The Impact of Local Revenue, Regional Balance, Expenditure, and Financing on Economic Growth

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Article Info:	Abstract
	The research aims to know the Locally Generated Revenue (PAD), Balancing Fund (DP), Local Government Expenditures (BD) and Regional Financing (PD) of Regional Economic Growth (PDRB). The data used in this study is annual data published by website Directorate General of Fiscal Balance and Central Bureau of Statistics for five period from 2011 until 2015. The analytical method used is Multiple Linear Regression. The results showed that the Locally Generated Revenue (PAD), Local Government Expenditures (BD) and Regional Financing (PD) has no effect significant on Regional Economic Growth (PDRB). While Balancing Fund (DP) has negatively significant effect on Regional Economic Growth (PDRB).

INTRODUCTION

Economic growth is defined as a process that causes an increase in the real income per capita of the population in a country in the long run accompanied by an improvement in the institutional system. Thus economic growth has the meaning of a process that means changes that occur continuously, efforts to increase per capita income, improve institutional systems in all fields, for example politics, economics, social and culture. In poor countries, the main concern is more focused on the complex dilemma between growth and income distribution, but both are almost very difficult to realize at the same time, prioritizing one will lead to another sacrifice. Higher economic development

requires high acceptance of GNP. But the problem is not only the high level of GNP, but how the results of economic development can be felt by all levels of society (Miller & Meiners, 2000).

The success of development in a region can be seen from the rate of economic growth. Therefore, each region always sets a high growth rate target in its regional development planning and objectives. In simple terms economic growth is interpreted as a change from Gross Domestic Product (GDP) at the national level and Gross Regional Domestic Product (GRDP) at the regional level from year to year. An economy is said to experience growth that develops if the level of economic activity is higher than what has been achieved in the previous period. Theoretically it is said that the higher the level of income of a society, the better the level of welfare.

Banten Province, is one of the new provinces in Indonesia which was formed around the year 2000. Previously the city of Banten was part of the Java province, but since the enactment of Law No. 23 of 2000, the city became a province with an attacking capital. quite important in Indonesia, because it is very strategically located and has a port that is quite important in trade. As a new province, Banten has many problems and problems that must be resolved. Especially in the economic field. Banten's economic growth is quite good in various economic sectors which include the industrial, trade, agriculture, livestock, plantation and fisheries sectors. Banten Province has a geographical position that supports the development of regional economic activities.

Table 1. ADHK GRDP Growth Rate by Regency-City (Percent)

Regency/City	ADHK GRDP Growth Rate According to KabKot (Percent)				
	2011	2012	2013	2014	2015
Kab Pandeglang	5.74	5.81	4.72	4.93	5.96
Kab Lebak	5.99	5.11	6.30	5.83	5.80
Kab Tangerang	6.75	6.17	6.41	5.37	5.36
Kab Serang	6.10	5.42	6.04	5.39	5.02
Kota Tangerang	7.39	7.07	6.52	5.15	5.37
Kota Cilegon	6.62	7.70	6.69	4.62	4.78
Kota Serang	8.34	7.42	7.30	6.86	6.29
Kota Tangerang Selatan	8.81	8.66	8.75	8.05	7.20
Provinsi Banten	7.03	6.83	6.67	5.51	5.40

Source : Central Bureau of Statistics

The economic growth of Banten Province in the last five years tends to decrease every year. In 2012 it decreased by 0.2% from the previous year at 7.03% to 6.83%. In 2013 it decreased by 0.16% to 6.67%. In 2014 there was a significant decline from the last 4 years, namely 1.16% to 5.51%. And in the fifth year also decreased again to 5.40%. The challenge faced by regional governments is to increase the rate of economic growth and increase the regional economic foundation that broadens employment opportunities and accelerates the improvement of the economic well-being of the community.

In every economy, the government needs to do various types of spending. Expenditures to finance government administration, build and improve structures, provide education and health facilities and finance police and army members to maintain security are inevitable expenditures by the government (Sukirno, 2006). In other words the government has an absolute obligation to collect sources of funds (receipts) to finance all expenses, namely routine expenditure (routine expenditure) and development expenditure. In order to realize the right targets in collecting funds and financing, the

government compiles the State Budget for Expenditure and Expenditure (APBN). The regional level is called the Regional Budget for Revenue and Expenditure (APBD).

The APBD itself consists of Regional Revenues and Expenditures. Regional revenue sources, namely from local original income, balancing funds and other legitimate revenues. Regional original income is a regional financial source that is excavated in the relevant area which consists of regional taxes, regional levies, management of regional wealth or natural resources and other legitimate income. Balancing funds are a source of financing originating from the regional part of the Land and Building Tax (PBB), fees for acquiring land and building rights and receipt of Natural Resources and General Allocation Funds and Special Allocation Funds.

Regional expenditures are expenditures contained in the APBD which are directed at supporting the administration of government, development and community development. In general, regional expenditure can be categorized into routine expenditure and development expenditure. Routine expenditure is expenditure that uses it to finance the operational activities of regional governments. Development expenditure is expenditure whose use is directed and enjoyed directly by the community.

Whereas regarding the direction of regional financing policy is the direction of policy that regulates all regional revenues that need to be paid back and / or all regional expenditures that will be received again, both in the relevant fiscal year and in the following fiscal years. In addition, this policy direction also regulates financial transactions that are intended to cover the regional budget deficit caused by the smaller income earned compared to regional expenditures that must be met due to increasing regional development needs.

With the management of the APBD by each local government without any interference from the central government in the context of the realization of regional autonomy or fiscal decentralization, the regional government is more flexible in increasing the regional economic growth for the welfare of the people in their regions. High economic growth is the desire of each region. Economic growth can be influenced by economic factors and non-economic factors. Economic factors such as: natural resources, capital accumulation, organization, technological progress, division of labor and scale of production. Non-economic factors such as: social, human, political and administrative. This economic growth can be measured by Gross Regional Domestic Product (GRDP), where GDP is the added value of goods and services produced in a period usually of one year.

According to Kotler & Keller (2007), which links government spending with the stages of economic development. In the early stages of development, the ratio of regional government expansion to national income is relatively large. This is because at this stage the government must provide various facilities and infrastructure. In the middle stage of economic development, government investment must still be needed to spur growth in order to take off.

Local government expenditure is another factor that determines the level of economic growth. Government spending that is too small will harm economic growth, wasteful government spending will hinder economic growth but proportional government spending will increase economic growth.

According to research conducted by Permanasari et al. (2013), DAU has a significant effect, DAK has no significant effect, PAD has a significant effect, and Capital Expenditures has no significant effect on economic growth in Districts / Cities in Central Java Province. Meanwhile, according to research conducted by Mawarni, Darwanis and Mawarni & Abdullah (2013), simultaneously PAD, DAU and Capital Expenditures have

a positive effect on economic growth. While partially shows capital expenditure does not affect economic growth.

Another study by Hermuningsih (2019), partially and simultaneously, the PAD variable has a positive and significant effect on Regional Economic Growth, Balancing Funds have a negative and significant effect on Regional Economic Growth, while DAU and DAK have no significant effect on Regional Economic Growth.

The administration of government has a function to encourage and facilitate development in order to achieve adequate economic growth for the improvement of people's welfare. Through the policy of regional autonomy and fiscal decentralization, it is expected that regional governments are able to absorb the aspirations and participation of local communities so that the direction of development will suit the real needs of the community.

Based on the description above, the authors are interested in conducting research on, "The Effect of Regional Original Income, Balancing Funds, Regional Expenditures and Regional Financing on Regional Economic Growth (Empirical Study on Districts and Cities in Banten Province in 2011 - 2015".

LITERATURE REVIEW

2.1. Agency Theory

According to Law No.20/2008, SMEs is distinguished by several criteria through its net worth. First, IDR 50 million to IDR 500 million, and that does not include land and business premises, and the total annual sales are at most around IDR 300 million. Second, IDR 50 million to IDR 500 million and does not include land and business premises, and the total annual sales are at most around IDR 300 million to IDR 2.5 billion. Third, A medium-sized business is a business that has a wealth of more than Rp 500 million to Rp. 1 billion excluding land and business premises, and total annual sales of a maximum of Rp. 2.5 billion to Rp. 50 billion.

Meanwhile, the Central Statistics Agency defines MSMEs based on the quantity of labour. Small business is a business that has a workforce of 5 people up to 19 people, while medium business is a business that has a workforce of 20 people up to 99 people. Whereas The Central Bank of Indonesia (2015), micro-business is a business run by the poor, owned by families, with local resources and using simple technology, and the business field is easy to get in and out. The amount of the worker, the assets of SMEs Rp 200 million excluding land and business buildings with an annual turnover of less than Rp 1 billion. In addition to its management mandatory by Indonesians and not a legal entity. Meanwhile, medium-sized businesses are defined as having assets of less than Rp. 5 billion for the industrial sector, and assets less than Rp 600 million excluding land, buildings with an annual turnover of less than Rp. 3 billion. Based on these definitions, SME is a form of productive economic enterprise, driven by individuals or business entities. In addition, he must have specific capital, limitations in business development, and not affiliated or controlled by the company.

2.2 Regional Autonomous

a. Definition of Regional Autonomous

Regional autonomy is the right, authority, and obligation of the autonomous region to regulate and manage government affairs and the interests of the local community in accordance with the laws and regulations. Literally, regional autonomy comes from the

word autonomy and region. In Greek, autonomy comes from the words autos and namos. Autos means itself and namos means rules or laws, so that it can be interpreted as the authority to regulate itself or the authority to make rules to manage the household itself. While the regions are legal community units that have regional boundaries.

The implementation of regional autonomy is based on legal references, as well as the implementation of the demands of globalization that must be empowered by providing broader, more real and responsible areas of authority, especially in regulating, utilizing and exploring potential resources in their respective regions.

b. Regional Autonomous Objectives

The purpose of granting regional autonomy is as followsPeningkatan pelayanan masyarakat yang semakin baik.

a) Development of democratic life.
b) National justice.
c) Regional area equity.
d) Maintenance of harmonious relations between the center and the region and between regions in the framework of the integrity of the NKRI.
e) Encourage community empowerment.
f) Growing initiative and creativity, increasing community participation, developing the role and function of the Regional People's Representatives Council.

Conceptually, Indonesia is based on three main objectives which include: political goals, administrative goals and economic goals. What is intended to be realized through political objectives in the implementation of regional autonomy is an effort to realize political democratization through political parties and the Regional Representatives Council. The realization of the administrative objectives to be achieved through the implementation of regional autonomy is the division of government functions between the central and regional governments, including financial resources, as well as the renewal of management of government bureaucracies in the regions. While the economic goals to be achieved in the implementation of regional autonomy in Indonesia are the realization of an increase in the human development index as an indicator of improving the welfare of the Indonesian people.

c. Autonomous Regional Basis

a) The principle of decentralization, is the granting of authority by the central government to local governments to   take care of their own regional affairs
b) The Deconcentration Principle, is the delegation of authority by the central government to the equipment of the central government in the area to carry out certain affairs
c) Co-Administration, is the assignment of part of the affairs of the central government or the provincial government to the regency / city to carry out part of the government affairs which are the authority of the provincial

2.3 Economic Growth

Economic growth is the basis for sustainable development. The government can improve people's welfare by increasing economic growth, by prioritizing: infrastructure improvements; education improvement; health services; build facilities that can encourage investment both foreign and local; providing low-cost housing; do environmental restoration and strengthening in the agricultural sector Solihin (2009).

The economic growth rate of a nation can be measured using the GRDP growth rate on the basis of constant prices (ADHK). Here is a formula to calculate the rate of economic growth (Sukirno, 2006):

$$G = \frac{PDRB1 - PDRB0}{PDRB1} \qquad (1)$$

G   = Rate of economic growth
PDRB1   = PDRB ADHK in one year
PDRB0   = PDRB ADHK in previous year

a. Economic Growth Theories
   1. Classical Theory
      Classical theory suggests the relationship between the amount of income per capita and the population. The theory is called the Optimum Population Theory. This theory states the following:
      - When marginal production is higher than per capita income, the population is still small and labor is still lacking. Then population growth will increase labor, and increase economic growth.
      - When marginal products decrease, national income rises but at a slow pace. Then population growth will increase labor, but per capita income decreases but economic growth still exists even though the quantity is getting smaller.
      - When other marginal production equals per capita income, it means that the value of per capita income reaches the maximum and the optimal population (the number of population that is in accordance with the state of a country marked by per capita income reaches a maximum). So that population growth will have a bad effect on economic growth.
   2. Harrord-Domar's Growth Theory
      Harrord-Domar's growth theory was developed by two economists namely Evsy Domar and Sir Roy F. Harrod. The Harrord-Domar theory has assumptions, namely:
      - The economy is in full employment and capital goods consisting of the community are fully utilized.
      - The economy consists of two sectors, namely the household sector and the corporate sector
      - The amount of community savings is proportional to the amount of national income, meaning that the savings function starts from zero.
      - The tendency to save is a fixed amount, as well as the ratio between capital-output and the capital-output increase ratio.
          In this theory it is stated that, if you want to grow, the economy must save and invest a certain proportion of its total output. The more savings and then invested, the faster the economy will grow.
   3. Solow-Swan Economic Growth Theory
      According to this theory the outline of the growth process is similar to the Harrord-Domar theory, where the assumptions underlying this model are:
      - Labor (population) grows at a certain rate
      - There is a production function that applies to each period
      - There is a tendency to save by the community which is expressed as a certain proportion in output

- All community savings are invested in accordance with the presumption about the tendency to save, then the output is left with a proportion of savings and then invested, so that there will be additional stock capital.

4. Keynesian theory

This theory was pioneered by John Maynard Keynes who stated that in the short term national output and employment opportunities were mainly determined by aggregate demand. Keynesians believe that monetary policy and fiscal policy must be used to overcome unemployment and reduce inflation. Keynesian concepts also show that the role of government plays a big role in increasing economic growth. The market economy seems difficult to guarantee the availability of goods needed by the community, and often leads to instability, inequity and inefficiency. If the economy is often faced with instability, inequality and inefficiencies will clearly hinder economic growth in the long run.

b. Factors influencing economic growth
1. Economic growth is influenced by two factors, namely:
   1) Economic Factors
      a) Natural resource
      b) Capital accumulation
      c) Organization
      d) Technology advances
      e) Division of work and scale of production
   2) Non-Economic Factors
      a) Socio-cultural
      b) Human
      c) Political

2.4 Regional Revenue and Expenditure Budget (APBD)

a. Definition of Regional Budget

The Regional Revenue and Expenditure Budget, hereinafter abbreviated as APBD, is an annual financial plan of the regional government approved by the Regional People's Representative Council (Law No. 17 of 2003 article 1 point 8 concerning State Finance). All Regional Revenues and Regional Expenditures must be recorded and managed in the APBD . The regional revenues and expenditures are in the context of implementing decentralization tasks. Whereas revenues and expenditures related to the implementation of Deconcentration or Co-Administration are not recorded in the APBD.

APBD is the basis of regional financial management in a budget year. APBD is a plan to implement all Regional Revenues and all Regional Expenditures in the framework of implementing Decentralization in a particular fiscal year. Collection of all Regional revenues aims to meet the targets set in the APBD. Likewise, all regional expenditures and ties that burden the region in the context of implementing decentralization are carried out according to the number and targets set in the APBD. Because APBD is the basis of regional financial management, the APBD is also the basis for regional financial control, inspection and supervision activities.

APBD is prepared with a performance approach, namely a budget system that prioritizes efforts to achieve work results or output from planned cost allocations or specified inputs. The amount of income budgeted in the APBD is a rationally measured estimate that can be achieved for each source of income. Revenues can be realized in excess of the set budget. With regard to expenditure, the total budgeted expenditure is the

highest limit for each type of expenditure. So, the realization of expenditure may not exceed the amount of the stipulated budget. Budgeting of expenditures must be supported by the certainty of the availability of sufficient amounts of revenue. The APBD must include the expected target according to the expenditure function, the expected service standards and the estimated unit cost of the activities in question, and the APBD revenue portion used to finance general administration expenditure, operating and maintenance expenditure and capital / investment expenditure.

b.   APBD Objectives

   The purpose of the APBD is arranged with the aim of being used as a guideline by the regional government in regulating revenues and expenditures for the implementation of regional development so that mistakes, waste and misuse can be avoided. The other APBD goals include:
1. Helping the government in this case the local government achieves fiscal goals
2. Increasing the regulation or coordination of each part within the local government.
3.   Helps present and create efficiency and justice for the provision of public and public goods and services.
4. Creating shopping priorities or the integrity of regional government spending.
5.   Presenting and Increasing transparency of local government towards the wider community and regional governments can account for the People's Representative Council (DPRD))

c. APBD Function

   Based on the provisions in Article 3 paragraph (4) Law No. 17 of 2003 concerning State Finance, the Regional Budget Function is as follows:
1.   Authorization function, is as a guide to implement regional income and expenditure in the year concerned.
2. The Planning Function, serves as a guideline for planning activities in the year concerned.
3. The Supervision function, serves as a guide for assessing the performance of local governments.
4. The function of allocation, functioning as a division must be directed in accordance with the aim of reducing unemployment, wasting resources and increasing economic efficiency / effectiveness.
5. Distribution function, function in the distribution must pay attention to the sense of justice and propriety.
6. Stabilization function, means / must be a tool to maintain and strive for balance of economic fundamentals.

d. Regional Original Income (PAD)

   In carrying out extensive regional autonomy, it is clear that accountability and capability are needed and the ability to explore their own financial resources is supported by financial balance between the center and the regions. To ensure the implementation of regional autonomy that is increasingly stable, efforts are needed to improve its own financial capacity, namely by increasing revenue from Regional Original Revenue (PAD), both by increasing existing PAD source revenues and by extracting new PAD sources in accordance with existing provisions and attention to the conditions and economic potential of the community.

According to Khotijah (2004:67) about Regional Original Income (PAD), namely: "Regional Original Income (PAD) is all regional revenues originating from regional economic sources. Regional Original Income is separated into four types of income, namely: regional taxes, regional levies, regional-owned company products and separated regional wealth management results, other legitimate PAD."

As stated that Regional Original Income is regional revenue originating from the original regional economic sources, it is expected that each local government can build good economic infrastructure in their respective regions, in order to increase their income.

According to Law No. 33 of 2004, "Regional Original Revenue hereinafter referred to as PAD is income earned by regions collected under Regional Regulations in accordance with laws and regulations." PAD aims to give authority to Regional Governments to fund the implementation of autonomy in accordance with regional potential as the realization of decentralization. Sources of Regional Original Revenue consist of:

1) Regional tax

Regional taxes are mandatory contributions made by individuals or entities to the regions without balanced direct benefits which can be imposed based on the applicable laws and regulations and those used to finance regional government and regional development. Tax is a basic financial source for regional restitution areas.

2) Regional levies

Regional levies are regional levies as payments for services or special permits that are specifically provided and / or provided by local governments for the benefit of private persons or entities.

3) Results of management of separated regional wealth

The results of the management of wealth belonging to the separated regions are regional revenues derived from the management of separated regional wealth. This type of income is specified according to the income object which includes :

a. part of the return on equity participation in regionally owned companies / BUMDs
b. part of the return on capital participation in state-owned / state-owned companies
c. part of the return on equity participation in private / group companies.

1) Other legitimate income

This income is regional revenue originating from others belonging to the regional government. This account is provided to ensure receipt of an area other than the one mentioned above. This type of income includes the following income objects:

a. the results of the sale of regional assets that are not separated
b. current account service
c. interest income
d. acceptance of claims for regional compensation
e. ereceipt of commissions, deductions or other forms as a result of sales, procurement of goods and services by the region
f. financial receipts from the difference between the rupiah exchange rate against foreign currencies.
g. fine income for late execution of work
h. income tax penalties
i. income fine retribution
j. execution revenue on collateral
k. revenue from returns
l. social and public facilities
m. income from administering education and training

n. income from budget / sales installments.

e. Balancing Funds

Balancing Funds are funds originating from APBN revenues allocated to the region (autonomous) to fund regional needs in the context of implementing Decentralization. The amount of the Balancing Fund is set every budget year in the APBN.

According to Law Number 25 of 1999 what is meant by balancing funds is: "Funds sourced from the receipt of the State Revenue and Expenditure Budget (APBN) are allocated to regions to finance regional needs in the context of implementing decentralization."

The two principles that underlie fiscal decentralization are in line with the functions and authority of the regions that must be implemented are adequate autonomy and revenue (revenue adequacy). The local government in principle must have the authority and flexibility in determining its priorities, and supported by adequate regional revenues. Regional revenue sources not only come from the region itself, but also include revenue sharing (revenue shaing) and transfers originating from the center. Efforts to increase regional revenues are one of the most fundamental things in the context of regional autonomy and fiscal decentralization. In addition to PAD, increasing regional revenues can be done through increasing the balance funds received by the regions.

According to the Minister of Home Affairs 13 of 2006, "The income group of balanced funds is divided according to the types of income which consist of: profit sharing funds, general allocation funds, and special allocation funds."

1. Revenue Sharing Funds (DBH)

Revenue Sharing Funds (DBH) are funds originating from the APBN allocated to regions based on percentage numbers to fund regional needs in the context of implementing decentralization. Sources of Revenue Sharing Funds are as follows:

1) Tax DBH
   a. property tax
   b. customs for land and building rights
   c. income tax:
      a) Income Tax Article 25 and Article 29 Domestic Individual Taxpayers
      b) Article 21 Income Tax
2) DBH Natural Resources
   a. Forestry:
      a) Forest Utilization Business Permit Fee (IIUPH)
      b) Provision of Forest Resources (PSDH)
      c) Reforestation Funds (DR)
   b. General Mining:
      a) Fixed contribution (Land rent)
      b) Exploration and Exploitation Fees (Royalty)
   c. Fishery:
      a) Fisheries Exploitation Fees
      b) Fishery Product Collection
   d. Petroleum Mining
      a) Deposit of Government Parts; or
      b) Fixed Contributions and Production Fees

    e. Natural Gas Mining
    f. Geothermal Mining

2. General Allocation Fund

According to Law No. 34 of 2004, "General Allocation Funds, hereinafter referred to as DAU, are funds originating from APBN revenues allocated with the aim of equitable distribution of financial capacity between regions to fund regional needs in the context of implementing decentralization."

Khotijah (2004:141), "General Allocation Funds are funds originating from the State Budget allocated with the aim of equitable distribution of regional financial capacity to finance its expenditure needs in the context of implementing decentralization."

DAU is allocated with equity goals by taking into account the potential of the region, area, geography, population, income level of the people in the region, so that the difference between developed regions and undeveloped regions can be minimized.

There are several reasons for the need to provide General Allocation Funds from the central government to the regions, namely:
a. To overcome the problem of vertical fiscal inequality. This is due to the majority of the main sources of income in the country concerned. So the regional government only controls a small portion of state revenue sources or is only authorized to collect local taxes and low mobility with the characteristics of the amount of revenue relatively less significant.
b. To overcome the problem of horizontal fiscal inequality. This is because the ability of regions to collect income varies greatly, depending on regional conditions and is very dependent on the natural resources owned by the area.
c. To maintain minimum service standards in each of these areas.
d. For economic stability. The General Allocation Fund can be reduced when the regional economy is progressing rapidly, and can be increased when the economy is sluggish.

3. Special Allocation Fund

Special Allocation Fund (DAK) is a form of special funding (specific grant). That is, the use of these funds is based on instructions or policies from the giver, in this case the central government. DAK that is intended for special areas selected for special purposes includes:
a. The need for infrastructure and physical facilities in remote areas   that do not have adequate access to other regions;
b. The need for physical infrastructure and facilities in the area that accommodates transmigration;
c. The need for infrastructure and physical facilities located in coastal / island areas and do not have adequate infrastructure and facilities;
d. Prsarana needs and physical facilities in the area to overcome the impact of environmental damage.

UU no. Article 25/1999 Article 8 outlines that special needs that can be funded by DAK include needs that cannot be estimated in general using the DAU formula, and / or needs which are national commitments or priorities.

DAK activities based on PP 104/2000 include: (i) DAK is used to finance investments in the procurement and or improvement of and or repair of physical infrastructure and

facilities with a long economic life; (ii) In certain circumstances, DAK can help finance the operation and maintenance of certain infrastructure and facilities for limited peride, not exceeding three years.

Regions that wish to obtain DAK must meet several requirements, namely as follows:
a. Regions need to prove that the regions are less able to finance all expenditures for the proposed activities from PAD, tax sharing and SDA, DAU, Regional Loans and other legitimate receipts.
b. Regions provide escrow funds of at least 10% of the proposed activities.
c. The activity fulfills the technical criteria of the sector / activity determined by the technical minister / relevant agency.

2.5 Regional Financing

Great personal ability will spur users to use accounting information systems. Cause's the impact of its use of AIS more Regional financing includes all revenues that need to be repaid and / or expenditures that will be received again, both in the relevant fiscal year and in the following fiscal years. In addition, this policy direction also regulates financial transactions that are intended to cover the regional budget deficit caused by the smaller income earned compared to regional expenditures that must be met due to increasing regional development needs.

Regional financing consists of financing receipts and financing expenses. Financing receipts include:
a. SiLPA of previous budget year;
b. Reserve fund disbursement;
c. The proceeds of the separated property sale;
d. Loan receipts; and
e. Acceptance of lending.

Financing expenditures include:
a. reserve fund formation;
b. participation of local government capital;
c. debt principal payment; and
d. lending.

Net financing is the difference between financing revenues and financing expenses. The amount of net financing must be able to cover the budget deficit.

2.6 PDRB (Gross Regional Domestic Product)

Gross Regional Domestic Product (GRDP) is one of the important indicators to determine the economic conditions in an area in a given period, both at current prices and at constant prices. GRDP is basically the amount of added value generated by all business units in a particular area, or is the sum of the value of final goods and services produced by all economic units in a region.

Rahardja & Manurung (2008) argues that the indicator used to measure economic growth is the growth rate of Gross Regional Domestic Product (GRDP). The reasons underlying the selection of GDP as an indicator measuring economic growth are:
1. GRDP is the amount of added value generated by all production activities in the regional economy. This means that the increase in GRDP also reflects an increase in remuneration for the production factors used in these production activities.

2. GRDP is calculated on the basis of the concept of goods flow, meaning that the GRDP covers only the value of the product produced in a given period. This flow of concepts allows us to compare the amount of output produced this year with the previous year.
3. The boundaries of the GRDP calculation area are regions (domestic economy). This makes it possible to measure the extent to which economic policies implemented by the government are able to encourage domestic economic activity.

According to the Lee (2009:55) the definition of GRDP is the basis of measurement of the added value that can be created due to the emergence of various economic activities in a region / region. GRDP data describes the ability of a region in managing natural resources and human resources owned. Therefore the amount of GDP that can be produced is very dependent on these factors. The existence of these limitations causes GRDP to vary between regions.

GRDP at current prices illustrates the added value of goods and services calculated using prices in the current year, while GDP at constant prices shows the added value of goods and services which are calculated using prices that apply to a particular year as the base year. GDP according to current prices is used to determine the ability of economic resources, shifts, and the economic structure of an area. Meanwhile, constant GDP is used to determine economic growth in real terms from year to year or economic growth that is not influenced by price factors.

Per capita GRDP is an indicator that describes the level of welfare of the population in an area, because it can be used as a proxy for per capita income. GDP per capita is a ratio of GDP to the total population. Adhb GRDP itself is a GRDP whose value is calculated at a price that applies in a given year.

$$\text{PDRB per kapita} = \frac{\text{PDRB adhb}}{\text{Total Population}} \qquad (2)$$

Conceptual calculation of Gross Regional Domestic Product uses three types of approaches, namely: production approach, expenditure approach and income approach.
1. Production Approach; Gross Regional Domestic Product is the amount of added value for goods and services produced by various production units in the area of a region within a certain period of time (usually one year). The production units in this presentation are grouped into 9 business sectors (sectors), namely:
   (1) agriculture, livestock, forestry and fisheries,
   (2) mining and quarrying,
   (3) processing industries,
   (4) electricity, gas and clean water,
   (5) construction,
   (6) trade, hotels and restaurants,
   (7) transportation and communication,
   (8) finance, real estate and company services,
   (9) services (including government services).
2. Expenditure Approach; Gross Regional Domestic Products are all final demand components consisting of:
   (1) Household consumption expenses and non-profit private institutions,
   (2) government consumption,
   (3) formation of gross domestic fixed capital,
   (4) changes in inventory and
   (5) net exports (representing exports minus imports).

3. Approach to Income; Gross Regional Domestic Product is the amount of remuneration received by production factors that participate in the production process in an area within a certain period of time (usually one year). The remuneration in question is wages and salaries, land rent, capital interest and profits; all before deducting income tax and other direct taxes. In this definition, GRDP includes depreciation and net indirect tax (indirect tax less subsidies).

Figure 1. Conceptual Framework
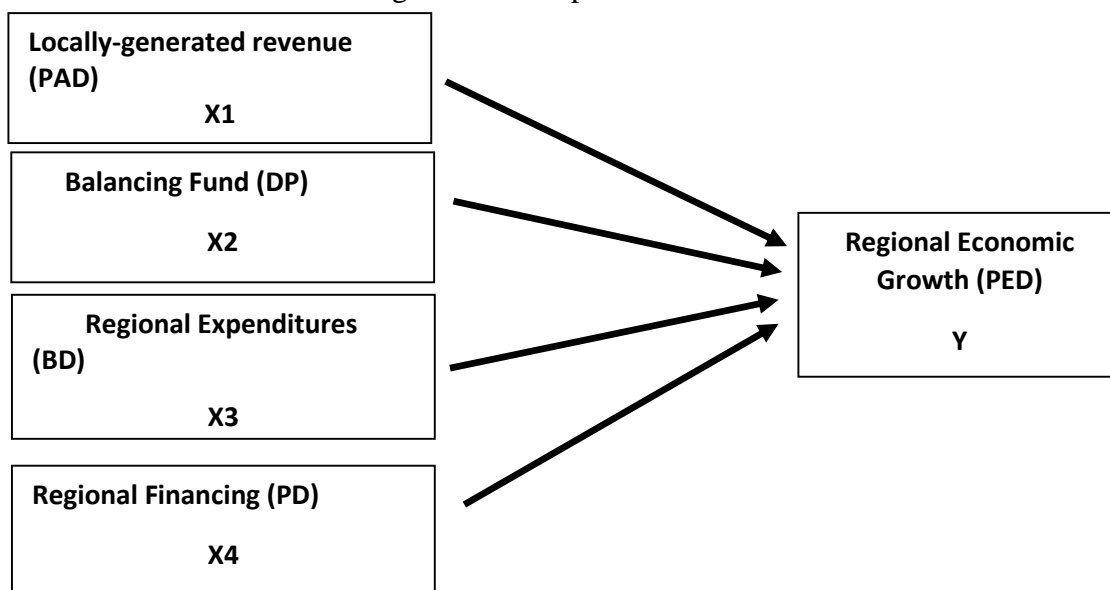
METHODS

3.1 Place and Research Period

This study uses secondary data obtained from the Directorate General of Fiscal Balance (DGHS) and the Central Statistics Agency (BPS). This study examines the effect of Local Revenue, Balancing Funds, Regional Expenditures and Regional Financing on Regency and City Economic Growth in Banten Province in 2011 - 2015..

3.2 Population and Sample

Population is the whole observation that is a research concern. The population in this study were all regencies / cities in Banten Province which numbered 4 regencies and 4 cities for 2011-2015. The sample is a subset of the population. The samples used in this study were 4 Regencies and 4 Cities in Banten Province in 2011-2015. The sampling technique in this study is to use saturated sampling, which is a sampling technique if all members of the population are used as samples. This is often done if the population is relatively small, less than 30 people. Another term saturated sample is a census, where all members of the population are sampled.

3.3 Data Types and Sources

According to the method of obtaining this type of data it consists of two groups, namely primary data and secondary data. In this study, the type of data used is secondary data, namely existing data and obtained from a second source or secondary source from the data we need. Data used in the form of archives Summary of APBD and GRDP from Regency and City in Banten Province in 2011 - 2015 obtained from the Directorate General of Fiscal Balance and Banten Provincial Statistics Agency.

3.4 Definition of Variable Operations

According to Nazir (2009) the operational definition of a variable is a definition given to a variable or construct by means of giving meaning, or specifying an activity, or providing an operation needed to measure the construct or variable. The variables used in this study are the independent variables and the dependent variable. In this study there are 4 independent variables (Independent Variables (X) and 1 Bound Variable or Dependent Variable (Y)

1) Economic growth is the process of continually changing a country's economic condition towards a better condition for a certain period. The indicator used to measure economic growth is the growth rate of Gross Regional Domestic Product (GRDP).

2) Regional Original Income (X_1) is regional income derived from the results of regional taxes, proceeds from regional levies, separated regional wealth management results, and other legitimate local revenue, which aims to provide regional flexibility in exploring funding for the implementation of autonomy. the region as embodied the principle of decentralization (Explanation of Law No.33 of 2004).

3) Balancing Funds (X_2) are funds originating from the receipt of the State Revenue and Expenditure Budget (APBN) allocated to the Region to fund Regional needs in the context of implementing Decentralization. Balancing funds consist of Tax Sharing Funds / Non-Tax Profit Sharing, General Allocation Funds and Special Allocation Funds.

4) Regional Expenditure (X_3) is the obligation of regional government which is recognized as a deduction from net worth. Regional Expenditures are grouped into two types, namely indirect shopping and direct expenditure. Indirect expenditure includes employee expenditure, interest expenditure, subsidy expenditure, grant expenditure, social assistance expenditure, revenue sharing expenditure to provinces / districts and village governments, financial assistance expenditure to provinces / districts and village governments, unexpected expenditure. Whereas direct expenditure includes employee expenditure, goods and services expenditure, capital expenditure (Central Statistics Agency, 2010).

5) Regional Financing (X_4) is all regional government financial transactions, both receipts and expenditures, which need to be paid or will be received again, which in the budgeting of the local government is primarily intended to cover the deficit and / or utilize the budget surplus. Funding receipts can be derived from loans and divestment proceeds. Meanwhile, financing expenditures, among others, are used for repayment of loan principal, lending to other entities and equity participation by local governments..

RESULTS AND DISCUSSION

4.1 Description of Respondent Data

5. While the dependent variable Economic Growth has a minimum value in the City of Cilegon in 2014 which is 4.62%. And for the highest economic growth was in the area of South Tangerang City in 2011 which was 8.81%. The average value is 6.34% with a standard deviation of 1.15%. The small standard deviation compared to the average value indicates that the data distribution tends to be normal.

4.2 Description of Research Variables

4.2.1 Description of the Regional Original Revenue
The number of research objects is 40 data consisting of cross section data of 8 districts / cities and timeseries data of 5 years. Based on the descriptive statistical data above explained that :

Table 3. No of Employee

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PAD	40	25098.80	1576315.88	377663.1420	382470.51333
DP	40	403362.71	1498947.58	865344.8493	294284.81953
BD	40	480433.10	6128937.57	1596361.5453	1018666.38966
PD	40	0.00	745286.34	219179.1685	204926.08130
PDRB	40	4.62	8.81	6.3453	1.15593
Valid N (listwise)	40				

Sources: Data Processed (2019)

The independent variable Regional Original Revenue has a minimum value in the City of Serang in 2011 which amounted to 25,098.80 million. While the highest score achieved by Tangerang Regency in 2015 was 1,576,315.88 million. The average value is 377,663.14 million less than the standard deviation value of 382,470.51 million. This shows that there is quite good progress in the context of optimizing the potential of PAD

4.2.2 Description of Balance Funds

Table 4.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PAD	40	25098.80	1576315.88	377663.1420	382470.51333
DP	40	403362.71	1498947.58	865344.8493	294284.81953
BD	40	480433.10	6128937.57	1596361.5453	1018666.38966
PD	40	0.00	745286.34	219179.1685	204926.08130
PDRB	40	4.62	8.81	6.3453	1.15593
Valid N (listwise)	40				

Sources: Data Processed (2019)

The Balance Funds had the lowest value in Serang City in 2011 totaling 403,362.71 million, and for the maximum value there was in the Tangerang Regency area in 2014 which was 1,498,947.58 million. The average value is 865,344.84 million with a standard deviation of 294,284.81 million. The small standard deviation compared to the average value indicates that the data distribution tends to be normal.

4.2.3 Description of Regional expenditure

Table 5.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PAD	40	25098.80	1576315.88	377663.1420	382470.51333
DP	40	403362.71	1498947.58	865344.8493	294284.81953
BD	40	480433.10	6128937.57	1596361.5453	1018666.38966
PD	40	0.00	745286.34	219179.1685	204926.08130
PDRB	40	4.62	8.81	6.3453	1.15593
Valid N (listwise)	40				

Sources: Data Processed (2019)

Regional expenditure has a minimum value in the City of Serang in 2011 which is 480,433.10 million, and the highest regional expenditure value is owned by the City of South Tangerang in 2015 which amounted to 6,128,937.57 million. The average value is 1,596,361.54 million with a standard deviation of 1,018,666.38 million. This shows that the data distribution tends to be normalc. Sales Turnover Value

4.2.4 Description of Regional financing

Table 6.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PAD	40	25098.80	1576315.88	377663.1420	382470.51333
DP	40	403362.71	1498947.58	865344.8493	294284.81953
BD	40	480433.10	6128937.57	1596361.5453	1018666.38966
PD	40	0.00	745286.34	219179.1685	204926.08130
PDRB	40	4.62	8.81	6.3453	1.15593
Valid N (listwise)	40				

Sources: Data Processed (2019)

Mininum Regional financing is owned by Serang City where no regional funding occurred in 2013, or a minimum value of 0.00 million. For the maximum value owned by Tangerang City in 2014 amounted to 745,286.34 million. The average value is 219,179.16 million with a standard deviation of 204,926.08 million. This shows that the data distribution tends to be normal

CONCLUSIONS & SUGGESTION

Based on the results of the analysis that has been done regarding the Effect of Regional Revenue, Balancing Funds, Regional Expenditure and Regional Financing on Regional Economic Growth, the following conclusions are obtained:
1. Regional Original Income does not significantly influence (partially) the Regional Economic Growth.
2. The Balancing Fund has a significant negative effect (partially) on Regional Economic Growth.
3. Regional expenditure has no significant effect (partially) on Regional Economic Growth
4. Regional Financing has no significant effect (partially) on Regional Economic Growth.

Based on the test results of the coefficient of determination (R2) in this study states that the dependent variable Economic Growth can only be explained by the independent variable Regional Original Revenue, Balance Funds, Regional Expenditure and Regional Financing of 22.9%. And the remaining 77.1% is explained by other variables not examined in this study. This means that the economic growth of a region is not fully influenced by the regional budget itself. But many other variables affect the economic growth of a region.

Based on the results of the study and the conclusions obtained from this study, researchers can draw some conclusions as follows :

1. The use of more complete data with a longer period of time of research so that it is more capable to be able to generalize the results of the research.
2. The variables used in future studies are expected to be more complete and varied, by adding other independent variables both measures or types of other local government revenue, as well as non-financial variables such as government policies and macroeconomic conditions.
3. For further research it is recommended that more districts / cities be studied so that more samples and more accurate results will be obtained.

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