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Original Article

The Effect of Local Original Revenue, General Allocation Funds and Special Allocation Funds on Economic Growth and Capital Expenditure as Intervening Variables in Central Kalimantan Province

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ABSTRACT: *This study aims to determine and analyze the effect of local original revenue, general allocation funds, and special allocation funds on economic growth and capital expenditure as intervening variables in Central Kalimantan Province 2019–2024. This study uses a mixture of quantitative and qualitative methods. The population consists of 14 districts/cities and a sample of 84 (14 districts/cities x 6 years). The data used are secondary data from library research techniques, and hypothesis testing uses path analysis techniques. The data is processed with the help of the Statistical Package for Social Science (SPSS) application. The results of this study indicate that local revenue, general allocation funds, and special allocation funds have a positive and significant effect on economic growth in Central Kalimantan. The implementation of sharia principles in the management of DAU will not only support economic growth, but also the welfare of society as a whole. Collaborative efforts between the government, society, and the private sector are needed to achieve this goal.*

KEYWORDS: *Growth, Islamic Economics, Regional Original Income, General Allocation Funds, Special Allocation Funds, Capital Expenditures.*

1. INTRODUCTION

Economic growth is a process of changing the economic conditions of a country continuously towards a better condition during a certain period. An economy is said to experience a change in its development if the level of economic activity is higher than that achieved in the previous period. This economic growth is one indicator of successful development. Thus, the higher the economic growth, the higher the welfare of the community, although there are other indicators, namely income distribution. This economic growth can be measured by the gross regional domestic product (GRDP), where GRDP is the added value of goods and services produced in a period, usually one year. (Sudaryo, Yoyo, 2018)Gross domestic product (GDP) in Islam is characterized by the parameter of falah, namely welfare, with the addition of zakat instruments based on an Islamic social, humanitarian, and moral system. (Faizin, 2021)

A state needs to have full rights to sources of income and income as well as the power to be able to carry out a state's obligations. A state's obligations include providing education, moral education, maintaining justice, upholding the law, and protecting all the interests of society both spiritually and materially. In his writings, Ibn Taimiyah explains that a country's income comes from spoils of war (ghanimah) and zakat. (Islahi, 2019) Economic growth is considered part of economic development in Islam. Economic growth is measured by the increase in the number of production factors that can make a positive contribution to human welfare. Economic growth is very important in Islam, based on this understanding. If a service or product production contains commodities that are proven to have a negative impact and endanger society, the increase in production factors cannot be considered to contribute to economic growth. (Naf'an, 2014)From the perspective of Islamic economics, there are at least three factors that influence economic growth. These factors are investable resources, human resources, and technology and innovation. (Irfan Syauqi, 2016)

The province of Central Kalimantan consists of 14 districts (West Kotawaringin, East Kotawaringin, Kapuas, South Barito, North Barito, Katingan, Seruyan, Sukamara, Lamandau, Gunung Mas, Pulang Pisau, Murung Raya, East Barito) and Palangka Raya City) so that each region has the right to determine regional conditions, including economic growth. The economic structure of Central Kalimantan is dominated by three business fields, namely the Agriculture, Forestry and Fisheries Business Field, the Processing Industry and Wholesale and Retail Trade, and Car and Motorcycle Repair. These three business fields contributed 51.49% to the formation of gross regional domestic product (GRDP) of Central Kalimantan in 2022. Of the three business sectors, the contribution of the agriculture, forestry, and fisheries business sector is still the largest, at 22.42%. The large contribution of agriculture, forestry and fisheries to the gross regional domestic product (GRDP) of Central Kalimantan shows that the economy of Central Kalimantan still depends on natural resources. (Eko Marsono, 2021)

The development of PAD of regencies and cities in Central Kalimantan Province is fluctuating. The highest PAD is in Kotawaringin Barat Regency, especially in the tax sector, which provides the largest contribution to the PAD of Kotawaringin Barat Regency. Taxes collected from the community are used for infrastructure development. This is done to attract investors to invest their capital by running a business so that it becomes more advanced and will increase the economic growth of Kotawaringin Barat Regency. Meanwhile, the lowest PAD is in Sukamara Regency; this is because Sukamara Regency is still in the stage of growing productive economic activities. In addition, regional apparatuses have not functioned effectively.

The development of DAU revenues for regencies and cities in Central Kalimantan Province as a whole has increased. The highest DAU revenues were in Kapuas Regency in 2022, amounting to Rp. 791,344,428, while the lowest DAU was in Sukamara Regency in 2022, amounting to only Rp. 388,663,735; the highest DAK revenues were in Kapuas Regency in 2022, amounting to Rp. 306,910,075, while the lowest DAK was in Sukamara Regency in 2022, amounting to only Rp. 53,435,284. (Eko Marsono, 2021).

Based on the researcher's search related to previous research, it was found that simultaneously PAD, DAU, and DAK have a significant effect on economic growth; if there is a reduction in transfer funds, it can cause a decrease in Capital Expenditure. The development of DAU Regency / City in Central Kalimantan is quite significant and is followed by an increase in Capital Expenditure. (Venny Tria Vanesha, 2019). To increase fixed assets, the regional government allocates funds in the form of a capital expenditure budget in the APBD. This capital expenditure allocation is based on the region's need for facilities and infrastructure, both for the smooth implementation of government duties and for public facilities. (Kurniawati Nursepti Ariyani dan Rohmad Yuliantoro, 2012)

The allocation of capital expenditure by the district and city governments in Central Kalimantan Province has increased every year. This aims to allocate funds for infrastructure development to have an impact on increasing economic growth, because if the facilities and infrastructure are adequate, it will attract investors to invest their capital. Ayem explained that economic growth has a positive and significant effect on capital expenditure, while general allocation funds, special allocation funds, and local revenues do not have a significant effect on capital expenditure. (Sri Ayem, 2018) Waryanto explained that the original regional income has a significant effect on economic growth, but operating expenses consisting of employee expenses, goods expenses, interest, subsidies, grants, and social assistance do not have a significant effect on economic growth. (Waryanto, 2017)

The economic growth of Central Kalimantan Province in 2022 experienced a contraction compared to the previous year. This is due to the impact of the COVID-19 pandemic, which caused the performance of all sectors, especially services, to decline. Based on the above phenomenon, researchers feel interested in studying it further. Therefore The researcher raised the title of The Effect of Local Original Revenue, General Allocation Funds, and Special Allocation Funds on Economic Growth And Capital Expenditure As Intervening Variables In Central Kalimantan Province 2019–2024. Based on the description of the background of the problem, the problem that is the focus of this study can be formulated, namely Sharia Analysis of the Impact of Regional Income Fund Allocation Funds on Economic Growth in Central Kalimantan in 2019-2024.

2. LITERATURE REVIEW

Growth is the fiscal development of the production of goods and services that applies in a country, such as the increase and quantity of industrial goods production, infrastructure development, increase in the number of schools, increase in production in the service sector, and an increase in production in the capital sector, which is usually described by the level of real national income growth achieved. (Sandono, Sukirno, 2018)

The Islamic economic system is based on a set of laws prescribed by Allah SWT, which are intended to solve various life problems, especially in the economic field, and regulate or organize human relations with property, maintain and provide for it. The purpose of the Islamic economic system is to create prosperity and justice in human life, realize and eliminate disparities in Islamic society through the distribution of wealth in a sustainable manner, considering that the existence of disparities is the result of important social and economic processes. (Ahmad Dakhoir, Itsla Yunisva Aviva, 2017)

An increase experienced by production factors is not considered economic growth if the production, for example, includes goods that have been proven to have bad effects and are harmful to humans. (Rizal Muttaqin, 2018) Negative economic (Sandono, Sukirno, 2018) growth indicates that the real national income obtained by a country in a certain period is smaller or lower compared to the previous period.

Local Original Income (PAD) is income obtained from the region's efforts through intensification and extensification of sources. Intensification is carried out on sources already customary in the region by adjusting tariffs, improving service systems, regulating objects, and imposing a fine system for defaulters. Extensification is carried out to increase the usual sources of income by exploring new sources obtained by laws and regulations. (Adisasmita, 2018)

Expenditure is expenditure made in the context of capital formation to add fixed assets or inventory that provides benefits for more than one accounting period. This includes expenditure for maintenance costs that are to maintain or increase the useful life of assets and increase their capacity and quality. (Erlina, Rambe, O. S., & Rasdianto, 2018) General Allocation Fund is a fund sourced from the State Budget (APBN) allocated for equalizing financial capacity between regions. DAU is part of the State Budget (APBN) allocated for general financing of a region. (Suhardi, 2018)Meanwhile, the Special Allocation Fund is a fund sourced from the State Budget (APBN) allocated to certain regions with the aim of funding special activities that are regional affairs and in accordance with national priorities. DAK is intended for special regions selected for special purposes; therefore, the allocation distributed by the central government is entirely the authority of the center for special national purposes. (Talangamin, O. B., Kindangen, P., & Koleangan, R. A. M, 2020)

3. MATERIALS AND METHODS

This research uses a quantitative paradigm approach, namely hypothesis testing based on a conceptual framework. (Arisyahidin et al, 2025) Data is sourced from official publications, in the form of data on Regional Original Income, General Allocation Funds, Special Allocation Funds, and Capital Expenditures sourced from the Financial Statistics Report of the Regency/City Government www.bps.go.id and data on Economic Growth at Constant Prices for 2019-2024 Regencies/Cities in Central Kalimantan Province sourced from the official website of the Central Statistics Agency of Central Kalimantan Province. The population that researchers will use in this study is the Regency / City Government in Central Kalimantan Province. The sample used by researchers in this study is the Regency / City Government Revenue and Expenditure Report and Economic Growth in 14 Regencies / Cities in Central Kalimantan Province from 2019-2024, with a total sample of 84. The variables in this study consist of independent variables, intervening variables, and dependent variables. Data analysis uses statistics to test hypotheses with the path analysis method. The data is processed with the help of the Statistical Package for the Social Sciences (SPSS) application. (Sugiyono, 2018)The results of the quantitative analysis are then analyzed qualitatively descriptively to assess aspects of fulfilling Sharia principles in several variables in this study.

4. RESULTS AND DISCUSSION

4.1. THE INFLUENCE OF VARIABLES X1, X2 AND X3 ON Z

Based on the results of the SPSS analysis regarding the influence of variables X1, X2 and X3 on Z, the following results were obtained:

TABLE 1 Direct Influence of Variables X1, X2 and X3 on Z Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	81088676.286	23477241.227	
	PAD	.319	.066	.319
	DAU	.030	.047	.051
	DAK	.719	.090	.633

Dependent Variable: BM
SPSS 25 Regression Constant Test Output

From Table 1, it is known that the beta value of the influence of X1 on Z is 0.319, the beta value of the influence of X2 on Z is 0.51, the beta value of the influence of X3 on Z is 0.633, so based on these results, the path analysis of Model 1 can be described as follows:

$$Z = \rho\ ZX_1 + \rho\ ZX_2 + \rho\ ZX_{3+}\ e_1$$

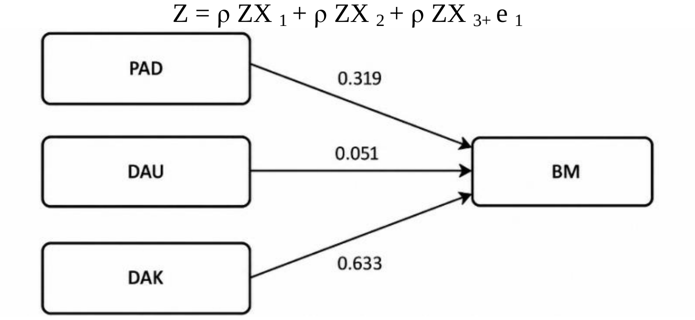

FIGURE 1 Direct Influence of Variables X1, X2 and X3 on Z

$$Z = \rho Z\ X_1 + \rho Z\ X_2 + \rho\ Z\ X_{3+}\ e_1$$

4.2. INFLUENCE OF VARIABLES X1, X2, X3, Z ON Y

Based on the results of the SPSS analysis regarding the influence between variables X1, X2, and Z on Y, the following results were obtained:

TABLE 2 Influence of variables X1, X2, X3, Z on Y

Model		Standardized Coefficients	
		B	Beta
1	(Constant)	4.072	
	PAD	5.197E-9	.188
	DAU	2.823E-9	.173
	DAK	1.984E-8	.629
	BM	-2.561E-8	-.922

From the table 2 it is known that the beta value of the influence of X1 on Y is 0.188, the beta value of the influence of X2 on Y is 0.173, and the beta value of the influence of X3 on Y is 0.629, while the beta value of the influence between variable Z on Y is -0.922 so that based on these results, the path analysis of model 2 can be described as follows:

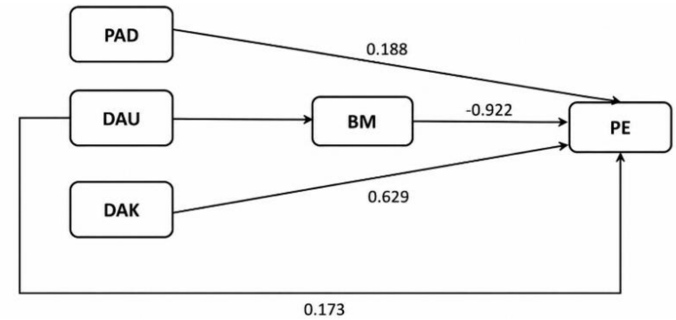

FIGURE 2 Direct influence of variables X1, X2 X3 and Z on Y

$$Y = \rho YX1 + \rho YX2 + \rho Z X_3 + \rho Y Z + e_2$$

From the two path analysis models above, the path analysis of the influence of X1, X2, X3 on Y via Z is obtained as follows:

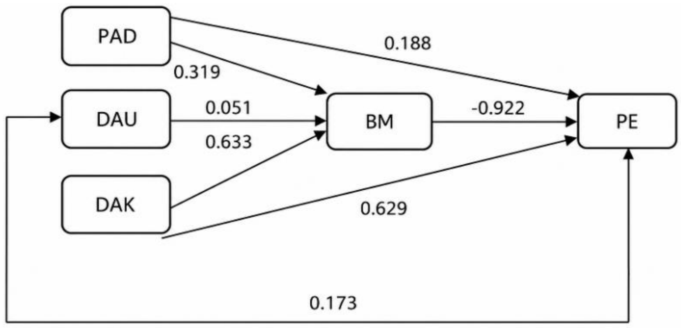

FIGURE 3 Path analysis of influence of X1, X2, X3 on Y through Z

$$Y = \rho YX_1 + \rho YX_2 + \rho ZX_3 + \rho YZ + e_2$$

Based on Figure 3, it is known that the indirect effect of X1 to Y through Z is 0.319 x -0.922 = -0.294. Then the indirect effect of X2 to Y through Z is 0.051 x -0.922 = -0.047, and the indirect effect of X3 to Y through Z is 0.633 x -0.922 = -0584. So the total effect of X1 to Y is 0.188 + (-0.294) = -0.113, the total effect of X2 to Y is 0.173 + (-0.047) = 0.126 and the total effect of X3 to Y is 0.629 + (-0.113) = 0.516.

Based on the overall calculation above, it can be concluded that BM cannot mediate the influence of PAD on PE, this is because the value of the direct influence of PAD on PE is 0.188 greater than the indirect influence of -0.113. Then BM cannot mediate the relationship between DAU on PE, this is because the value of the direct influence of DAU on PE is 0.173 greater than the indirect influence of 0.126 and BM cannot mediate the relationship between DAK on PE, this is because the value of the direct influence of DAK on PE is 0.629 greater than the indirect influence of 0.516. General Allocation Fund (DAU) is one of the important sources of regional income for local governments. In Central Kalimantan, DAU plays a role in funding various development programs and public services. From a sharia perspective, it is important to analyze the impact of DAU on economic growth and community welfare.

4.3. ISLAMIC ECONOMICS ASPECT IN CENTRAL KALIMANTAN ECONOMIC GROWTH

In the context of Islamic economics, economic growth is not only about increasing the volume of commodities and services, but also about moral and ethical aspects, as well as the balance between worldly and hereafter goals. Economic growth is measured not only from monetary achievements, but also in improving religious, social, and community life. If the resulting economic growth results in a reduction in values such as justice and humanity, it is clear that such growth is not in accordance with the principles of Islamic economics. From the perspective of Islamic economics, there are at least three factors that influence economic growth. These factors are investable resources, Human Resources, and technology and innovation. (Al-Tariqi, 2004).

The Central Kalimantan Provincial Government plays a role in the economic mechanism, which can be broadly classified into three parts, namely *first*, the role related to the implementation of Islamic values and morals; *second*, the role related to the technical operation of the market mechanism; and *third*, the role related to market failure. These three roles refer to the concept of *al-hisbah* during the time of the Prophet Muhammad as a special institution that functions to control the market from practices that are harmful. With these three roles, it is hoped that they will be able to overcome various economic problems because the position of the government is not only as an economic device, but also has religious and social functions. (Naqvi, Syed Nawab Haidar, 2003).

5. CONCLUSION

Based on the results of the analysis above, it can be concluded that local revenue, general allocation funds, and special allocation funds have a positive and significant effect on capital expenditure in Central Kalimantan during the period 2019-2024. Capital expenditure has no effect and is not significant on economic growth. Local revenue, general allocation funds, and special allocation funds have a positive and significant effect on economic growth, while capital expenditure cannot mediate the effect of local revenue, general allocation funds, and special allocation funds on economic growth in Central Kalimantan. Sharia analysis shows that the General Allocation Fund has significant potential to increase economic growth in Central Kalimantan. However, in order for this impact to be realized optimally, transparent, fair, and sustainable management is needed. The implementation of sharia principles in the management of DAU will not only support economic growth but also the welfare of society as a whole. Collaborative efforts between the government, society, and the private sector are essential to achieve this goal. Thus, local governments need to continue to improve managerial capacity and accountability in the management of DAU to achieve sustainable economic growth in accordance with sharia principles. For further researchers, it is hoped that they can examine other factors that can influence economic growth so that it will be able to strengthen the results of this research and can be used by stakeholders in making decisions.

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