

# The Influence of the General Allocation Fund, a Fund for the Results and Fiscal Independence Against GDP Government Regency/City in South Sumatera 2011-2016 Year

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**Keywords:** General Allocation Fund, funds for Results, Fiscal Independence, GDP.

**Abstract:** This research aims to know the influence of the General Allocation Fund (DAU), funds for results (DBH) and Fiscal Independence (KF) against GDP Government district/city in South Sumatera Province year 2011-2016. The scope of this study discusses the condition of the General Allocation Fund (DAU), funds for results (DBH), Fiscal Independence (KF) and GDP. This research is focused on the regency/city Governments in South Sumatera 2011-2016 Year. The population of this research is the entire Government regency/city in South Sumatera Province. The sample of this research is a local government regency/city in South Sumatera Province from the years 2010-2016. Selection criteria samples in this research is a regency/city in South Sumatera Province which have entered the national realization of report data at the site of the Directorate General of Financial Equalization of local Government on a regular basis from the year 2011-2016. The methods used to collect data in this research is a method of documentation, i.e. by way of collecting, recording, and secondary data review Report in the form of realization of a grant obtained from the website of the Directorate General of Financial Equalization The Local Government. From the report it budget-realization obtained data on the number of General Allocation Fund, a Fund for the results. Gross Regional Domestic Product data (GDP) Per Capita is obtained from the Central Bureau of statistics (BPS) South Sumatera provinces from the year 2011-2016 as for the fiscal independence of the data obtained from the ratio of the total admissions area taking action against PAD. The data analysis techniques in the study of linear multiple regression analysis with SPSS uses panel data. The research found that DAU does not affect GDP, DBH did not have an effect on GDP and GDP effect on KF.

## 1 INTRODUCTION

Regional autonomy is empowering regions in decision making areas related to management of resources owned in accordance with the interests, priorities, and potential of the area. With the granting of regional autonomous counties and cities, financial management fully in the hands of local governments. Therefore, the financial management system needed a good area in order to manage decentralized funds in a transparent, economical, efficient, effective and accountable. The enactment of this act provides an opportunity for the region to explore the local potential and improve their financial performance in order to realize the independence of the region.

The goal of autonomous region to boost economic growth regions. According to Boediono (1992) in the research of Maryati (2011) one of the size of the region's economic growth is the gross Regional

domestic Income (GDP). Gross Domestic income (GDP) an area can indicate how big the activity of an economy as a whole. The concept of Gross Domestic Income (GDP) is a measure that is most often used as an indicator of domestic economic growth but is not the only indicator of domestic economic growth. Economic growth is a process, not an economic picture at a certain period, there are developments or changes and use of time.

Regional autonomy is the rights and obligations of the authorities of the autonomous regions to set up and take care of her own affairs of Government and the interests of the local community in the system of unitary State of the Republic of Indonesia. Regional autonomy in Indonesia is based on law No. 32 Year 2004 revised into law No. 23-year 2014. In Act No. 23 of the year 2014 explained that local governments separate executive function with legislative functions. Based on its functions, the regional government (the Executive) and the regional people's representative

Council (legislative) agency relationship occurs (Ardhani, 2011).

The regional budget is a financial plan that is the basis in the implementation of the public service. In the area of budget documents called Indonesia's budget revenue and Expenditure area (BUDGETS), both for provincial as well as city and County. The process of drafting the budget post Act No. 32 Year 2004 and Act No. 23-year 2014 involves two parties: the Executive and legislative branches, each through a team or Budget Committee. As for the Executive Managing operationalization region as obligated to make draft/draft BUDGETS, which can only be implemented if it is endorsed by the PARLIAMENT in the process of ratification.

Shopping areas include direct and indirect expenditures (permendagri No. 25 Year 2009), is the allocation to be done effectively and efficiently, where shopping areas can become a benchmark of the success of the autonomy of the region. Local authorities allocate funds in the form of a budget capital expenditure in the budget to add fixed assets. Capital spending is spending that benefits tend to exceed one year and will add assets or wealth, the government will further add to the regular budget for operating costs and maintenance costs. Thus, local governments should be able to allocate budget expenditures well because capital expenditures is one step for the local Government to improve public services in order to face the fiscal decentralization. Capital spending has an important role because it has long term benefits for providing service to the public. Allocation of capital expenditure is based on the needs of the regional facilities and infrastructure, will be good for the smooth execution of the tasks of Government and public facilities. Capital expenditures intended to get fixed assets local governments, namely, equipment, buildings, infrastructure and other fixed property.

The shopping area is an estimate of the burden of the expenditure areas allocated in a fair and equitable so that the relative can be enjoyed by all groups of society without discrimination, in particular in the granting of public service. However, the fact that local governments in allocating income areas tend to be used for the purposes of routine spending on capital expenditures. It can be seen from the reports on the realization of the budget (LRA) regency/city Government of South Sumatra Province year 2011-2016. Shopping (spending) of local government revenue and Expenditures in the budget area (grant) is a regular activity of the accounts payable area to finance operating activities in Government. To finance the expenditure required the acceptance of

sources from the region in the framework of the implementation of regional autonomy (Nuarisa, 2013).

Economic growth is one of the indicators commonly used in determining the success of development. Used as a measure of economic growth over the development or progress of the economy of a country or region because it is closely related to the economic activities of the community especially in terms of the increase in the production of goods and services. The increase is then expected to provide a trickle down effect, therefore, already come with the increased economic growth to become one of the targets of development both at the national and regional levels. To measure the present national economic growth in use the gross domestic product (GDP) real terms, while for level areas using gross Regional domestic product (GDP) real.

Related policies are contained in Act No. 22 of year 1999 about the financial equalization between the Center and regions imposed effective January 2001 (Per this Act in its development is updated with the promulgation of Act No. 32 Year 2004 and Act No. 33 of the year 2004. According to Act No. 33 Year 2004 source of acceptance which is used for local government funding in fiscal decentralization is an implementation of PAD, DAU, DAK, for the results of the tax (BHP), the regional lender and other legitimate acceptance.

Act No. 32 year 2004 mentioned that the transfer of the Government in the form of DAU, DAK Funds and for the results of implementation of the local government authority to use. Funds for fiscal stabilization role as Results between the Center with an area of tax that has been shared. DAU serves as fiscal equalization between regions (fiscal equalization) in Indonesia, while not acting as a funding policy that is based on the emergency. Details, outside of the function's third use of the Fund handed over entirely to the regency/city Governments are concerned. Therefore, the Government regency/city is expected to be able to use these funds effectively and efficiently for the improvement of services in the community for the use of accountability with those funds.

DAU (General Allocation Fund) an area determined upon her little slit large fiscal (fiscal gap) an area, which is the difference between the needs of the region (fiscal need) and the potential of the region. DAU more prioritized for areas with low fiscal capabilities. In his research, Nopiani et al (2016) describes the General Allocation Fund (DAU) a positive effect against economic growth. This is because the role of the DAU is very significant,

because the shopping area more dominated than the number of DAU. This is not much different from the role of the PAD that is as capital in financing infrastructure development and infrastructure by local governments that will have an impact on economic growth.

DBH (funds for the result) is funding the balance sourced from state budget comprising DBH DBH taxes and not taxes (natural resources). DBH assignment as one of the sources of financing of local governments in improving the infrastructure in the form of facilities and infrastructure will support economic activity in the production of goods and services by investors from both the local community or from outside the area in question. In a study by Hendriwiyanto (2014) describes the positive results for the influential funds towards economic growth. This means the higher the funds received for the results area will affect close to economic growth. This is due to funding for the results that are flexible in terms of the operations cause more freely in planning the allocation of a budget to development activities in accordance with its economic agenda.

Adi and Mumtaz Anwar (2015) says the fiscal decentralization to function as an important technique for curing increases the efficiency of the economy, health, public services and better infrastructure. In addition the role local governments can also be done by means of an increase in extensification and intensification of tax, as well as the presence of regional retribution in increasing acceptance of the area, although in receipt there should be an increase in the facility of an infrastructure development and public services provided by the local government.

To date, fiscal decentralization and regional autonomy is an issue that is still interesting to discuss because of the various studies ever done indeed there is the ambiguity of the relationship between fiscal decentralization with economic growth. In the context of fiscal decentralization and economic growth in Indonesia, some of the research done to see the impact of fiscal decentralization towards economic growth, in particular by using model analysis Econometrics, as well as produces a summary. On one hand, the results of the study show that fiscal decentralization will effect positive towards economic growth, as well as research results Wibowo (2008), and Waluyo (2007). While research results Swasno (2007) concludes otherwise, that fiscal decentralization is precisely the negative effect against the growth of the economy.

## 2 LITERATURE REVIEW AND HYPOTHESIS

### General Allocation Fund

The General Allocation Fund (DAU) is one of the Government's transfer of funds to local governments that are sourced from the state budget, income that is allocated with the goal of equitable distribution between regional financial capability to fund the needs of the region in order the implementation of decentralization. DAU is block grant which means that its use is left up to the regions in accordance with the priorities and needs of the region for the improvement of service to the community in the framework of the implementation of regional autonomy (Yovita, 2011). Finance equalization policies bring impact on the greater gap between capability areas, particularly as each region has different areas of financial capability. In other words, the areas that have the potential of the United Nations and a huge nature resources will get a great reception, the small potential certainly will get a small income as well.

The General Allocation Fund (DAU) is directed to reduce that gap, which means the area has a relatively large financial capability will have a relatively small DAU so otherwise. DAU is allocated to provinces and regency/city. A quantity defined at least 26% DAU of Domestic Revenue (PDN) the net specified in the state budget. Proportion of provinces and regions to DAU for the district/city set in accordance with the balance of authority between the province and regency/city (Yovita, 2011).

### Stages of the Calculation of the DAU

#### 1. Academic Stages

The concept of the beginning of policy formulation over the implementation of the formula DAU conducted by independent teams from various universities in order to obtain the appropriate DAU counting policy with the provisions of the ACT and the characteristics of the autonomous region in Indonesia.

#### 2. The Stages of Administrative

At this stage of the Monetary Department DJPK do coordination with relevant agencies for the preparation of the data base of the counting of the DAU including consolidation and data verification activities to get the validity and recent data that will be used.

### 3. The Technical Stages

It is the stage of manufacture of the simulation calculations DAU which will be consulted to PARLIAMENT and Government are conducted based on a formula of DAU as mandated ACT by using available data as well as paying attention to the results of the parties' recommendations academically.

### 4. The Stages of Political

Is the final stage, the discussion of the calculation and allocation between Governments with DAU Panja shopping districts Budget Committee representatives for consultation and approval of the results of calculating DAU (Yovita, 2011).

## Funds for the Results

Results sourced from funds for taxes and natural resources. The funds were sourced from taxation consists of Earth and Building Tax (PBB), the Bea Acquisition of land and buildings (BPHTB) and income tax (PPH). The research of Zulkifli (2013) many countries using the system for the results of the tax by distributing a fixed percentage of certain national taxes, such as income tax or value added tax to local government. Add income areas in the framework of the financing of the implementation of the functions being performed with authority patterns for the results of tax revenue and not the tax (SDA) between the Center and regions. While the funds for results sourced from natural resources derived from forestry, mining, fisheries, mining General petroleum, mining, natural gas and geothermal mining.

## Fiscal Independence

The local government authority in the exercise of its discretion as autonomous regions was strongly influenced by the area's capabilities in the area of revenue generation. The larger the area that received the original income, then the greater the local government authority also in the exercise of policy autonomy. The implementation of regional autonomy aims to improve public services and promote the economy of the region. One way to improve public service by doing the shopping for the benefit of the investment realized through capital expenditures.

Fiscal independence is none other than Original Income ratio region (PAD) to the total acceptance of the area where the original region, revenue was the acceptance of the area from the local tax levy, sector areas, the results of the company-owned areas, results wealth management area which is separated and other

legitimate areas of original income (Zulkifli, 2013), meaning the larger PAD area, the better his independence anyway. Capital expenditure is an expenditure budget for the acquisition of fixed assets and other assets that benefit more than one accounting period. Capital expenditures include, among others, capital expenditures for the acquisition of land, building and building, equipment and intangible assets.

This is in accordance with regulation No. 58 Year 2005 which States that the grant is structured according to the needs of the Organization of the Government and regional capabilities in generating revenue. Each drafting budget, allocation of capital expenditure should be adjusted to the needs of the region by considering the PAD that is received. So if the government wants to increase capital expenditures for public services and social welfare, then the government will have to dig into the PAD that much.

## Economic Growth

Research Putro (2010) stated that economic growth is defined as the development of activities in the economy that caused the goods and services produced in the community increased and prosperity of communities increased. So economic growth measures the achievement of the development of an economy from a period to another period. The ability of a country to produce goods and services will increase. Capabilities that increase is due to the added factors of production both in quantity and quality. The investment will add to capital goods and technology used is also growing. In addition, the workforce was increased as a result of the development of the population with increasing their education and skills. Each economy can set aside a certain proportion of the national income if only to replace capital items (buildings, equipment and materials) are broken. But for growing the economy needed new investments in addition to the stock of capital. If there is an economical relationship considered directly between the magnitude of a stock of capital (K) and the total output (Y), then each additional net against capital stock would result in the increase of total output in accordance with the capital output ratio (Putro, 2010).

Economic growth according to the theory of the growth of the Solow-Swan growth depends on increasing the provision of factors of production (labour and capital accumulation) and the level of technological advancement. This view is based on classical analysis, that the economy will still be experiencing full employment rates (full



employment) and a capacity of capital equipment will still be fully used. The theory stated that Rostow Growth changes from backwardness towards economic progress can be described in a series of stages that must be undertaken by all countries. Developed countries entirely has surpassed the stage of takeoff toward sustainable economic growth (economic progress they've already established so that such economic wheel can spin themselves to drive the economy and bring the entire population to a standard of living adequate all-round better), while countries that are developing or underdeveloped countries, in General were still in the stage of the community's traditional or stages of drafting the framework of take off. One of the many strategies or tactics development staple for take-off is the deployment or the mobilization of savings funds (denominated in domestic and foreign currency) in order to create a provision for adequate investment in favor of accelerating the pace of economic growth (Putro, 2010).

### **General Allocation Fund Relations (DAU) Against GDP**

DAU is derived from the STATE BUDGET funds allocated with the goal of financial equalization between regions to finance its expenditure needs in the framework of decentralization. According to Rumanti (2009) planning a shopping assignment elicits weak inefficient performance of Government, so there is a work unit that excess financing, there is also a unit of work that lack of financing. This will have an impact on the economy of the region in General and financial area in particular. Research results Sihite (2009) concluded that positive and influential DAU significantly to economic growth. However such research in contrast to Isa research results (2010) concluded that significant positive defenseacquisition university has no effect against economic growth. Based on the framework of thought that has been outlined, then compiled the following hypothesis:

The General Allocation Fund (DAU) effect on GDP the Government regency/city in South Sumatra 2011-2016 Year.

### **Relations Funds for Results (DBH) Against GDP**

DBH is one part of the Equalization Fund in addition to the General and special allocation funds, which transfers from the Central Government to the regions with the aim of maximized local development in

accordance with the goal of autonomous region (Nehen, 2012). The higher the DBH then regional development level expectations are getting higher, so that DBH influential positive on economic growth. This opinion also supported by study Pujiati (2008), Santosa (2013).

The relationship between DBH with assumed economic growth with the higher level of expectations then DBH regional development the higher (Pujiati, 2008; Santosa, 2013). Further realization of direct expenditures assumed positive effect against economic growth (Bose and Osborn, 2007; Chude and Chude, 2013). This shows that the productivity level of goods and services through economic growth requires the realization of direct shopping is great, then the large direct expenditures are funded from the allocation of the acceptance of the region which is the DBH. Based on the framework of thought that has been outlined, then compiled the following hypothesis:

Funds for the results (DBH) effect on GDP the Government regency/city in South Sumatra 2011-2016 Year.

### **The Fiscal Independence of the Relationship (KF) Against GDP**

Research conducted by Apriana (2010) concluded that the independence of the region has no effect and does not significantly to economic growth, as the Government has yet to maximize the potential of the local one with ease the investment process. According to the research of Hamza (2008) also concluded that the independence of the influential ratio significantly to economic growth. This is because the larger the PAD obtained as well as the smaller loans and assistance from the Center, the more self-sufficient the area. With increasingly independent regions, economic growth in the area can experience increased. Based on the framework of thought that has been outlined, then compiled the following hypothesis:

Fiscal independence (KF) effect on GDP the Government district/town in South Sumatra 2011-2016 Year.

## **3 RESEARCH METHODOLOGY**

This research uses descriptive quantitative research methods that aim to explain empirical phenomena accompanied by statistical data, characteristics and patterns of relationships between variables. The data analyzed in this writing is secondary data, sourced

from the document reports on the realization of a GRANT obtained from the website of the Directorate General of Financial Equalization of local government through the internet. From the report it BUDGETS-realization obtained data about the allocation of Public Funds, funds for results and Fiscal Independence. Gross Regional Domestic Product data (GDP) Per Capita is obtained from the Central Bureau of statistics (BPS) of South Sumatra Province from the years 2011-2016.

## Research and Operational Definition of the Variables

### The Dependent Variable

The dependent variable is a variable which is a variable that is affected or become due, because of the free variables. The dependent variable in this study is the GDP. Economic growth is a process of rising per capita output that continuously in the long term and is one indicator of the success of development, increasing economic growth usually also higher the welfare of society. An economic growth proxied with the gross Regional domestic product (GDP) per capita. Gross Regional domestic product (GDP) is the amount of value added goods and services resulting from the activity of the economy in an area. Calculating GDP using two kinds of pricing i.e. price and constant price. GDP on the price applicable is the added value of goods and services are calculated using prices prevailing at the year in question, while the GDP on the basis of constant prices are calculated by using prices in a given year as a base year. The growth rate of the economy of an area proxied with GDP on the basis of constant prices. GDP on the basis of constant prices using rates in a given year as the base year to eliminate price increase factors (Adiwiyana, 2011). Economic growth variables for each regency/city in South Sumatra BPS data can be seen from South Sumatra Province based on constant prices.

### Independent Variable

The independent variable in this study consists of the General Allocation Fund, a special allocation of Funds, income funds for the region, the Original results and Fiscal Independence.

#### 1. General Allocation Fund

The General Allocation Fund (DAU) is one of the Government's transfer of funds to local governments that are sourced from the STATE BUDGET, income that is allocated with the goal

of equitable distribution between regional financial capability to fund the needs of the region in order the implementation of decentralization. DAU indicators are as follows:

- a. index Of regional needs, consists of: expenses or shopping districts, on average, the population index, a broad index of the region, building price index, an index of relative poverty.
- b. from the reception area, consists of: reception areas, industry index, an index of nature resources, human resources index (Yovita, 2011).

In this study the number of postal funds taken from DAU equalization grant budget realization in the report.

#### 2. Funds for the results

DBH is money sourced from the state budget revenue is allocated to regions based on numeric percentage to fund the needs of the region in the framework of the implementation of decentralization (Law No. 33 of the year 2004, about the Financial Equalization between the Government The Central and local governments). DBH are transferred to the Central Government to local governments consist of 2 types: DBH DBH taxes and not taxes (natural resources). DBH is a source of potential income sufficient area and is one of the Government's authorized capital region in getting development funds and meet the shopping area which is not derived from a PAD in addition to DAU and DAK (Wandira, 2013). Theoretically the local Government will be able to set a higher capital expenditure if the budget gets larger DBH anyway, as otherwise the smaller capital expenditures that will be set if the DBH budget is getting smaller. Funds for the results of a positive effect towards capital expenditures. The variable Funds measureable Results For with funds for tax proceeds and not taxes.

#### 3. Fiscal Independence

Fiscal independence is none other than original income ratio region (PAD) to the total acceptance of the area which means the larger PAD area, the better his independence anyway. According to Zulkifli (2013) this variable is calculated by the formula:

$$\text{Fiscal independence} = \frac{\text{Native Revenue (PAD)}}{\text{Total acceptance region (TPD)}}$$

## Populations and Samples

Priyatno (2010) suggests that the population of the region is a generalization of the object/subject that

has certain characteristics and quantity specified by researchers to study and then drawn the conclusion. The population of this research is the entire Government regency/city in South Sumatra Province.

The sample is part of a number and its owned by the population (Priyatno, 2010). As for the technique used is a Non Probability Sampling with a Purposive Sampling approach, namely the determination of the sample with a particular consideration in accordance with the object of research. The sample of this research is a local government district/city in South Sumatra Province from the years 2010-2016. Selection criteria samples in this research is a regency/city in South Sumatra Province which have entered the national realization of report data at the site of the Directorate General of Financial Equalization of local Government on a regular basis from the year 2011-2016.

### Types and Sources of Data

Type of this research is quantitative descriptive research that aims to explain empirical phenomena accompanied by statistical data, characteristics and patterns of relationships between variables. The data analyzed in this writing is secondary data, sourced from the document reports on the realization of a grant obtained from the website of the Directorate General of Financial Equalization of local government through the internet. From the report it budget realization obtained data about the allocation of Public Funds, funds for results and Fiscal Independence. Gross Regional Domestic Product data (GDP) Per Capita is obtained from the Central Bureau of statistics (BPS) of South Sumatra Province from the years 2011-2016.

### Methods of Analysis

This study will use multiple regression analysis techniques with the help of SPSS program using data that has been previously tested and meets classical assumptions. As for the regression equation model used in this study are formulated as follows:

$$GDP = a + b_1DAU + b_2DBH + b_3KF + e$$

Description:

GDP = Economic Growth

a = Constant

b1 = the coefficient of regression to the variable x 1

b2 = coefficient of regression to the variable x 2

b3 = coefficient of regression to the variable x 3

Allocation of Public Funds = DAU

DBH = Funding For Results

KF = Fiscal Independence

### Analysis

Table 1: Assumption Classic.

|   |           |       |
|---|-----------|-------|
| <b>Kolmogorov-Smirnov (UjiNormalitas)</b>       |           |       |
| Asymp.Sig                                       | 0,348     |       |
| <b>Multiplier Lagrange Test (UjiLinearitas)</b> |           |       |
| R Square  | 0,018     |       |
| <b>Tolerancedan VIF (UjiMultikollinearitas)</b> |           |       |
| Model   | Tolerance | VIF   |
| DAU   | 0,998     | 1,012 |
| DBH   | 0,995     | 1,005 |
| KF  | 0,993     | 1,007 |
| <b>Durbin-Watson (UjiAuto Korelasi)</b>         |           |       |
| DW  | 1,188     |       |
| <b>Uji White(UjiHeteroskedastisitas)</b>        |           |       |
| R Square  | 0,114     |       |

Source: The Data Processed

Based on table 1 of the second value obtained and Asymp 0.934. SIG. of 0.348 0.05 larger than normal Gaussian data can be inferred.

Results display output shows a value of R square of 0.018 to the amount of n observations of 90, then the magnitude of the value of the chi square count = 0.018 x 90 = 1.62. This value is compared with the chisquare table with df = (n-k) = 90-4 = 86 and the level of significance of 0.05 obtained the value of chi square table 108.648. Because the value of the chi square count is smaller than the table chi square, then it can be inferred that the correct model is a linear model.

Based on table 1 above, note that the tolerance value of all independent variables > 0.10. VIF value of all independent variables < 10.00. Based on the criteria in decision making can be concluded that this research does not happen multicollinearity.

Based on Table 1 it is known that the DW value is 1,419. Based on the decision making criteria that the DW value is between -2 to +2 so it can be concluded there is no autocorrelation.

Results display output shows a value of R square of 0.114 to the amount of n observations of 90, then the magnitude of the value of the chi square count = 0.114 x 90 = 10.26. This value is compared with the c2 table with df = (n-k) = 90-82 = 86 and the level of significance of 0.05 obtained the value of chi square table 104.139. Because the value of the chi square count is smaller than the table chi square, then it can be concluded that there is no Heteroskedastistity.

### Analysis of Regression

$$PDRB = a + b_1DAU + b_2DBH + b_3KF + e$$

Tabel 2: The result of hypotheses test.

|                   |         |       |
|-------------------|---------|-------|
| Adjusted R Square | 0,141   |       |
| F Test            | F       | 5,860 |
|                   | Sig     | 0,001 |
| t test            | Sig.DAU | 0,333 |
|                   | Sig.DBH | 0,965 |
|                   | Sig.KF  | 0,000 |

Source: the Data processed

Based on table 2 the magnitude of the influence of the General Allocation Fund (DAU), funds for results (DBH) and Fiscal Independence (KF) against GDP simultaneously was 14.1%. F test results in table 2 in F value can count of 5.860 with Sig. 0.001, since the value of the probability of significance is much smaller than 0.05 indicates that the regression model are appropriate and correct.

Based on the results of the statistical tests t 2 in the table, the fiscal independence of variables (KF) is significant because it has a value under 0.05 significance i.e. 0.000. So it can be concluded from three independent variables in the regression model, there is one independent variables i.e. fiscal Independence effect on the dependent variable i.e. GDP.

## 4 DISCUSSION

### The Influence of the DAU against GDP

General Allocation Fund is one form of acceptance that comes from the balance of the funds with the purpose of financial equalization between regions to finance its spending needs. General Allocation funds given to the regions adapted to the conditions and the potential of the area so as not happening misalokasi. The determination of the allocation of public funds is made to pay attention to the needs of an area. This is indicated in case of improvement of the General Allocation funds then the independence of a region will be even lower. The results showed that DAU had no effect against the GDP, meaning high or low DAU will not affect GDP. This indicates that the general allocation fund absorption is still not significant, therefore the Government should prioritise allocation of funds allocation of public expenditures on those areas which are directly in contact with the public interest, such as infrastructure or facilities that may encourage growth of economic results of the research it supports Sulistyawati (2011) which explains that the Fund General allocations does not have an effect on economic growth, but this research contrary to the research conducted by Endrawati (2010) that shows

different results that the general allocation fund a positive effect against economic growth.

### The Influence of DBH against GDP

The results showed that DBH does not affect GDP, meaning high or low DBH will not affect GDP. The fact or condition of the court case, indicating if the allocated funds for realization of the results is not Tax/less natural resources contribute to maximum for government spending in the County Town of South Sumatera Province, such as the construction of means of public facilities (fields, irrigation infrastructure, technical training, research and so on) that directly touched or enjoyed a short period of time in the community. In addition, the magnitude of the quantity of funds for realization of the results is not Tax/natural resources for the reception Area in the County Town of South Sumatera Province in 10 years it does not respond thoroughly (accumulation) towards economic growth, where the multiplier effect in the real process on the human resources of the regency and city of South Sumatera Province engaged in various sectors of the gross Regional domestic product (GDP). In other words, influence or relationship Results Not funds for Tax/natural resources towards economic growth in the County Town of South Sumatera Province did not respond to production activities, either input or output portion of the community that work sector-a sector of the economy. In addition, disconnections in the allocation of funds for quality and Results instead of Taxes/natural resources at the Expense of the City District Government of South Sumatera Province with various policy through development programs for the public sector the true expected to directly get in touch with the community, in particular the human resources that exist in the County Town of South Sumatera Province as a production factor for the activity of the economy. The results of this study support the Aziz (2016) that explains that the funds for the results does not affect GDP.

### The Influence of KF against GDP

The results showed that KF effect on GDP, meaning high or low KF will affect GDP. This research fits with research Yuana (2014). Fiscal independence is the main indicator in measuring the ability of local governments to finance their own activities of local governance that is executed, without depending on ammunition from the outside, including from the Central Government. According to Halim (2001), the main characteristic of a region capable of carrying out



decentralized fiscal autonomy is the ability of the financial area, meaning the area have the ability and authority to digging out to finances resources, manage and use own its treasury to finance the organization of the government. The more self-sufficient a region will be more generous in doing economic development.

## 5 CONCLUSIONS

The positive effect of fiscal independence and significantly to the economic growth of the region. So it is expected that constantly improved the ability of the area in an effort to improve the fiscal in the autonomous areas, so that it can continue to improve the regional investment and boost the economic growth of the region. Meanwhile, the income of the DAU and DBH have no effect significantly to economic growth. DAU and DBH to mean that increases haven't been able to boost economic growth. For it is need for policy areas that can increase per capita income, by encouraging communities to undertake a productive economic activities, so as to be able to provide more job opportunities so that the growth the economy can be improved and the Government also expected to prioritize the allocation of DAU and DBH in fields which directly come into contact with the public interest, such as infrastructure or facilities that could encourage economic growth

This study has several limitations, including: a) there is still some contention between the results of this research with previous research. So researchers hope to researchers next back review about factors that affect economic growth, b) research results cannot be generalized to the case other than the object of research, c) the object of the research is still limited city and regency in South Sumatra Province, d) period of research conducted in this study only 6 years old, is expected to further research could use a longer period in order to make research a higher degree of accuracy.

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