THE EFFECT OF LOCAL TAXES, GENERAL ALLOCATION FUNDS AND SPECIAL ALLOCATION FUND FOR ECONOMIC GROWTH IN ACEH PROVINCE
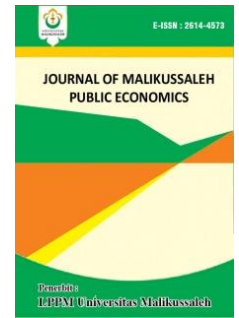
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**A R T I C L E I N F O R M A T I O N**

A B S T R A C T

The study examined the effect of local taxes, general allocation funds, and special allocation funds on economic growth in Aceh Province during 2016-2020. This study used secondary data for 5 years. This study used the panel data regression method with 115 observations from 23 selected samples. The Fixed Effect results partially indicated that Local Taxes did not significantly influence Economic Growth, General Allocation Funds did not significantly influence Economic Growth, and Special Allocation Funds positively and significantly influenced Economic Growth. Simultaneously, Regional Taxes, General Allocation Funds, and Special Allocation Funds influenced Economic Growth in 23 Regencies/Cities of Aceh Province during 2016-2020.

1. INTRODUCTION

Aceh Province is an area of geographical structure and socio-economic culture of different communities. This situation causes the regional development process for the districts/cities of the Aceh province to be relatively different from one another.

Economic growth is one of the benchmarks for the success of a region's economic development.IfIf the development carried out by the local government can be right on target, then economic growth will increase.(Idham, et al 2021)

Economic growth in the province of Aceh has decreased from time to time, such as in 2020 the economic growth of the province of Aceh experienced the deepest decline in five years The average economic growth of Aceh can be seen from the following graph:
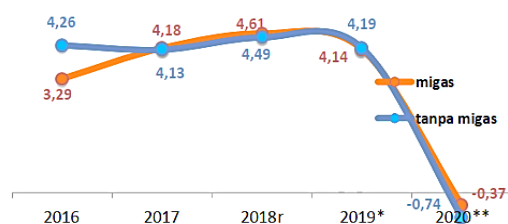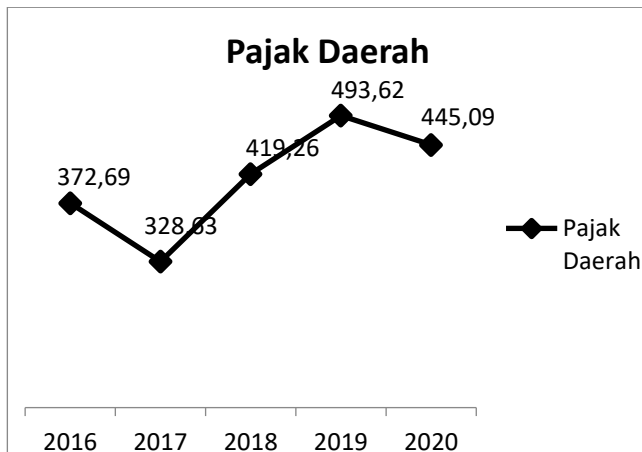

Source: BPS Aceh, 2021

From graph 1.1 above, it can be seen that Aceh's economic growth with oil and gas for the last 5 years is 3.17 percent annually, and the average growth without oil and gas is 3.27 percent. Meanwhile, in 2020, Aceh's economy fell by 0.37 percent, and without oil and gas it fell by 0.74 percent.

The different economic growth between districts/cities over the past 5 years has created a problem for the Aceh government in the context of realizing economic development in an area. The factors estimated by the author to influence economic growth in Aceh are local taxes.

Local taxes are levies imposed by the state on citizens or taxpayers without receiving direct compensation which is a source of revenue used by the government for financing in moving the wheels of the government. Realized by decentralization policy in managing the regionalone(Mina & Ratna, 2020)

According to Davey's theory (in Idham et al (2021)) that a good tax system can enable the implementation of economic stability and economic growth

The development of Aceh Province regional taxes during 2016-2020 can be seen in the following graph:
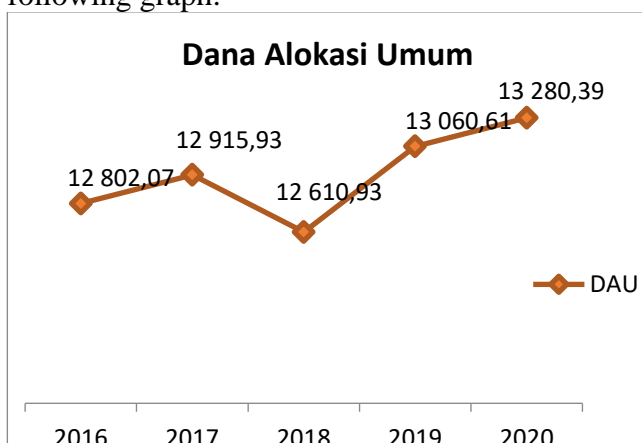
Pajak Daerah

Source: BPS Aceh, 2021 (processed)

Based on the graph above, there is a phenomenonwhere the highest local tax revenue for 5 years was in 2019 and 2020 while economic growth decreased in those two years.This is also inversely proportional to the results of research conducted by Mina & Ratna (2020) that local taxes have a positive and significant effect on economic growth in North Aceh Regency. That is, if local taxes increase, economic growth will also increase.

According to researchers, besides regional taxes, economic growth is also influenced by general allocation funds, DAU is an asset obtained from revenues from the State Revenue and Expenditure Budget (APBN) which is distributed to the point of distribution of impartial economic boundaries between districts to support regional needs. related to the implementation of decentralization (Dewi & Suputra).

The general allocation funds for Aceh Province during 2016-2020 can be seen in the following graph:

Dana Alokasi Umum

Source: BPS Aceh, 2021 (processed)

Graph 4 above can be concluded that there is a phenomenon in Aceh Provincewhere the highest general allocation funds for 5 years were in 2019 and 2020 while economic growth decreased in those two years.

Based on the phenomena described above, as well as the existence of previous research that discusses the factors that influence economic growth, the researchers are motivated to take research with the title: **"The Effect of Regional Taxes, General Allocation Funds and Special Allocation Funds on Economic Growth in Aceh Province "**

2. THEORY BASIS

ECONOMIC GROWTH

According to Kuznets in Jhingan (2013) characterizes economic growth as a protracted expansion in a country's capacity to provide many types of financial products to its population.(Susetyo, 2016).

According to Anggraeni (2012) instantaneous economic growth is an increase in per capita output in the long term, this understanding emphasizes three things, namely, process, per capita output, and long term. The cycle illustrates sometimes stronger economic improvements, output per capita relates to aspects of total output (GDP) and aspects of population, while in the long run it shows changes that are not fully resolved by the course of internal state finances (self-generating).

LOCAL TAX

According to Leasiwal (2016) local taxesis the commitment required for the district owed by the person or element of a coercive nature under the law, without immediately getting deviation and used for territorial requirements for the most developed individuals in the country.(Mina & Ratna, 2020).

Taxes according to Soeparman (2014) that the mandatory contribution tax is in the form of money or goods collected by the authorities based on legal norms in order to cover the costs of producing collective goods and services in achieving general welfare.

Thus, it can be concluded thatLocal taxis a mandatory fee charged by the state to citizens without receiving direct compensation which can increase economic growth in an area.

GENERAL ALLOCATION FUND

The General Allocation Fund is sourced from APBN revenues that are allocated with the aim of equitable distribution of financial capacity among regions to fund regional needs in the implementation of decentralization. The distribution of funds to regions through profit sharing based on producing regions tends to create inequality between regions by

taking into account the needs and potential of the region.

As Ardiansyah (2014) points out, the General Allocation Fund (GAF) is called an unqualified award because it is a kind of transfer between levels of government that does not depend on a particular spending program.According to Guntara (2014), GAF is used as a basis to overcome infrastructure inequality in each region in order to create equitable economic growth.

SPECIAL ALLOCATION FUND

The Special Allocation Fund (SAF) is a resource obtained from the APBN which is expected to be able to help the regions support the implementation of activities that are unusual in nature and in accordance with the needs of the local area (Halim, 2014).

SAF is used for assistance in efforts to close community gaps between regions by providing facilities needed in the fields of education, health, infrastructure, environment, agriculture, marine and fisheries, and local government infrastructure.

According to Siregar (2017), activities funded by SAF are activities that are proactive physical activities, so SAF recipient areas are required to budget for matching funds of at least 10% of the SAF allocation obtained (Sicily & Harsono, 2021).

3. RESEARCH METHOD

Research Location and Object

The research locations were chosen purposively or the objects to be investigated in this study include Regional Taxes, General Allocation Funds, Special Allocation Funds and Economic Growth. The research location is in the province of Aceh.

Data collection technique

The data used in this study are secondary data, data obtained indirectly through intermediary media or recorded by other parties. The type of data in this study is panel data, where panel data is a combination of cross section and time series data.

The data source was obtained from the official website www.idx.co.id which was used as the object of research. The data source is the Aceh province annual report at bps.co.id for the 2016-2020 periodIn a 5-year period, the data series uses panel data with a total of 115 observations from 23 selected samples.

4. RESULTS AND DISCUSSION
CLASSIC ASSUMPTION TEST

1. Multicollinearity Test

The multicollinearity test aims to determine whether there is a correlation between the independent variables in the regression model. If there is a correlation, then there is multicollinearity where a good regression model should not have a correlation between the independent variables. Seen the following results:

Table 4.1
Multicollinearity Test Results

	PD	DAU	DAK
PD	1.000000	0.493353	0.385122
DAU	0.493353	1.000000	0.761554
DAK	0.385122	0.761554	1.000000

Source: processed data

Based on table 4.1, it can be concluded that the value of each independent variable is less than 10, so there is no symptom of multicollinearity in the regression model.

2. Heteroscedasticity Test

Heteroscedasticity test aims to test the model of inequality*variance*from one residual to another observation. A good model is one with homoscedasticity or no heteroscedasticity(Ghozali and Ratmono, 2013). In this study, the method used to detect the presence or absence of heteroscedasticity using the White Test. Heteroscedasticity occurs if the variance of the disturbance term (μi) in the condition that the value of the explanatory variable is not constant. The existence of heteroscedasticity causes the estimation of the regression coefficients to be inefficient. To detect heteroscedasticity using White's General Heteroscedasticity test.

Table 4.2
Heteroscedasticity Test Results

Heteroskedasticity Test: White

F-statistic	2.090936	Prob. F(3,106)	0.1058
Obs*R-squared	6.145825	Prob. Chi-Square(3)	0.1047
Scaled explained SS	11.35265	Prob. Chi-Square(3)	0.0100

Source: processed data

Based on Table 4.2 above, it shows that the data or research model is free from heteroscedasticity. This can be seen from the value of Obs*R-squared 6.145825 with a probability value of 0.1047>(5%). So it can be said that the results of this study are free from heteroscedasticity.

3. Autocorrelation Test

The autocorrelation test is carried out through testing the Durbin Watson Test to determine whether or not there is autocorrelation in a regression model. The basis for decision making is if Durbin Watson is between DU and 4-DU, it means that there is no autocorrelation. The value of the Durbin Watson test on the autocorrelation test can be seen in table 4.3.

Table 4.3
Autocorrelation Test Results

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.323067	Mean dependent var	3.584746
Adjusted R-squared	0.129657	S.D. dependent var	2.499159
S.E. of regression	2.331519	Akaike info criterion	4.728719
Sum squared resid	494.6743	Schwarz criterion	5.362689
Log likelihood	-251.9944	Hannan-Quinn criter.	4.986130
F-statistic	1.670378	Durbin-Watson stat	2.002644
Prob(F-statistic)	0.039630		

Source: processed data

Based on the results of the Durbin-Watson calculation, the position of DW is between DU and (4-DU), so it can be concluded that in this model there is no autocorrelation.

SELECTION OF PANEL DATA REGRESSION MODEL

1. Chow Test

The chow test is used in testing to find out whether the model will be by comparing the common effect regression model or it is better to use the fixed effect. To find out by looking at the F-statistic test:

H0 = Common effect model is better than fixed effect model

Ha = Fixed effect model is better than common effect model

Significant level = 5% (0.05)

Table 4.4
Chow Test Results

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

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.025716	(23,88)	0.0101
Cross-section Chi-square	48.864321	23	0.0013

Source: processed data

From the results of the chow test, the results of the chi-square distribution value are 48.864321 with a probability of 0.0013 < 5%. So statistically reject Ho and accept Ha. So, according to the estimation model, the correct model used is the fixed effect estimation model.

2. Hausman Test

The Hausman test is used in testing to determine whether the model will be by comparing the random effect regression model or it is better to use the fixed effect. To find out by looking at the chi-squared test:

H0 = Random effect model is better than fixed effect model

Ha = Fixed effect model is better than random effect model

Significant level = 5% (0.05)

Table 4.5
Hausman Test Results

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	8.129704	3	0.0434

Source: processed data

From the results of the Hausman test, the results of the chi-square distribution value are 8.129704 with a probability of 0.0434 < 5%. So statistically reject Ho and accept Ha. So, according to the estimation model, the correct model used is the fixed effect estimation model.

REGRESSION RESULT

From the results of the Chow test and the Hausman test, the best model used in this study is the Fixed Effect Model, which is as follows:

Table 4.6

Best Regression Result (FEM)

Dependent Variable: PE?
Method: Pooled Least Squares
Date: 06/14/22   Time: 10:57
Sample: 1 5
Included observations: 5
Cross-sections Included: 23
Total pool (unbalanced) observations: 118

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.659047	4.630322	1.438139	0.1538
PD?	-0.022139	0.037084	-0.596995	0.5520
DAU?	-0.008882	0.008248	-1.076784	0.2844
DAK?	0.012278	0.005869	2.092048	0.0392
Fixed Effects (Cross)				
_AcehBarat--C	3.339010			
_AcehBaratDaya--C	-1.036679			
_AcehBesar--C	1.802346			
_AcehJaya--C	-1.577639			
_AcehSingkil--C	-1.259961			
_AcehSelatan--C	-0.485501			
_AcehTamlang--C	-0.447572			
_AcehTengah--C	-0.916821			
_AcehTenggara--C	-0.427493			
_AcehTimur--C	-0.427493			
_AcehUtara--C	0.773796			
_Bireuen--C	-0.251370			
_BandaAceh--C	0.930840			
_BenerMeriah--C	5.213079			
_GayoLues--C	-0.692317			
_Langsa--C	-1.648393			
_Lhokseumawe--C	-0.915229			
_NaganRaya--C	-1.756131			
_Pidie--C	1.147235			
_PidieJaya--C	1.067199			
_Simeulue--C	-1.292462			
_Sabang--C	-0.620168			
_Subulussalam--C	-0.377311			
_AcehBarat--C	-0.311964			

Effects Specification		
Cross-section fixed (dummy variables)		

R-squared	0.323067	Mean dependent var	3.584746
Adjusted R-squared	0.129657	S.D. dependent var	2.499159
S.E. of regression	2.331519	Akaike Info criterion	4.728719
Sum squared resid	494.6743	Schwarz criterion	5.362689
Log likelihood	-251.9944	Hannan-Quinn criter.	4.986130
F-statistic	1.670378	Durbin-Watson stat	2.002644
Prob(F-statistic)	0.039630		

Source: processed data

Based on the table above, in this study, the regression results equation can be obtained as follows:

PE=6.659047-0.022139PD-0.008882DAU+0.012278DAK

From the regression equation can be explained:

1. Constant Value of 6.659047, this value means that if all independent variables (Regional Taxes, General Allocation Funds and Special Allocation Funds) are considered constant or have not changed, the Economic Growth in the District/City of Aceh Province is 6.66%.
2. The regional tax variable regression coefficient is -0.022139, meaning that if the local tax variable increases by 1 billion rupiah, then economic growth decreases by 0.022139% assuming other variables are constant.
3. The regression coefficient for the general allocation fund variable has a coefficient value of -0.008882, which means that if the general allocation fund increases by 1 billion, it will reduce economic growth by 0.008882%.
4. The regression coefficient for the special allocation fund variable has a coefficient value of 0.012278. This means that if the special allocation fund increases by 1 billion rupiah, then economic growth increases by 0.012278%.

HYPOTHESIS TEST RESULTS

1. Partial Test Results (t Test)

This study uses the t test as a hypothesis tester. The t test is used to see how far the influence of the independent variable on the dependent variable is partially. The decision-making criteria look at the probability value <0.05. The error levels used in this study were 1%, 5% and 10%. The hypothesis testing in this study is as follows:

Based on the results of tests that have been carried out using Eviews, it is known that the probability value of the local tax is $0.5520 > 0.05$. So statistically it shows that the local tax variable has no significant effect on economic growth in the District/City of Aceh Province.

The results of the regression analysis show that the probability value of the general allocation fund variable is $0.2844 > 0.05$. So H2 in this study is rejected, meaning that the general allocation fund variable does not statistically have a significant effect on economic growth in the District/City of Aceh Province.

The results of the regression analysis show that the probability value of the special allocation fund variable is $0.0392 < 0.05$. So H3 in this study is acceptable, meaning that the special allocation fund variable has a statistically positive and significant effect on economic growth in the District/City of Aceh Province.

Partial test or t test was conducted to determine whether the independent variable in this study had an effect on the dependent variable individually by using the t test, namely by looking at the tcount and ttable values. If the value of t count > t table, then the independent variable affects the dependent variable. The results of the partial test or t test are as follows.

2. Simultaneous Test Results (F test)

The F test (simultaneous test) aims to see whether all independent variables (local taxes, general allocation funds and special allocation funds) have a joint effect on the dependent variable (economic growth). With the criteria if the probability value < 0.05 then the hypothesis is accepted, and if the probability value is > 0.05 then the hypothesis is rejected.

Based on the results of the panel data test in table 4.6, the F-statistic probability value is $0.039630 < 0.05$. So it can be concluded that the independent variable simultaneously affects the dependent variable.

DETEMINATION COEFFICIENT TEST RESULT (R2)

The coefficient of determination (R^2) is a value that states the proportion or percentage of the total variance of the dependent variable (Y) which can be explained by the explanatory variables (X1, X2, X3, and X4) together. The coefficient value of R^2 is between 0 and 1 (0 R^2 1). If the value is 1, the regression line can explain 100% of the variance in the Y variable.

R^2 value of 0.129657 which means that as many as 12.96% of the independent variables (Local Taxes, General Allocation Funds and Special Allocation Funds) can explain the proximity to the dependent variable (Economic Growth). While the remaining 87.04% is explained by other variables outside the model.

5. CONCLUSIONS AND SUGGESTIONS

CONCLUSION

Based on the results of the research and discussion described above, the authors can draw the conclusion that simultaneously, the independent variables namely Regional Taxes, General Allocation Funds and Special Allocation Funds jointly affect Economic Growth in 23 Regencies/Cities of Aceh Province for the 2016-2016 period. 2020. Partially, the following conclusions can be drawn:

1. Local Taxes do not have a significant effect on Economic Growth.
2. The General Allocation Fund has no significant effect on Economic Growth.
3. Special Allocation Fundpositive and significant effect on Economic Growth.

SUGGESTION

Based on the discussion and conclusions obtained from the results of this study, the authors can provide:some suggestions for further research and interested partiesas follows :

1. Local governments are expected to utilize local taxes, general allocation funds, and special allocation funds as wisely as possible to increase the procurement of infrastructure, public facilities and infrastructure that will increase public productivity. As well as being able to increase equitable development and economic growth.
2. Local governments are expected to be able to further develop the potential and sectors of the regional economy to be able to increase regional revenues to fund all government activities in the context of implementing regional autonomy.
3. Subsequent research should use other variables that can affect economic growth such as (profit sharing funds and others).

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