-Term Development Plan (RPJMN) and the Indonesian Government Performance Plan (RKP) in 2014 - 2023. Economic growth in Indonesia is certainly driven by the contribution of regional economic growth rates. The provincial groups based on islands that have the most influence on Indonesia's economic growth in 2023 with the highest growth are Maluku and Papua at 6.94%, Sulawesi at 6.37%, and Kalimantan at 5.43%. Meanwhile, in Java, economic growth that occurred in 2023 was 4.96%.

Table 1.1 shows a comparison of the economic growth values of provinces in Java Island which illustrates the rate of economic growth in six provinces, namely DKI Jakarta, DI Yogyakarta, West Java, East Java, Central Java and Banten. In the table, Banten Province shows the lowest economic growth rate in 2020, 2022, and 2023. While in other years it shows that the economic growth rate of Banten Province still reaches the average value or more compared to other provinces.

In 2020, when regional economic growth in Java Island declined, the economic growth rate of Banten Province was the area that contracted the most from the impact of the Covid-19 pandemic. Furthermore, the economic growth of Banten Province in 2021 experienced a rapid increase and continued to increase in 2022. However, the economic growth value of Banten Province in 2022 and 2023 was the smallest growth value compared to the 6 provinces in Java Island. The economic growth rate of Banten Province showed a decline in 2023 of 4.81%, not reaching the national economic growth target.

The slowdown in Banten's economic growth in 2023 was due to a decline in agricultural income, metal mining, and contractions in other industrial sectors (Rostinah, 2023). The industry that develops in a region is certainly one aspect that influences regional income, which will drive the level of regional economic growth. The problems faced by the industry that cause production to decline will affect the decline in GRDP so that the rate of economic growth slows down.

The decline in the percentage of economic growth can have an impact on policies related to funding planning, thus affecting all aspects of resources in the region. If this condition is not addressed immediately, it will cause problems in community welfare, quality of human resources, and economic stability. A decline in the rate of economic growth (economic recession) can have significant negative impacts, both on a macro and micro scale. Economic recession has impacts, including economic slowdown resulting in increased layoffs, decreased investment performance, weakened purchasing power, economic disparities, increased unemployment rates, and increased government spending which causes an increase in the value of state debt (Rianda, 2023). To avoid this, local governments must consider policies and funding, and make wise decisions in an effort to encourage national development.

1.2 Problem Statement

According to Statistics Indonesia (2023), Indonesia's economy experienced growth in 2023. This aligns with the view of Purwowidhu (2024), published by the Ministry of Finance, stating that Indonesia's economy continued to grow consistently amid global disruptions. However, over the 2014–2023 period, Indonesia's economic growth did not meet the targets set by the National Medium-Term Development Plan (RPJMN) and Government Work Plan (RKP). Although there was a sharp decline in 2020 due to the global COVID-19 pandemic, the economy rebounded to 5.31% in 2022, reaching the 5.2% target. Yet in 2023, growth dropped to 5.05%, below the 5.3% target.

Table 1.1
Economic Growth Rate of Java Island 2014-2023

Province	Pertumbuhan Ekonomi Pulau Jawa									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
DKI Jakarta	5,91	5,91	5,87	6,2	6,11	5,82	-2,39	3,55	5,25	4,96
Jawa Barat	5,09	5,05	5,66	5,33	5,65	5,02	-2,52	3,74	5,45	5,00
Jawa Tengah	5,27	5,47	5,25	5,26	5,3	5,36	-2,65	3,33	5,31	4,98
DI Yogyakarta	5,17	4,95	5,05	5,26	6,2	6,59	-2,67	5,58	5,15	5,07
Jawa Timur	5,86	5,44	5,57	5,46	5,47	5,53	-2,33	3,56	5,34	4,95
Banten	5,51	5,45	5,28	5,75	5,77	5,26	-3,39	4,49	5,03	4,81

Sumber: SIMREG BAPPENAS, Indonesia

Indonesia's national economic growth is driven by regional economic growth. Among provinces grouped by island, the highest contributors in 2023 were Maluku and Papua (6.94%), Sulawesi (6.37%), and Kalimantan (5.43%). Meanwhile, Java Island recorded a growth rate of 4.96%. In this context, Banten Province displayed the lowest economic growth in Java for 2020, 2022, and 2023.

According to *Radar Banten* (Rostinah, 2023), Banten's economic slowdown in 2023 was attributed to declining revenues in agriculture, metal mining, and contraction in other industrial sectors. These industries significantly impact regional income and thus affect regional economic growth. Declining industrial output reduces Gross Regional Domestic Product (GRDP) and slows economic growth.

If this situation is not promptly addressed, it could adversely affect public welfare, human resource quality, and economic stability. An economic downturn (recession) can lead to negative consequences, including rising unemployment, reduced investment, weakened consumer purchasing power, economic inequality, and increased government spending leading to national debt (Rianda, 2023). To prevent these outcomes, local governments must make wise policy and financial decisions to support national development.

One of the roles of public sector accounting is to assist entities in budget preparation and performance measurement (Mahmudi, 2016). Government performance can be assessed through strategic planning and the preparation of effective budgets. A reliable performance measurement system can help public sector management make policies and decisions that serve as a fiscal foundation for achieving economic stability and growth.

According to the theory of fiscal federalism by Musgrave (1959), economic growth can be driven through a decentralized system, where the authority to manage regional affairs is delegated to local governments. This theory supports the idea that decentralization enables the optimization of regional resources and potential, which can then be managed by local governments. The implementation of this theory suggests that delegating authority is essential, as it emphasizes the importance of local governments in managing regional revenues and expenditures through fiscal policy to foster economic growth.

The economic growth rate in Banten Province, which is influenced by various factors, reflects the performance of the provincial government in formulating budgetary and other related policies. Although in 2023 the economic growth rate was affected by the decline in industrial income—which may be categorized as a non-financial factor—such a condition is nonetheless influenced by the fiscal policies implemented by local governments.

The financial performance of local governments affects budget allocation and how effectively and efficiently regional resources are managed. This, in turn, influences both financial and non-financial policies, which can impact various sectors contributing to increased income and public welfare, ultimately driving regional economic growth. Additionally, regional growth can be accelerated through collaboration between the provincial and city/regency governments in Banten, particularly in enhancing revenue effectiveness and cost efficiency.

1.3 Objectives and Scope

This study aims to investigate the impact of local government financial performance on economic growth in regencies/cities across Banten Province during the period of 2014 – 2023. Specifically, the research will analyze this relationship through three key indicators of financial performance, the level of fiscal decentralization, the regional independence ratio, and the effectiveness ratio of local original revenue (PAD). Furthermore, this study will provide a descriptive overview of each aforementioned research variable.

This research is confined to the analysis of regencies and cities within Banten Province, utilizing financial performance data and economic growth indicators exclusively from the 2014–2023 period. The selection of financial performance indicators is limited to the level of fiscal decentralization, the regional independence ratio, and the effectiveness ratio of local original revenue (PAD). Other potential financial or non-financial factors influencing economic growth are beyond the scope of this study. The findings and conclusions drawn from this research are specific to the context of Banten Province and may not be generalizable to other regions or periods without further investigation.

2. Literature Review

2.1 Related Work

Economic growth is one of the key indicators of a region's economic success. To stimulate economic growth, economic policies are needed that can promote economic stability through monetary and fiscal policies. Fiscal policy is a set of strategies implemented by the government to achieve economic stability. The fiscal policies formulated by the central government subsequently influence the strategies of local governments in promoting the rate of regional economic growth. The formulation and implementation of strategies by local governments must be based on the principles of regional autonomy.

A decline in economic growth has significant adverse effects on regional and national development. Therefore, it is necessary to identify the factors that influence economic growth. A study by Miar et al. (2024) found that financial performance significantly and positively affects economic growth through regional financial independence. If local governments can increase their locally generated revenue (PAD), it will encourage economic activity and affect the growth rate. Similarly, research by Safitri et al. (2023) indicated that local financial performance positively influences economic growth. Efficient financial management by local governments contributes to greater regional autonomy, allowing them to implement programs in an orderly, economical, effective, efficient, and transparent manner. Furthermore, Yasin et al. (2017) emphasized that well-managed financial performance helps the government achieve development goals while avoiding budget inefficiencies, thereby enabling regional economic growth through policies sourced from APBD components. Several other studies also concluded that financial performance positively impacts economic growth (Holung et al., 2021; Yanto & Astuti, 2020; Rachman & Aryanti, 2020; Prihastuti et al., 2015). However, some researchers argued that financial performance does not have a significant influence on economic growth (Hendro et al., 2021; Bere et al., 2023).

Furthermore, other studies have revealed that fiscal decentralization, dependency, and independence significantly affect economic growth (Irviani et al., 2017). Additional studies noted that financial independence, effectiveness, and efficiency influence economic growth (Rumbobiar & Sukmadilaga, 2023), while some showed that economic growth is influenced by effectiveness and indirect expenditure (Utami et al., 2019). Based on these findings, this study selects fiscal decentralization, regional independence, and PAD effectiveness as influencing factors on economic growth.

The first factor, the degree of fiscal decentralization, is calculated as the ratio of locally generated revenue (PAD) to total regional revenue. This financial performance measure indicates the local government's ability to formulate funding policies to increase PAD as a means of boosting economic growth (Ratnawati & Sari, 2023). They further explained that a high level of fiscal decentralization allows regions more freedom in managing their finances, thereby reducing fiscal inequality and enhancing economic growth. Several studies have shown that fiscal decentralization influences economic growth (Ernawati, 2024; Azwandi et al., 2020; Yanto & Susi, 2020; Irviani et

al., 2017). However, other studies even revealed a negative impact of fiscal decentralization on economic growth (Siswoyo & Soleh, 2020; Rinnova & Dewi, 2019; Sari et al., 2016).

The second factor, regional independence, is measured by the ratio of PAD to central government transfer revenues. It reflects a local government's capability to manage its own region independently, or its level of dependency on central government transfers. According to Ratnawati & Sari (2023), regional independence affects economic growth since greater ability to generate PAD indicates rapid development and economic progress. Several studies support this finding (Rumbobiar & Sukmadilaga, 2023; Azwandi et al., 2022; Madyasari, 2021; Siswoyo & Soleh, 2020; Yanto & Susi, 2020; Kumpangpune et al., 2019; Sudiarta & Made, 2019; Zulkarnain et al., 2019; Irviani et al., 2017; Berliani, 2016). Conversely, research by Hera et al. (2021), along with other studies, reported no significant relationship between regional independence and economic growth (Amalia & Akbar, 2022; Renggo, 2021; Kumpangpune et al., 2019; Nurulita et al., 2018; Siregar, 2016).

The third factor, effectiveness, is calculated by comparing actual to budgeted revenues, which indicates the local government's ability to forecast and achieve its revenue targets. Research by Jayanti et al. (2023) found that PAD effectiveness significantly influences economic growth, as high effectiveness reflects the government's capacity to manage regional potential and allocate it for development purposes. Several other studies also concluded that PAD effectiveness influences economic growth (Ernawati, 2014; Rumbobiar & Sukmadilaga, 2023; Azwandi et al., 2022; Yayu & Saipudi, 2022; Hera et al., 2021; Azhari et al., 2020; Kumpangpune et al., 2019; Rinnova & Dewi, 2019; Sudiarta & Made, 2019; Utami et al., 2019; Zulkarnain et al., 2019; Berliani, 2016). However, other researchers found no significant effect of effectiveness on economic growth (Amalia & Akbar, 2022; Fatmawati & Syafitri, 2021; Madyasari, 2021; Renggo, 2021; Kumpangpune, 2019; Nurulita et al., 2018; Syamsudin et al., 2015; Ani & Dwirandra, 2014).

2.2 Research Gap

Referring to previous studies, the researcher identified a research gap in the measurement of financial performance through the level of fiscal decentralization, regional independence, and effectiveness, which influence economic growth. These differences in research findings are influenced by various factors, such as the diversity of research objects, time periods, and other contextual variables. Based on this, the researcher conducted a follow-up study by adapting both the similarities and differences from prior studies.

One similarity between this research and previous studies lies in the type of data used. This study utilizes a combination of time series and cross-sectional data. Time series data are collected over a continuous and specific time period and are suitable for periodic research. Cross-sectional data refer to observations collected from different objects within the same time frame. In general, research on regional economic growth often employs both types of data to examine development trends, regional comparisons, and relationships with other variables. Thus, replacing these data types with others would be less appropriate for this study.

In contrast, a key difference in this research compared to earlier studies is the selection of independent variables. The choice of variables in this study is based on their critical relevance to the determination and influence on the dependent variable, as adapted from previous research. The independent variables used in this study are fiscal decentralization, regional independence, and effectiveness. These variables were selected due to the inconsistency of findings in previous studies.

Typically, studies examining the influence of financial performance on economic growth focus on regional entities within a country, such as archipelagic regions or provinces, which aligns with the principle of regional autonomy implemented in Indonesia. However, this study differs in its object of analysis. It specifically focuses on Banten Province, for which similar studies using the same variables have not been found. This region was chosen based on relevant phenomena occurring within

it. The research covers a 10-year period, from 2014 to 2023, and to date, no previous studies have examined this object over the same time span.

3. Methodology

3.1 Data Collection

The population in this study comprises cities and regencies within Banten Province, totaling eight regional administrative areas. The sampling technique employed is saturated sampling, also known as a census, which means that all members of the population are included as the research sample. This method is used because every member of the population is deemed necessary to be studied in order to obtain complete and accurate data that can better represent the entire population (Agung & Yuesti, 2019).

Accordingly, the sample used in this study consists of four cities and four regencies within Banten Province over the period 2014–2023. Thus, the total number of observational units is 8 samples multiplied by 10 periods, resulting in 80 data observations. The data used in this study are secondary and quantitative in nature. Secondary data refers to data published by external parties or institutions and is available in various forms. Quantitative data, on the other hand, refers to data expressed numerically or classified based on numerical values (Agung & Yuesti, 2019). The data in this study consist of annual budget realization reports from cities and regencies in Banten Province, sourced from official government websites, the websites of Indonesia's Central Bureau of Statistics (BPS), relevant regional BPS offices, and other reliable internet sources.

The data collection technique employed in this research is the documentation method using panel data. Panel data refers to a combination of time series data, which describes information across specific time periods, and cross-sectional data, which captures data from various units at a single point in time (Reza et al., 2021). In this study, the time series data are derived from reports spanning the period 2014 to 2023, while the cross-sectional data consist of budget realization reports from the selected cities and regencies in Banten Province.

3.2 Analysis Techniques

This study employs a quantitative approach in its data analysis, focusing on numerical data processed using statistical techniques. Quantitative research aims to explain relationships among variables, test hypotheses, or make predictions about certain phenomena (Sugiyono, 2022). The approach used in this study combines descriptive and causal-comparative methods. The descriptive method is applied to explain the characteristics of the selected variables—fiscal decentralization, regional independence, and the effectiveness of locally generated revenue (PAD). The causal method is used to test the influence of the independent variables (fiscal decentralization, regional independence, and PAD effectiveness) on the dependent variable, namely economic growth. Moreover, this research is categorized as verificative, as it aims to re-examine previous studies and verify or reconfirm the validity of existing theories (Sugiyono, 2022).

The analytical technique used in this study is multiple linear regression with panel data, aimed at testing the influence of the independent variables on the dependent variable. This regression method examines the effect of fiscal decentralization, regional independence, and PAD effectiveness—used as proxies for local government financial performance—on economic growth.

3.3 Validation

According to Ariefianto (2012), a regression model should fulfill the BLUE criteria (Best Linear Unbiased Estimator), which means that repeated sampling would produce estimations that converge to the true population parameters. Classical assumption tests are required to validate the regression model, including multicollinearity, heteroscedasticity, and autocorrelation tests. To determine the appropriate estimation model for panel data regression, three models may be used: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Model selection will be conducted using the Chow test, Hausman test, and Lagrange Multiplier test. Furthermore, to test the research hypotheses, the F-test will be used to assess the significance of the regression model, and the t-test will be used to evaluate the significance of individual regression coefficients.

4. Results and Discussion

Present the findings of the study. Use tables, charts, and figures to effectively display data (if applicable). Describe the results in text form, highlighting trends or patterns.

4.1 Key Findings

Fiscal decentralization refers to the local government's ability to generate locally generated revenue (PAD), reflecting the implementation of the decentralization principle in which local governments are independently responsible for managing their autonomous regions. The higher the degree of fiscal decentralization, the better the financial management performed by the local government. Therefore, the level of decentralization can stimulate regional economic growth.

In this study, an analysis was conducted on the level of fiscal decentralization of city/district regional governments in Banten Province in 2014 – 2023, which is presented in the following table.

Level of Fiscal Decentralization in City Areas in Banten Province 2014-2023

Year	Tangerang Selatan	Tangerang	Serang	Cilegon	Mean
2014	16,16	41,73	3,89	35,87	24,41
2015	47,20	43,55	10,04	41,13	35,48
2016	50,53	46,93	11,21	35,07	35,93
2017	54,06	50,68	18,88	38,16	40,45
2018	50,50	46,94	13,22	35,48	36,54
2019	52,77	47,39	14,16	35,93	37,56
2020	51,21	45,19	14,24	40,73	37,85
2021	48,18	44,37	14,06	35,33	35,48
2022	53,79	47,08	18,57	41,43	40,22
2023	52,38	48,40	18,28	41,60	40,17
Mean	47,68	46,23	13,65	38,07	
Min	16,16	41,73	3,89	35,07	
Max	54,06	50,68	18,88	41,60	

The description of the level of fiscal decentralization in districts in Banten Province in 2014 – 2023 is presented in the following table.

Level of Fiscal Decentralization in Regency Areas in Banten Province 2014-2023

Tahun	Kabupaten Tangerang	Kabupaten Serang	Kabupaten Pandeglang	Kabupaten Lebak	Mean
2014	42,62	23,08	8,02	13,61	21,83
2015	43,77	25,15	7,98	13,48	22,59
2016	42,81	23,94	8,99	12,20	21,99
2017	52,45	29,01	15,70	19,31	29,12
2018	52,39	23,88	8,34	13,95	24,64
2019	48,14	23,32	8,28	12,50	23,06
2020	46,66	24,53	7,74	14,82	23,44
2021	46,67	25,24	7,70	14,57	23,55
2022	53,76	26,13	8,10	15,91	25,97
2023	55,16	27,05	7,91	16,83	26,74
Mean	48,44	25,13	8,88	14,72	
Min	42,62	23,08	7,70	12,20	
Max	55,16	29,01	15,70	19,31	

Based on the data presentation above, it can be concluded that there are differences in the level of fiscal decentralization between cities and regencies in Banten Province. The level of fiscal decentralization in four cities in Banten Province for 10 years shows a value that tends to be higher compared to the level of decentralization that occurs in the district area. The average value of the level of fiscal decentralization in four cities in Banten Province for 10 years shows a figure of 36.41% in the moderate criteria, while the level of fiscal decentralization in the district area shows a value of 24.29% in the sufficient criteria.

Based on accumulated data over 10 years, the level of fiscal decentralization achieved by local governments in cities and regencies in Banten Province shows different values. This indicates that there is a fiscal gap between regencies and cities. However, this may occur due to differences in resource potential, population, and industries developing in city and regency areas. This has an impact on the value of local revenue. Figure 4.1 shows that both cities and regencies are experiencing an increasing trend in fiscal decentralization. However, the increase in the level of decentralization tends to be significant in city areas in Banten Province compared to regency areas. Although the assumption that differences in conditions in a region can affect the value of PAD obtained, the low level of decentralization indicates that local governments are still unable to implement the concept of decentralization properly.

Regional independence is the ability of local governments to obtain income to finance regional management and shows how much influence aid funds contribute to regional income. The higher the level of regional independence, the better the performance of local governments in managing finances, which shows that local governments do not rely on financial assistance from the central and provincial governments. Thus, the level of regional independence can have a positive impact on the rate of regional economic growth.

In this study, an analysis was conducted on the level of financial independence of local city/district governments in Banten Province in 2014 – 2023, which is presented in the following table.

Level of Regional Financial Independence in City Areas in Banten Province 2014-2023

Tahun	Kota Tangerang Selatan	Kota Tangerang	Kota Serang	Kota Cilegon	Mean
2014	121,48	95,98	4,80	69,68	72,98
2015	146,92	113,40	13,72	87,54	90,40
2016	158,90	127,00	15,37	63,35	91,16
2017	187,08	145,08	26,50	76,31	108,74
2018	175,48	135,43	19,19	68,70	99,70
2019	195,21	140,81	21,25	70,54	106,95
2020	157,35	115,02	20,49	82,04	93,72
2021	168,47	131,35	21,58	69,65	97,77
2022	192,17	132,64	27,40	87,84	110,01
2023	175,50	138,57	27,22	88,21	107,38
Mean	167,86	127,53	19,75	76,39	
Min	121,48	95,98	4,80	63,35	
Max	195,21	145,08	27,40	88,21	

The description of the level of regional independence in districts in Banten Province in 2014 – 2023 is presented in the following table.

Level of Regional Financial Independence in District Areas in Banten Province 2014-2023

Tahun	Kabupaten Tangerang	Kabupaten Serang	Kabupaten Pandeglang	Kabupaten Lebak	Mean
2014	93,45	35,53	9,32	17,65	38,99
2015	107,30	39,29	9,59	19,23	43,85
2016	109,15	36,34	10,68	16,29	43,11
2017	143,93	47,03	20,32	27,11	59,60
2018	143,01	38,55	10,63	19,36	52,89
2019	136,97	37,60	10,89	17,00	50,62
2020	120,95	40,04	9,77	20,86	47,91
2021	134,93	43,37	9,92	20,88	52,28
2022	153,34	41,08	9,97	21,61	56,50
2023	161,75	42,50	9,38	22,59	59,05
Mean	130,48	40,13	11,05	20,26	
Min	93,45	35,53	9,32	16,29	
Max	161,75	47,03	20,32	27,11	

Based on the data presentation above, it can be concluded that there are differences in the level of regional independence between cities and regencies in the Banten Province. The level of regional independence in the city area is much higher than the value of the regency. Although there are areas

that have lower values than the other three cities, the figure still shows a good level of regional independence. While in the regency area, the value of regional independence is in the very good criteria. However, when viewed from the value of each regency, the high level of decentralization relies more on the contribution of the value obtained by Tangerang Regency. Meanwhile, the other three regencies still rely on aid funds or transfers from the central government.

Based on accumulated data over 10 years, the level of regional independence in cities/regencies in Banten Province has increased significantly. The data shows that local governments have been able to manage their regional finances independently and do not rely on transfer income. In the city area, the level of regional independence for 10 years since 2014 has shown good results and continues to increase until 2023. Meanwhile, in the district area, the level of regional independence which was originally in the moderate criteria in 2014 has increased until 2023 so that the independence of the local government has been declared very good.

PAD effectiveness is the ability of local governments to realize local revenues in accordance with the targets stated in the regional budget. The greater the level of PAD effectiveness, the better the performance of local governments in managing finances. Thus, the level of PAD effectiveness can describe the financial performance of local governments and encourage regional economic growth.

In this study, an analysis of the level of PAD effectiveness of cities/regencies in Banten Province in 2014 - 2023 has been carried out, which is presented in the following table.

Level of Effectiveness of Local Original Income in City Areas in Banten Province 2014-2023

Tahun	Kota Tangerang Selatan	Kota Tangerang	Kota Serang	Kota Cilegon	Mean
2014	127,98	116,12	53,84	129,36	106,82
2015	127,53	112,06	131,08	131,05	125,43
2016	112,50	109,00	117,65	105,31	111,11
2017	123,29	132,69	173,84	95,54	131,34
2018	111,42	116,55	72,04	84,60	96,15
2019	112,26	101,55	110,39	90,51	103,68
2020	76,93	69,35	89,77	98,67	83,68
2021	113,19	88,16	105,09	85,80	98,06
2022	122,54	87,34	88,80	92,69	97,84
2023	110,84	98,93	82,13	82,27	93,54
Mean	113,85	103,17	102,46	99,58	
Min	76,93	69,35	53,84	82,27	
Max	127,98	132,69	173,84	131,05	

The description of the level of effectiveness of local revenue in districts in Banten Province in 2014-2023 is presented in the following table.

Level of Effectiveness of Local Revenue in Districts in Banten Province in 2014-2023

Tahun	Kabupaten Tangerang	Kabupaten Serang	Kabupaten Pandeglang	Kabupaten Lebak	Mean
2014	137,36	125,96	126,23	103,19	123,18
2015	129,55	119,70	126,14	124,09	124,87
2016	129,27	105,88	123,66	115,72	118,63
2017	168,82	136,40	199,41	170,03	168,67
2018	118,48	109,74	97,39	116,56	110,54
2019	121,91	95,86	101,37	106,73	106,47
2020	89,40	88,33	78,54	98,08	88,59
2021	115,02	99,85	79,49	96,19	97,63
2022	141,89	92,52	66,11	102,14	100,67
2023	129,87	97,44	57,76	104,25	97,33
Mean	128,16	107,17	105,61	113,70	
Min	89,40	88,33	57,76	96,19	
Max	168,82	136,40	199,41	170,03	

Based on accumulated data over 10 years, the level of regional independence in cities/regencies in Banten Province has experienced a downward trend in the level of PAD effectiveness. Unlike other performance conditions, the level of PAD effectiveness in district areas tends to be better compared to conditions in city areas in Banten Province, although there is only a slight difference.

However, when associated with the level of fiscal decentralization which tends to be low, this indicates that the high effectiveness value is caused by the PAD revenue target being too low. If the level of fiscal decentralization used to measure the ability of a region to optimize PAD value tends to have a low value, it means that the total revenue obtained by the regional government is also low. While at the level of effectiveness showing a high figure, the regional government is only focused on a low target so that PAD revenue tends to be low too.

Economic growth is one indicator to measure the condition of a region by assessing the increase in the standard of living and welfare of the community. The economic growth rate in each period reflects changes in economic conditions which are marked by production conditions compared to population growth rates. These conditions can be influenced by various factors such as human resources, namely the community that reflects the rate of population growth and influences income flow, as well as the government that has the authority to regulate policies, and natural resources, capital, and technology as production factors.

In this study, an analysis was conducted on the economic growth of cities/regencies in Banten Province in 2014 – 2023, which is presented in the following table.

Regional Economic Growth in City Areas in Banten Province 2014-2023

Tahun	Kota Tangerang Selatan	Kota Tangerang	Kota Serang	Kota Cilegon	Mean
2014	8,05	5,15	6,86	4,62	6,17

Tahun	Kota Tangerang Selatan	Kota Tangerang	Kota Serang	Kota Cilegon	Mean
2015	7,25	5,37	6,35	4,75	5,93
2016	6,74	5,34	6,33	5,00	5,85
2017	7,30	5,88	6,43	5,50	6,28
2018	7,49	4,95	6,59	6,11	6,28
2019	7,39	4,02	6,20	5,29	5,72
2020	-1,01	-7,36	-1,29	-1,23	-2,72
2021	4,81	3,90	3,88	5,24	4,46
2022	5,82	5,98	4,71	4,51	5,26
2023	5,36	5,57	4,74	4,82	5,12
Mean	5,92	3,88	5,08	4,46	
Min	-1,01	-7,36	-1,29	-1,23	
Max	8,05	5,98	6,86	6,11	

The description of economic growth in districts in the Banten Province region from 2014 to 2023 is presented in the following table.

Regional Economic Growth in Regency Areas in Banten Province 2014-2023

Tahun	Kabupaten Tangerang	Kabupaten Serang	Kabupaten Pandeglang	Kabupaten Lebak	Mean
2014	5,37	5,39	4,93	5,83	5,38
2015	5,60	5,09	5,81	6,20	5,68
2016	5,41	5,09	5,52	5,57	5,40
2017	5,82	5,22	6,00	5,76	5,70
2018	5,80	5,29	5,30	5,63	5,51
2019	5,56	5,01	4,42	5,44	5,11
2020	-3,76	-2,73	-0,67	-0,91	-2,02
2021	4,70	3,74	3,10	3,18	3,68
2022	5,47	5,04	3,47	3,80	4,44
2023	5,18	4,80	2,53	2,80	3,83
Mean	4,52	4,19	4,04	4,33	
Min	-3,76	-2,73	-0,67	-0,91	
Max	5,82	5,39	6,00	6,20	

Economic growth trends in eight cities/regencies in Banten Province as measured by the value of gross regional domestic product (GRDP) using a growth approach. The economic growth value for 10 years shows a downward trend in economic growth. The average growth value presented in the graph shows better economic growth conditions experienced by urban areas. However, in 2020, urban areas were the most affected by the global phenomenon. The downward trend in the rate of

economic growth is in line with the direction of the decline in the level of PAD effectiveness in cities/regencies in Banten Province for 10 years.

Furthermore, in this study, three types of classical assumptions have been determined to be carried out, namely multicollinearity, heteroscedasticity, and autocorrelation tests.

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1.660185	24.08956	NA
X1	0.002388	41.14077	9.225637
X2	0.000188	24.21903	9.221094
X3	0.000115	20.89611	1.028067

Based on the table above, the results of the multicollinearity test through the detection of VIF values <10 indicate that there is no multicollinearity in the research model.

Heteroskedasticity Test: Glejser
Null hypothesis: Homoskedasticity

F-statistic	1.183342	Prob. F(3,76)	0.3218
Obs*R-squared	3.570105	Prob. Chi-Square(3)	0.3118
Scaled explained SS	5.035408	Prob. Chi-Square(3)	0.1692

Based on Table 4.13 above, the value of Prob. Chi-Square (3) in Obs*R-Squared is $0.3118 > 0.05$ so it can be concluded that there is no heteroscedasticity or the regression model is homoscedastic.

Mean dependent var	4.552644
S.D. dependent var	2.622639
Sum squared resid	419.0167
Durbin-Watson stat	2.002630

Based on Table 4.14 above, the Durbin-Watson stat value is 2.002630. By considering the decision-making criteria that have been set, where if $1 < d < 3$ or $1 < 2.002630 < 3$, it can be concluded that the regression model in this study is free from autocorrelation problems.

In addition, the selection of panel data regression model estimation methods has been carried out through the Chow test, Hausman test, and Lagrange Multiplier test.

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.068357	(7,69)	0.3931
Cross-section Chi-square	8.232254	7	0.3126

Based on the results of the Chow test, it is known that the Prob. value of Cross-section F is $0.3931 > 0.05$, so H_0 is accepted so that the best model is the common effect model (CEM).

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.436678	3	0.2180

Based on the results of the Hausman test in Table 4.19, it is known that the Prob. value of Cross-section random is $0.2180 > 0.05$, so H_0 is accepted so that the best model is the random effect model (REM).

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.342361 (0.5585)	142.0177 (0.0000)	142.3601 (0.0000)
Honda	-0.585116 (0.7208)	11.91712 (0.0000)	8.012935 (0.0000)
King-Wu	-0.585116 (0.7208)	11.91712 (0.0000)	7.443595 (0.0000)
Standardized Honda	0.087798 (0.4650)	12.94568 (0.0000)	6.474711 (0.0000)
Standardized King-Wu	0.087798 (0.4650)	12.94568 (0.0000)	5.894891 (0.0000)
Gourieroux, et al.	--	--	142.0177 (0.0000)

Based on the results of the Lagrange Multiplier test in Table 4.20, it is known that the Prob. (Both) value of Breusch-Pagan is $0.0000 < 0.05$, so H_0 is rejected so that the best model is the random effect model (REM).

Based on the results of the tests that have been carried out in order to select the best panel data regression estimation model above, where in the Hausman test and the Lagrange Multiplier test it was decided that the best model was REM, it was concluded that in this study the panel data regression model used was the random effect model (REM).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.716168	1.284445	0.557571	0.5788
X1	-0.106997	0.048712	-2.196517	0.0311
X2	0.030200	0.013663	2.210445	0.0301
X3	0.044350	0.010681	4.152319	0.0001

Effects Specification		
	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	2.340701	1.0000

Weighted Statistics			
R-squared	0.228871	Mean dependent var	4.552644
Adjusted R-squared	0.198432	S.D. dependent var	2.622639
S.E. of regression	2.348058	Sum squared resid	419.0167
F-statistic	7.518927	Durbin-Watson stat	2.002630
Prob(F-statistic)	0.000180		

Unweighted Statistics			
R-squared	0.228871	Mean dependent var	4.552644
Sum squared resid	419.0167	Durbin-Watson stat	2.002630

Based on the analysis results, a constant value of 0.716168 is obtained which is positive, meaning that if the level of fiscal decentralization, regional independence, and PAD effectiveness do not change, there will be an increase in economic growth of 0.716168%. The coefficient value of the fiscal decentralization variable is -0.106997 which is negative, meaning that if the fiscal decentralization value changes by 1%, economic growth will decrease by -0.106997% with the assumption that the regional independence value and PAD effectiveness remain the same. The coefficient value of the regional independence variable is 0.030200 which is positive, meaning that if the regional independence value changes by 1%, economic growth will increase by 0.030200% with the assumption that the fiscal decentralization value and PAD effectiveness remain the same. The coefficient value of the PAD effectiveness variable is 0.044350 which is positive, meaning that if the PAD effectiveness value changes by 1%, economic growth will increase by 0.044350% with the assumption that the fiscal decentralization value and regional independence remain the same.

Based on the results of statistical testing, it is known that the Fcount value is 7.518927. While the Ftable value with a significance level of 5%, where dfnum (k-1 = 2) and dfden (n-k = 77) is 3.115366. Thus, the Fcount value > Ftable (7.518927 > 3.115366) so that H0 is rejected. In addition, the Prob value (F-Statistic) < 0.05 (0.000180 < 0.05) which means H0 is rejected. Therefore, by considering the decision, it can be concluded based on the regression significance test (F test) that the regression model is meaningful and can be used as a basis for drawing conclusions regarding the influence of fiscal decentralization, regional independence, and the effectiveness of PAD on regional economic growth.

4.2 Interpretation of Results

The purpose of this study is to determine the effect of regional financial performance through measuring the level of fiscal decentralization, regional independence, and the effectiveness of local revenue (PAD) on the economic growth of cities/regencies in Banten Province in 2014-2023. The

results of the study are presented based on descriptive analysis used to provide a general description related to the conditions of each research variable, as well as through inferential analysis used to determine whether there is an influence caused by the independent variable on the dependent variable in the study.

Based on the results of the significance test of the regression model (F test), the multiple linear regression model of panel data used in this study has been said to be significant so that the model can be used as a basis for decision making. So it can be concluded that each independent variable consisting of the level of fiscal decentralization, regional independence, and the effectiveness of PAD or at least one of the independent variables in this study is able to explain the dependent variable, namely economic growth.

The first variable that is assumed to be able to influence economic growth is fiscal decentralization. The level of fiscal decentralization is the result of the interpretation of the measurement of local government financial performance. This is also a form of performance measurement based on the concept of decentralization in measuring the extent to which local governments can obtain local revenue in order to determine fiscal policy. The implementation of the concept of decentralization basically aims to optimize the implementation of government affairs where the authority related to the allocation of local resources can be handed over to local governments so that the central government can focus on national development goals. In its implementation, there needs to be a good cooperative relationship between the central and regional governments so as to encourage economic growth.

The level of fiscal decentralization is measured by comparing the value of local revenue to total revenue. The higher the decentralization value indicates that the local government is able to create revenue by optimizing regional resources and potential. Based on the previous explanation related to the description of the level of fiscal decentralization in cities/regencies in Banten Province in 2014 - 2023, it is known that the average level of decentralization has increased. Within a period of 10 years, there is a difference in the achievement of the level of decentralization in city and district areas in Banten Province, where the city area has a better level of decentralization compared to the district area. However, both still show a degree of decentralization that tends to be low to very low in some areas. This indicates that the local government has not been able to maximize the potential of the region that can increase local revenue. However, the majority of local governments have been able to increase local revenue every year followed by an increase in the level of fiscal decentralization within a period of 10 years. Although the research hypothesis shows a positive direction and the research results state the opposite direction, because the significance value proves the influence between the dependent variable and the independent variable, this influence cannot be ignored and it is concluded that fiscal decentralization has a negative effect on economic growth. Thus, every increase in the level of fiscal decentralization will cause a decrease in the value of regional economic growth. The concept of decentralization is basically the transfer of authority from the central government to the regional government. This is based on the idea that in reality the representation of the regional community best understands the needs of their region so that it is expected to be able to create an effective and efficient allocation of resources & fiscal policies. The theory of fiscal federalism believes that the principle of regional autonomy through a decentralization system can encourage economic growth through regional government policies. Thus, decentralization means requiring a division of authority between the central government and regional governments. The implementation of decentralization then gives birth to a fiscal policy in order to improve regional services and development which aims to create economic stability that is evenly distributed in each region. In its application, the application of the principle of decentralization must be followed by efficiency in strategic concept planning, supervision, and central authority that focuses on regional

development, as well as followed by the effectiveness of regional policies formulated by the regional government. As stated by Nugraha (2017), the general objectives of decentralization include increasing efficiency in development and governance, allocation of national resources and local government activities, responsiveness to community aspirations, improving fiscal structures, and mobilizing revenues that can increase accountability, transparency, and community participation in decision-making.

The success of the implementation of decentralization is measured through the assessment of financial performance by calculating how much the contribution of local revenue to total revenue. Meanwhile, the low PAD value indicates the low ability of local governments to obtain independent income, thus disrupting the optimization of the implementation of decentralization. The factors that influence the small contribution of PAD to total revenue as stated by Nugraha (2017) are, large sources of income are outside the authority of the local government, BUMD as a contributor to PAD has not operated efficiently, lack of public awareness in paying taxes, levies, and other levies, low living standards and the economy of the community which is indicated by the low value of per capita income, and local governments that are less able to explore the potential owned by the region to the maximum.

Although the implementation of decentralization is actually aimed at increasing economic stability, the implementation of decentralization is measured by the amount of local revenue to total income, where each increase should be followed by an increase in the quality of service. So that the high percentage of PAD value is able to provide feedback on community welfare, quality of education, infrastructure development, and quality of other services. By considering the results of the study, in certain patterns the increasing level of decentralization actually has a negative impact on economic growth. This is not in line with the theory of fiscal federalism expressed by Musgrave (1967) that decentralization can encourage the optimization of the implementation of government affairs so as to increase the rate of economic growth. A high level of fiscal decentralization indicates rapid regional development, minimal fiscal disparities, and effective funding policies. However, if the high level of decentralization is not followed by an increase in the value of economic growth, it indicates the implementation of decentralization that is not appropriate or on target, low community participation in PAD contributions, and misuse of funds that are not in accordance with their function.

The results of the above presentation are in line with research conducted by Rinnova & Dewi (2019) that the implementation of decentralization that is not good or not in accordance with the objectives of policy implementation will have an impact on the implementation of policies that are not on target, so that an increase in the level of decentralization is unable to encourage community welfare and economic stability, on the contrary. However, this study cannot support the theory that states that the higher the level of fiscal decentralization, the more it will encourage economic growth. The results of this study actually show the opposite where the higher the value of fiscal decentralization, the value of economic growth will decrease. The implementation of the principle of decentralization needs to be reconsidered, where government efforts to increase revenue receipts need to be recalculated and the use of revenue to fund regional needs must be implemented efficiently and appropriately so as to improve the quality of people's lives and become a stimulus for the regional economy.

The second variable that is assumed to be able to influence economic growth is regional independence. Regional independence is a reflection of the principle of regional autonomy, which means that the regional government has the authority to regulate autonomous regions. The principle of regional autonomy gave birth to the concept of decentralization which is based on the idea that if regions can be managed by communities who tend to better understand the needs and potential of their regions, then it will give birth to efficient resource management in achieving optimal regional development. Thus, regional autonomy requires budget allocation and redistribution which is the

delegation of authority from the central government to the regions to organize their regional affairs. So that in the implementation of decentralization it is important to assess the extent of the level of regional independence or the ability of the regional government to carry out government affairs and achieve the goals of regional autonomy.

The level of regional independence is measured by comparing the value of regional original income to the total income from assistance obtained from the central and regional governments and other assistance funds. The higher the value of regional independence indicates that the regional government has greater authority over its region and implements the concept of decentralization well. Based on the previous explanation related to the description of the level of regional financial independence in 2014 - 2023, it is known that the city area has a much better level of regional independence compared to the district area in Banten Province, but both show a very good level of regional independence. However, if examined more deeply, it was found that there are still several areas that have a level of independence below average in the medium to low criteria. This indicates that the local government still relies on transfers from the center and province to fund its regional needs or even regional income tends to be dominated by aid funds compared to local original income.

The results of the study show that the level of regional independence has a positive effect on economic growth where every time there is an increase in the level of regional independence, it will cause an increase in the value of regional economic growth. High financial independence has greater flexibility in allocating the budget according to local needs so that funds can be used more effectively and efficiently to fund programs that have an impact on economic growth. Local governments that are not too dependent on aid funds from the central government tend to be responsive to the needs of the local community. So that greater financial autonomy will encourage local governments to be more innovative in finding new sources of income and developing creative development programs and the development carried out is more relevant and effective in driving economic growth.

The level of regional independence reflects how much the region is dependent on transfer income from the central and provincial governments. A high value of regional financial independence indicates that the regional government is freely able to manage its own autonomous region because of the minimal contribution and interference from the central government. Thus, the greater the central government's interference in regional government affairs, the more it reduces the optimization of the implementation of regional autonomy. This is in line with the principle of decentralization which aims to increase efficiency and effectiveness in the allocation of tasks between the central and regional governments, where when the regional government has the authority to regulate local policies and potential, the central government can focus on national affairs, such as defense and security, national development, and income redistribution. The regional government will focus on the needs and potential of the region, so that policies are expected to be more targeted.

In line with this, if regions tend to rely on funds transferred from the center in implementing governance, it will create strict control over regional spending. This means that the greater the ratio of the transfer value received, the smaller the authority of the regional government in exploring regional potential that can be realized through spending value. Thus, it gives rise to the idea that regions that are able to explore potential and increase the value of regional original income will create better opportunities in determining development planning. With the application of the concept of decentralization which is rooted in the assumption that regions are the parties who know the resources and potentials owned by the region best, it should reflect the efficiency and effectiveness of governance, realize democracy, and carry out targeted, effective, and efficient distribution. In its application, the implementation of decentralization in order to increase the value of regional original income will rely on various parties, namely the regional government as the party authorized to manage its region, the legislative institution that directly supervises the implementation of policies and helps

raise regional aspirations, the community that contributes to regional revenues, and not forgetting the role of the central government in supervising the implementation of decentralization.

Decentralization is not just a transfer of authority, but also means a transfer of responsibility which is reflected in the dependence of local governments on the center as indicated by the comparison of PAD values and transfer funds. According to Nugraha (2017), the low PAD value can be caused by regional companies playing a lesser role as regional income, the high degree of centralization in the field of taxation, and the small number of regional taxes that can be relied on as regional income. So it is important to increase the value of regional original income with various efforts. Regional autonomy is based on the ability of the region to fulfill and have the authority and efforts to optimize the amount of revenue. Thus, independent regions can implement the principle of autonomy by maximizing performance, potential, and resources in increasing the value of income so that they can create community welfare and optimal regional development in order to encourage economic growth.

The third variable that is assumed to affect economic growth is the effectiveness of local revenue. Effectiveness is an implementation based on the implementation of accounting and budgeting in accordance with its objectives, namely to facilitate management in making policies and determining decisions. Through the preparation of a strategic and appropriate budget, an efficient and effective system will be created. Effective budget planning and management will encourage local governments to optimize resources so as to create economic stability. Good regional financial management can help local governments in formulating policies and conducting evaluations, then this will have an impact on economic growth and public welfare.

The level of effectiveness is measured by comparing the value of the realization of local revenue to the nominal amount that has been budgeted. The higher the effectiveness value indicates the better the ability of the local government to fund needs. Based on the previous explanation related to the description of the level of PAD effectiveness in cities/regencies in Banten Province in 2014 - 2023, it is known that the average level of PAD effectiveness tends to decline over a period of 10 years which is directly proportional to the downward trend in economic growth value. However, the downward trend still shows that local governments have been able to manage regional finances very effectively. The accumulation of effectiveness values for 10 years shows that the majority of cities/regencies in Banten Province are classified as very effective in managing finances, except for Cilegon City in the effective category. This also shows that local governments have been able to carry out budget functions well. However, the trend of decreasing effectiveness values needs to be reconsidered and evaluated by local governments.

The results of the study have shown that the level of effectiveness of local revenue has a positive effect on regional economic growth. These findings reflect that local governments are able to manage finances well so that they can encourage regional economic growth. The high effectiveness value illustrates that budget planning and management have been running in accordance with the expected objectives and can be a communication tool. The application of the principle of decentralization where central authority is handed over to local governments emphasizes the importance of effectiveness and efficiency in managing regional potential and resources. In addition, effectiveness illustrates good financial conditions so that it can increase regional investment receipts and indicates optimization of resources and fiscal policies.

However, the effectiveness value measured through a comparison between the PAD realization value and the targeted nominal should meet the criteria that the target is determined proportionally. This means that the PAD target must be relevant and achievable with various efforts, but also the PAD target as a form of motivation for government administrators in optimizing regional potential, which means that the revenue target should not be assumed to be too low. A high revenue target will encourage moral motivation, commitment, and productivity of the regional government,

thereby creating innovation in exploring the potential owned by the region. On the other hand, the characteristics of the original regional income sources will determine the fiscal policy implemented later. Basically, the relationship between revenue receipts and fiscal policy will influence each other. Through fiscal policy, the regional government can explore the potential and resources owned by the region so as to optimize PAD. Through an increase or decrease in the realization of PAD receipts, it will also determine how fiscal policy is implemented later.

In line with the opinion put forward by Nugraha (2017) that an increase in the level of decentralization must be followed by an increase in the level of effectiveness which will determine the allocation of resources in the future, thus the implementation of tasks and effective budget determination will encourage regions to be more independent. In the previous discussion, it was known that the level of fiscal decentralization and independence in several regions in Banten Province has not yet reached the ideal value. This is indicated by the proportion of PAD to total revenue which is still very low. So if the level of effectiveness has reached far above the ideal criteria, it can be concluded that the city/district government in Banten Province has set a relatively low PAD revenue target. In fact, the PAD target will determine how much the region can determine the value of spending in improving the quality of public services.

By considering the results of this study, the effectiveness of PAD is an important aspect in the implementation of decentralization and indicates that the financial management carried out by the regional government is running well which can attract investment and greater growth potential. With adequate PAD, the regional government can increase government spending on infrastructure, education, and other public services. This increase in government spending can then encourage economic growth. In addition, optimal local revenue can be used to finance various programs that are stimulative for the local economy, such as providing incentives to MSMEs or building infrastructure that supports economic activities

5. Discussion

5.1 Comparison with Prior Research

The results of the study indicate that the level of fiscal decentralization has a negative effect on regional economic growth. In certain patterns, the increasing level of decentralization actually has a negative impact on economic growth. If the high level of decentralization is not followed by an increase in the value of economic growth, it indicates that the implementation of decentralization is not appropriate or on target, low community participation in PAD contributions, and misuse of funds that are not in accordance with their function. The results of this study are in line with research conducted by Rinnova & Dewi (2019) that the implementation of decentralization that is not good or not in accordance with the objectives of policy implementation will have an impact on the implementation of policies that are not on target, so that the increase in the level of decentralization is unable to encourage community welfare and economic stability, but instead the opposite occurs. The results of this study support research conducted by Siswoyo & Soleh (2020) and Sari et al. (2016). Meanwhile, this study is not in line with studies stating that fiscal decentralization has a positive effect on economic growth (Ernawati, 2024; Azwandi et al., 2020; Yanto & Susi, 2020; Irviani et al., 2017). Furthermore, the results of this study provide the conclusion that the level of regional independence has a positive effect on economic growth. A high level of financial independence has greater flexibility in allocating the budget according to local needs so that funds can be used more effectively and efficiently to fund programs that have an impact on economic growth. The results of this study are in line with studies stating that research conducted by Rumbobiar & Sukmadilaga (2023), Azwandi et al. (2022), Madyasari (2021), Siswoyo & Soleh (2020), Yanto & Susi (2020), Kumpangpune et al. (2019), Sudiarta & Made (2019), Zulkarnain et al. (2019), Irviani et al. (2017),

and Berliani (2016). Meanwhile, this study is not in line with studies stating that regional independence has no effect on economic growth (Amalia & Akbar, 2022; Renggo, 2021; Kumpangpune et al., 2019; Nurulita et al., 2018; Siregar, 2016).

In addition, the results of this study provide results that the level of PAD effectiveness has a positive effect on regional economic growth. PAD effectiveness is an important aspect in the implementation of decentralization and indicates that financial management carried out by local governments is running well, which can attract investment and greater growth potential. The results of this study are in line with research conducted by Ernawati (2014), Rumbobiar & Sukmadilaga (2023), Azwandi et al. (2022), Yayu & Saipudi (2022), Hera et al. (2021), Azhari et al. (2020), Kumpangpune et al. (2019), Rinnova & Dewi (2019), Sudiarta & Made (2019), Utami et al. (2019), Zulkarnain et al. (2019), and Berliani (2016). The results of the above presentation are in line with research stating that the effectiveness of PAD has a positive effect on economic growth as expressed by Jayanti et al. (2023) and several other studies (Ernawati, 2024; Rumbobiar & Sukmadilaga, 2023; Azwandi et al., 2022; Yayu & Saipudi, 2022; Hera et al., 2021; Azhari et al., 2020; Kumpangpune et al., 2019; Rinnova & Dewi, 2019; Sudiarta & Made, 2019; Utami et al., 2019; Zulkarnain et al., 2019; Berliani, 2016).

5.2 Limitations

This study has several limitations that need to be considered in interpreting the results and conclusions. The first limitation lies in the aspect of the data used. This study relies on secondary data obtained from the official government website and the Central Statistics Agency (BPS), which in practice is not always available completely and consistently for all cities and districts in the period 2014 to 2023. In addition, the data used is aggregate and limited to the regional level (city/district), so it is unable to capture variations or dynamics that occur at the sectoral level or between organizational units within the regional government.

The next limitation is in the selection of research variables. This study only uses three main indicators to represent regional financial performance, namely fiscal decentralization, regional independence, and PAD effectiveness. These three indicators do not cover other dimensions that are also relevant, such as spending efficiency, budget transparency, or fiscal accountability. In addition, this study does not include non-financial variables that can affect economic growth, such as infrastructure quality, human resources, investment levels, or socio-political stability. Therefore, the model used does not fully capture the complexity of the factors that contribute to regional economic growth.

In terms of methodology, this study uses multiple linear regression analysis with panel data, which although effective in identifying relationships between variables in space and time, still has strict assumptions. The validity of the model is highly dependent on the fulfillment of classical assumptions such as the absence of multicollinearity, heteroscedasticity, and autocorrelation. If these assumptions are not fully met, the resulting estimates can be biased or inefficient. In addition, the linear approach is also unable to accommodate the possibility of non-linear relationships or interactions between independent variables that may occur in real contexts.

Another limitation is the scope of the research area which only covers eight cities and districts in Banten Province. This narrow regional focus limits the generalization of the research results to other regions in Indonesia that may have different geographic, economic, or institutional characteristics. Even within Banten Province itself, there are differences in characteristics between regions, such as the level of urbanization or the basis of the dominant economic sector, which are not explicitly accommodated in the model.

Finally, the ten-year research period (2014–2023) is indeed quite long, but it includes a period of crisis due to the COVID-19 pandemic that occurred in 2020–2021. This crisis has the potential to

cause external shocks to the economic and fiscal variables studied, which can affect the consistency of data trends and long-term estimation results. By considering these limitations, it is hoped that further research can develop by expanding the scope of variables, deepening the regional context, and using a more complex and adaptive methodological approach to the dynamics of real conditions.

5.3 Future Research

Further researchers who wish to research the same research topic are expected to be able to develop the variables studied. Research variables, for example, financial performance through other ratios that have not been studied in this study or qualitative variables that theoretically affect economic growth such as poverty, open unemployment rates, and so on. Then, research can use intermediary variables, either with moderating or intervening variables. In addition, further researchers can expand the scope of research that is not only limited to one particular province, but can make comparisons with a wider population on a national scale or can be compared with other countries that adhere to the principle of decentralization.

6. Conclusion

This research is motivated by the slowdown in economic growth in Banten Province in recent years, especially after the COVID-19 pandemic. Based on this phenomenon, this study raises the issue of how regional financial performance—as proxied by the level of fiscal decentralization, regional independence, and the effectiveness of local revenue (PAD)—influences the economic growth of districts/cities in Banten Province during the period 2014–2023. This research is also driven by the inconsistency of results in previous studies (research gap), both in terms of objects, periods, and empirical results, which indicate the need for further analysis in the context of the Banten region. The methodology used in this study is a quantitative approach with descriptive and causal-comparative methods. The data used are secondary-quantitative data in the form of budget realization reports and district/city GRDP, obtained from the official government website and BPS. The data analysis technique used is multiple linear regression with a panel data approach, which allows researchers to analyze the relationship between independent variables (fiscal decentralization, regional independence, and PAD effectiveness) to the dependent variable (economic growth) across time and across regions. The estimation model was tested using the Common Effect Model, Fixed Effect Model, and Random Effect Model approaches, and its significance was tested using the F test and t test.

The results of the study indicate that fiscal decentralization has a negative effect on economic growth, while regional independence and PAD effectiveness have a positive effect. This finding indicates that although the delegation of fiscal authority to the regions aims to strengthen local development, its implementation has not been fully able to drive economic growth optimally. On the contrary, regions that are more fiscally independent and able to manage PAD effectively tend to show better economic growth performance.

Implicatively, the results of this study provide important input for local governments in formulating more targeted fiscal policies. Local governments need to strengthen their fiscal independence capacity and increase the effectiveness of PAD management, while improving governance in the implementation of fiscal decentralization so that it does not become a new fiscal burden. This study also has a significant contribution in the field of public sector accounting and regional economics, because it provides empirical evidence that strengthens the understanding of the relationship between regional financial management and local economic growth in the context of regional autonomy in Indonesia. By focusing on the object of Banten Province and using a time span of ten years, this study also fills the gap in empirical literature that has not explored the local context

in depth. This study can be used as a reference by further researchers, especially those interested in studying the effectiveness of fiscal autonomy and regional financial performance as instruments for driving sustainable economic growth.

7. Recommendation

Regional governments are expected to increase regional original income so that they can encourage regional economic growth and not depend on transfer income from the center. The method that can be taken is by optimizing the resources and potential owned by the region and increasing revenue targets through targeted fiscal policies and implementing the principle of accountable and transparent use of funds so that they can produce new innovations in the context of regional development and increase public awareness of the benefits of the circulation of levies, taxes, and other regional levies. In addition, the government should be able to allocate funds to fund targeted regional spending so that funds from regional spending that are issued can become an economic stimulus for the region in obtaining greater income.

Meanwhile, the community is expected to be able to understand the importance of paying taxes and increase understanding of the basics of taxation so that they can contribute to increasing the value of regional original income by being disciplined in paying taxes, levies, and other levies. Communities that are able to pay taxes need to participate in providing insight to other communities regarding the obligation to pay taxes. In addition, the community should be able to participate in evaluating regional fiscal performance and policies so that they can synergistically increase regional economic growth.

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