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ANALYSIS OF THE INFLUENCE OF REGIONAL OWN-SOURCE REVENUE (PAD), CAPITAL EXPENDITURE, AND LABOR FORCE PARTICIPATION RATE (TPAK) ON ECONOMIC GROWTH IN BALI PROVINCE

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Abstract

A country's economic well-being can be assessed through its economic development. Economic development in a specific region can be measured by its economic growth. In this study, economic growth is indicated by the influence of Regional Own-Source Revenue (PAD), capital expenditure, and the Labor Force Participation Rate (TPAK). This research aims to determine (1) the simultaneous and partial effects of PAD, capital expenditure, and TPAK on economic growth, and (2) the dominant variable influencing economic growth. The data used in this study consists of secondary time series data from 2018 to 2023 across nine regencies/cities in Bali Province. Data analysis was conducted using panel data regression with the assistance of the Eviews 12 software. The results show that PAD, capital expenditure, and TPAK collectively influence economic growth in the nine regencies/cities in Bali Province during 2018–2023. PAD and capital expenditure have a positive and significant effect on economic growth in these areas. Meanwhile, TPAK also has a positive but statistically insignificant effect on economic growth. PAD is identified as the dominant variable influencing economic growth in the nine regencies/cities in Bali Province during 2018–2023. This study implies that local governments need to strengthen strategies to increase PAD through revenue innovations, strategically manage capital expenditure to promote key sectors such as tourism and MSMEs, and enhance the quality and productivity of the workforce to support more inclusive and sustainable economic growth.

Keywords: Economic Growth, Regional Own-Source Revenue, Capital Expenditure, Labor Force Participation Rate

INTRODUCTION

Bali Province is a province in Indonesia consisting of 8 (eight) regencies and 1 (one) city area with different regional characteristics. Differences in characteristics both in terms of geographical location and different resource potentials in each region have a strong influence on the creation of economic development patterns in Bali Province, so that economic development patterns are not uniform and give rise to different growth capabilities. Differences in economic growth will have an impact on differences in regional welfare levels which will ultimately lead to income inequality between regions, in other words, income inequality in a region is getting bigger (Caesarisma & Hamrullah, 2023).

Table 1. Gini Ratio of Bali Province by Regency/City 2018-2023

District/City	2018	2019	2020	2021	2022	2023
Jembrana Regency	0.3272	0.2903	0.3531	0.3170	0.3260	0.3260
Tabanan Regency	0.3249	0.3080	0.3239	0.3110	0.2990	0.3470
Badung Regency	0.3392	0.3244	0.3167	0.3320	0.3160	0.2800
Gianyar Regency	0.3050	0.2866	0.3171	0.3330	0.3070	0.3170
Klungkung Regency	0.3915	0.3847	0.3575	0.3460	0.3510	0.3380
Bangli Regency	0.3126	0.2744	0.2829	0.2850	0.2880	0.2820
Karangasem Regency	0.3393	0.3125	0.3268	0.3180	0.2970	0.3370
Buleleng Regency	0.3446	0.2847	0.2851	0.2820	0.2810	0.3140
Denpasar City	0.3422	0.3473	0.3301	0.3750	0.3680	0.3421
Bali Province	**0.3774**	**0.3662**	**0.3690**	**0.3780**	**0.3630**	**0.3620**

Source: BPS Bali Province, 2024

Table 1 shows the income inequality figures based on the Gini ratio in regencies/cities in Bali Province from 2018-2023 which experienced fluctuations. This is due to the relatively different potential resources of regencies/cities in Bali Province and the lack of ability of local governments to manage their regional finances. To prevent inequality from widening, policies are needed from the central government and local governments in managing their Regional Original Income (PAD), namely by implementing regional autonomy and fiscal decentralization. The implementation of regional planning requires sources of income that can support the implementation of regional development. In relation to economic growth, local governments are required to be able to finance government activities by exploiting local original wealth in formulating good fiscal policies (Yanti & Nurtati, 2020).

Law Number 9 of 2015 concerning Regional Government and Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, imply that regional governments have broad authority delegation to manage their own regional governments and minimize interference from the central government. The purpose of implementing regional autonomy is to improve public services and advance the regional economy. Regional governments are expected to be increasingly independent, reducing dependence on the central government, not only in terms of financing, but also the ability of regions to increase economic growth by improving the financial performance of regional governments (Ramadhan, 2022).

The financial performance of local governments can be influenced by major factors including regional revenue, regional spending, regional financing, human resources and macroeconomic conditions of a region (Azhar, 2021). The financial performance of local governments can be measured by the variables of local revenue (Chaerani & Firmansyah,

2024) and capital expenditure (Lestari & Nurkhin, 2021). The increasing growth of regional revenue and positive values every year indicates that local governments have been able to increase their regional revenue growth (Antari & Sedana, 2019).

In analyzing financial performance, ratio measurements are carried out, namely: 1) independence ratio,namely the level of regional ability to finance its region; 2) effectiveness, namely the ability to realize the planned PAD; 3) efficiency ratio, namely the comparison between costs incurred to obtain income (Sari, GN, et al, 2019). The ability of regional financial independence can be seen from the size of the PAD received by the region. With the existence of government policies in implementing regional policies, PAD becomes a reference in measuring the dependence of a region on the central government (Aini, et al., 2019).The ability of local government financial management reflected in increased revenue for the continuity of development financing will have an impact on increasing economic growth (Masduki, et al., 2022).

Regional Original Income (PAD), namely income obtained by regions that are collected based on regional regulations in accordance with laws and regulations. PAD aims to provide authority to regional governments to fund the implementation of regional autonomy in accordance with regional potential as a manifestation of decentralization (DJPK, 2020). PAD is often considered an indicator of regional government financial performance because PAD reflects the ability of a region to generate its own income from economic sources in its region.

Research by the Fiscal Policy Agency of the Ministry of Finance of the Republic of Indonesia (BKF, 2023) states that PAD is one of the indicators used to measure regional financial performance. In the publication, PAD is listed as one of several main indicators used in measuring regional financial performance. The PAD level can reflect the level of financial autonomy and independence of a region in managing its finances. According to Zulvan & Purbasari (2024), one of the government's strategies for implementing decentralization policies as an effort to increase economic growth and regional development is by achieving minimum standards of service to the community in the form of public facilities and infrastructure that meet regional needs, as well as facilitating supervision and management of funds from the Regional Revenue and Expenditure Budget (APBD).

In relation to the implementation of autonomy, increasing PAD is always attempted because it is an income from efforts to fund regional administration. Sustainable PAD growth will lead to increased economic growth. In Bali Province, although there has been a significant increase in Regional Original Income (PAD), economic growth in several regions is not comparable to the increase in PAD. According to BPS data (2024), Bali Province's PAD increased by 37.45 percent in 2023 compared to the previous year. However, Bali Province's economic growth only reached 5.71 percent, which shows an imbalance between the increase in PAD and the resulting economic growth.

Table 2. Realization of Bali Province PAD by Regency/City 2018-2023 (in billion rupiah)

Regency/	2018	2019	2020	2021	2022	2023

City						
Jembrana	126.48	133.69	148.04	185.00	175.99	221.56
Tabanan	363.37	354.55	313.04	362.31	436.40	487.25
Badung	4,555.72	4,835.18	2,116.97	1,750.34	3,705.75	6,309.34
Gianyar	770.20	997.47	545.86	430.17	857.55	1,482.62
The city of Klungkung	186.97	225.06	220.89	254.49	309.46	350.54
Bangli	122.69	127.04	104.32	163.53	144.01	220.32
Karangasem	200.36	233.01	219.17	252.68	301.33	381.24
Buleleng	335.56	365.59	318.98	391.98	410.56	460.50
Denpasar City	940.11	1,010.78	731.26	792.36	888.05	1,198.37
Bali Province	**3,718.50**	**4,023.16**	**3,069.47**	**3,117.07**	**3,863.19**	**4,623.34**

Source: Directorate General of Fiscal Balance (DJPK), 2024

From Table 2, it can be seen how the revenue trend is from 2018-2023, where there is a difference in revenue for district/city governments in Bali Province. Based on Table 1.3, it can be seen that Badung Regency received the most PAD from 2018-2023, and the least was Bangli Regency. According to Gustiana, A.'s (2014) research, PAD in each region is different, because regions that have capabilities in the industrial sector or have abundant natural resources tend to have much larger PAD than other regions, and vice versa, so that there is an inequality in PAD. Research by Rachmawatie (2021) shows that PAD has a positive and significant influence on the inequality of income distribution in 5 (five) regencies/cities in Yogyakarta Province. However, research by Manek & Badrudin (2017) found that PAD had no effect on economic growth in East Nusa Tenggara Province. The increase in PAD should be used for investments that support economic growth, such as infrastructure development or the development of new economic sectors (Bank Indonesia, 2024).

Not only Regional Original Income (PAD), regional expenditure also affects a region's GRDP. Based on the scope of public economics, the proxy in the APBD that is considered to have an important influence on the value of GRDP is capital expenditure, according to the Harrod-Domar theory that the requirement to achieve good economic conditions is by forming capital in the country concerned. Resources that have been managed by the regional government are one source of funding for regional expenditure, regional expenditure in this study is more directed at capital expenditure, because capital expenditure supports the improvement of facilities and infrastructure for public services (Sholikhah & Wahyudin, 2014). Direct expenditure is divided into employee expenditure, goods and services expenditure and capital expenditure, in this study analyzes the realization of capital expenditure.

Capital expenditure is a routine expenditure caused by expenditure that has a one-year benefit that will increase assets and wealth. Large capital expenditure is a reflection of the large amount of infrastructure and facilities built. The more development that is carried out will increase the growth of regional financial performance, according to logic,

the more sources that produce, the more results will be (Maury, et al., 2023). In Keynesian Theory, it can be interpreted that when a region's income increases, one of which is the general allocation fund, automatically regional government expenditure (capital expenditure) at that time can increase so that with increased expenditure (capital expenditure) economic growth will also increase. Because one of the functions of regional income is to fund development activities in a region.

Data on the realization of capital expenditure issued by each district/city in 2018-2023 in Bali Province has fluctuated. Based on data from 2018-2023, it shows a mismatch between capital expenditure and economic growth in Bali Province, where the increase in capital expenditure is not followed by a significant increase in economic growth in several districts/cities (Directorate General of Fiscal Balance (DJPK), 2024).

Capital expenditure in its understanding is related to government efforts to provide facilities to support government performance in an effort to provide the best possible service to the community. According to Halim (2014), capital expenditure is one group of regional expenditures used in the purchase and provision of tangible goods that have a useful life of more than one year which are used in infrastructure development and the provision of public facilities.

Most of these capital expenditure initiatives are related to increasing public resources and institutions (examples of public resources are public transportation, public schools and universities, and public health care systems) so as to spur economic development in a country. In relation to public services, the allocation of capital expenditure is very important to consider because it will increase the productivity of the regional economy. Government spending that is allocated productively can have an impact on a country's economy (Chu, Hölscher, & McCarthy, 2020). The more capital expenditure, the higher the productivity of the economy because capital expenditure in the form of infrastructure clearly has an impact on economic growth and job creation (Aulia RR, et al, 2024). However, research by Holung, et al. (2021) shows that capital expenditure has no significant effect on economic growth in Manado City.

In Solow's perspective, economic growth is influenced by several factors, namely capital accumulation, labor, and technology. Capital expenditure functions to increase production capacity, so that an increase in capital expenditure can affect the economy because the capital can be used to buy raw materials, equipment, technology, or even pay workers' wages. The next factor is labor, which is the actor in the production process. If the number of workers in a company increases, the resulting production will also increase because with the addition of labor, the company can produce more than before (Taruno, et al., 2022).

In addition to PAD and capital expenditure, human resources are also a factor in increasing economic growth. The human resources in question are the workforce (Safitri & Ariusni, 2019). Population growth and matters related to the increase in the number of the workforce are traditionally considered positive factors and stimulate economic growth, meaning that the more people there are, the more potential the domestic market

will increase, provided they have purchasing power, so that demand will increase (Todaro, 2021:63).

This is in accordance with the Neo Classical theory put forward by Solow that through the increasing number of workers working, the ability to produce output is higher. With the amount of output that can be produced, it will encourage the level of aggregate supply so that economic growth will increase. Economic growth can be carried out well if the number and quality of the workforce are good. With good quality and workforce, it will produce a good workforce too.

There is a mismatch between TPAK and economic growth in Bali Province, where even though TPAK increases, economic growth does not always follow proportionally. Data shows that TPAK in Bali Province has increased in recent years. In 2022, TPAK in Bali Province increased as a result of the recovery after the COVID-19 pandemic, with more residents returning to the workforce. If TPAK is high, the availability of labor supply for production activities will be higher. The results of research by Windasari, et al (2021), concluded that the workforce has a significant effect on the economic growth of districts/cities in Central Java Province. However, research by Savira, et al (2022) showed that TPAK had no significant effect on the GRDP of Districts/Cities in NTB Province (BPS Bali Province, 2024).

Based on the above phenomena, it shows that in reality, the increase in PAD, capital expenditure, and TPAK does not always lead to even economic growth in the 9 (nine) regencies/cities in Bali Province. In addition, there is income inequality between regions. Based on previous studies that have been conducted, there is inconsistency in the results. Thus, the researcher wants to analyze how the influence ofRegional Original Income (PAD), capital expenditure and Labor Force Participation Rate (TPAK) on economic growth in 9 (nine) Regencies/Cities in Bali Province

RESEARCH METHODS

This study uses an associative quantitative method. Quantitative research is research that uses data in the form of numbers or statements that are assessed and analyzed using statistical analysis. The purpose of quantitative research is to develop and use mathematical models, theories and hypotheses with the phenomena being investigated (Sugiyono, 2019). Associative in form is research that examines the effect of one variable on another variable or finds out the relationship between one or more variables. According to Sugiyono (2019:65) associative research is a formulation of a research problem that is in the nature of asking about the relationship between two or more variables.

In this study, an associative research strategy is used to identify the extent of the influence of variable X (independent variable) consisting of Regional Original Income (X1), Capital Expenditure (X2), and Labor Force Participation Rate (X3) on variable Y (dependent variable) namely economic growth, both partially and simultaneously. The data used are

secondary data from 2018-2023 in nine regencies/cities in Bali Province. The data analysis technique uses panel data regression with the help of the Eviews 12 data analysis tool.

RESULTS AND DISCUSSION

Research Data Analysis Results

Statistical Analysis Results

Table 3. Results of Descriptive Statistical Analysis

	Y	X1	X2	X3
Mean	1.915741	806.0381	242.5563	76.64593
Median	3.600000	358.4300	186.7700	75.98500
Maximum	11.29000	6309.340	1045.910	86.01000
Minimum	-16.55000	104.3200	34.65000	67.36000
Std. Dev.	5.342369	1254.415	199.1678	4.622594
Observations	54	54	54	54

Source: Secondary data processed, 2024

Based on the results of the descriptive statistical analysis in Table 3, it shows that economic growth (Y) has a minimum value of -16.550 from Badung Regency in 2020 and a maximum value of 11.290 from Badung Regency in 2023. With an average (mean) and median of 1.915 and 3.600 with a standard deviation of 5.342. The average value that is lower than the standard deviation indicates that the data variation in the variable is relatively high.

Based on the results of the descriptive statistical analysis in Table 3, it shows that the original regional income (X1) has a minimum value of 104,320 originating from Bangli Regency in 2020 and a maximum value of 6,309,340 originating from Badung Regency in 2023. With an average (mean) and median of806,038and 358.430 with a standard deviation of 1254.415. The average value that is lower than the standard deviation indicates that the variation of data on the variable is high.

Based on the results of the descriptive statistical analysis in Table 3, it shows that capital expenditure (X2) has a minimum value of 34,650 originating from Jembrana Regency in 2018 and a maximum value of 1045,910 originating from Badung Regency in 2023. With an average (mean) and median of 242,556 and 186,770 with a standard deviation of 199,168. The average value that is higher than the standard deviation indicates that the distribution of data in the variable is in a good category.

Based on the results of the descriptive statistical analysis in Table 4.2, it shows that the labor force participation rate (X3) has a minimum value of 67.360 from Jembrana Regency in 2019 and a maximum value of 86.010 from Karangasem Regency in 2023. With an average (mean) and median of 76.646 and 75.985 with a standard deviation of 4.623. The average value that is higher than the standard deviation indicates that the distribution of data in the variable is in a good category.

Panel Data Regression Analysis Model Selection

1. Chow Test

Table 4. Chow Test Results

Effects Test	Statistics	df	Prob.
Cross-section F	2.098104	(8.42)	0.0576
Cross-section Chi-square	18.155568	8	0.0201

Source: Secondary data processed, 2024

In Table 4, the Chi-square distribution value of the results obtained using Eviews 12 is 18.155 with a probability of 0.020 (<0.05). So the model used is the Fixed Effect Model (FEM).

2. Hausman test

Table 5. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross section	16.736105	3	0.0008

Source: Secondary data processed, 2024

The Chi-square statistical value of the results obtained using Eviews 12 is 16.736 with a probability of 0.0008 (<0.05) so that the model used is the Fixed Effect Model (FEM).

Panel Data Regression Analysis

Table 6. Fixed Effect Model (FEM) Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-257.0839	49.35899	-5.208451	0.0000
X1	8.212317	2.832609	2.899206	0.0059
X2	4.306965	1.582687	2.721300	0.0094
X3	0.173811	0.274603	0.632955	0.5302
Cross-section fixed (dummy variables)				
R-squared	0.411704	Mean dependent variable		1.915741
Adjusted R-squared	0.257626	SD dependent var		5.342369
SE of regression	4.603045	Akaike information criterion		6.084443
Sum squared residual	889.8971	Black criterion		6.526440
Log likelihood	-152.2800	Hannan-Quinn critter.		6.254904
F-statistic	2.672053	Durbin-Watson stat		2.067250
Prob(F-statistic)	0.010752			

Source: Secondary data processed, 2024

Based on Table 6 of the results of the Chow test and the Hausman test, the appropriate panel data regression model to use in this study is the fixed effect model. The regression results using the fixed effect model. Based on the results of the fixed effect

model regression, the results of the regression model equation between the dependent variable (economic growth) and the independent variables (local revenue, capital expenditure, and labor force participation rate) are as follows:

$$Y = -257.084 + 8.212\ LN\_X_{1it} + 4.307\ LN\_X_{2it} + 0.174\ X_{3it} \quad (4.1)$$

Information :

Y = Economic Growth
X1 = Local Original Income
X2 = Capital Expenditure
X3 = Labor Force Participation Rate
i = The number of districts/cities in Bali Province is 9
t = research period from 2018-2023

Classical Assumption Test Results

1. Normality Test

The results obtained from the Jarque Bera (JB) test, the Jarque Bera (JB) probability value is 0.232 > 0.05. Thus, it can be concluded that the residuals are normally distributed or the assumption of the data normality test has been met.

2. Autocorrelation Test

Table 7. Autocorrelation Test Results

R-squared	0.411704	Mean dependent variable	1.915741
Adjusted R-squared	0.257626	SD dependent var	5.342369
SE of regression	4.603045	Akaike information criterion	6.084443
Sum squared residual	889.8971	Black criterion	6.526440
Log likelihood	-152.2800	Hannan-Quinn critter.	6.254904
F-statistic	2.672053	Durbin-Watson stat	2.067250
Prob(F-statistic)	0.010752		

Source: Secondary data processed, 2024

In Table 7, there is a Durbin Watson result of 2.067 with dL of 1.4069 and dU of 1.7234, so it can be concluded that dU < 2.067 < 4-dU, so it can be concluded that there is no autocorrelation problem.

3. Multicollinearity Test

Table 8. Multicollinearity Test Results

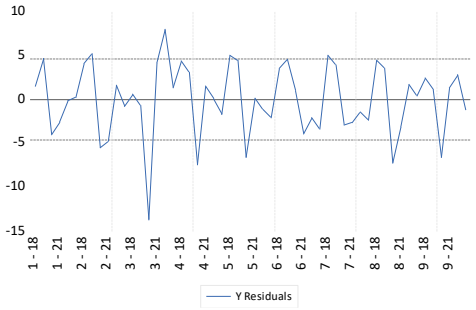
	X1	X2	X3
X1	1,000,000	0.666364	-0.514779
X2	0.666364	1,000,000	-0.369742
X3	-0.514779	-0.369742	1,000,000

Source: Secondary data processed, 2024

Based on Table 8, the results of the correlation coefficients X1 and X2 are 0.666 < 0.85, X1 and X3 are -0.515 < 0.85 and X2 and X3 are -0.3670 < 0.85. So it can be concluded that it is free from multicollinearity or passes the multicollinearity test.

4. Heteroscedasticity Test

The heteroscedasticity test aims to test whether the regression model has unequal residual variances from one observation to another. In this test, the residuals are standardized so that their values are within a narrower range, often between -500 and 500, to detect patterns in the data that indicate heteroscedasticity.



Source: Secondary data processed, 2024

Figure 1. Heteroscedasticity Test Results

Based on Figure 1, it shows that the data valuedoes not pass the limits of 500 and -500, then there are no symptoms of heteroscedasticity or it passes the heteroscedasticity test.

Hypothesis Testing

Simultaneous Test (F Statistic Test)

Table 9. Simultaneous Regression Coefficient Test (F-Test)

R-squared	0.411704	Mean dependent variable	1.915741
Adjusted R-squared	0.257626	SD dependent var	5.342369
SE of regression	4.603045	Akaike information criterion	6.084443
Sum squared residual	889.8971	Black criterion	6.526440
Log likelihood	-152.2800	Hannan-Quinn critter.	6.254904
F-statistic	2.672053	Durbin-Watson stat	2.067250
Prob(F-statistic)	0.010752		

Source: Secondary data processed, 2024

Based on Table 9, the Ftable value is 2.790> 2.672 with a probability of 0.033 <0.05, so H0 is rejected and H1 is accepted. This shows that PAD, capital expenditure, and TPAK together have a significant effect on economic growth. The R-Square value is 0.412, this shows that variations in local revenue (X1), capital expenditure (X2) and the level of labor force participation (X3) affect economic growth in Bali Province in 2018-2023 by 0.412 or 41.2 percent, while the remaining 0.558 or 55.8 percent is influenced by several other factors. The results of this study are in line with research conducted by Sunardi et, al (2017) which shows that the variables PAD, balancing funds, and TPAK simultaneously and

partially have a significant effect on economic growth in East Bolaang Mongondow Regency. In line with research bySavira, et al (2022) showed that simultaneously, PAD, capital expenditure and TPAK have an effect on the GRDP of the Regency/City of NTB Province. Laodini, A. et al. (2023) also stated that PAD and Capital Expenditure have a significant simultaneous effect on economic growth in North Sulawesi.This study refutes the results ofPurba, et al (2024) showed that TPAK simultaneously had an insignificant effect on economic growth in North Sumatra.

Partial Test (Statistical t-test)

Table 10. Partial Regression Coefficient Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-257.0839	49.35899	-5.208451	0.0000
X1	8.212317	2.832609	2.899206	0.0059
X2	4.306965	1.582687	2.721300	0.0094
X3	0.173811	0.274603	0.632955	0.5302

Source: Secondary data processed, 2024

1) The Influence of PAD on Economic Growth
   In this study with a real level of 0.05 and df = (54-4) obtained ttable of 1.676. The results of the t test, the influence of PAD on economic growth obtained a tcount value of 2.899> ttable 1.676 and a probability value of 0.006 <0.05, then H0 is rejected. This shows that PAD partially has a positive and significant effect on economic growth in Regencies/Cities in Bali Province. The coefficient value of local revenue (X1) is 8.212 and is positive. This shows that if local revenue increases by 1 percent, economic growth will increase by 8.21 percent.

2) The Impact of Capital Expenditure on Economic Growth
   In this study with a real level of 0.05 and df = (54-4) obtained ttable of 1.676. The results of the t test, the effect of capital expenditure on economic growth obtained a tcount value of 2.721> ttable 1.676 with a probability of 0.009 <0.05 then H0 is rejected. This shows that capital expenditure partially has a positive and significant effect on economic growth in the Regency/City in Bali Province. The coefficient value of capital expenditure (X2) is 4.307 and is positive. This shows that if capital expenditure increases by 1 percent, economic growth will increase by 4.31 percent.

3) The Influence of TPAK on Economic Growth
   In this study with a real level of 0.05 and df = (54-4) obtained ttable of 1.676. The results of the t test, the effect of the labor force participation rate on economic growth obtained a tcount value of 0.633 < ttable 1.676 and a probability value of 0.530 > 0.05, then H0 is rejected. This shows that the labor force participation rate partially has a positive but insignificant effect on economic growth in the Regency/City in Bali Province. The coefficient value of the labor force participation rate (X3) is 0.174 and is

positive. This shows that if the labor force participation rate increases by 1 percent, economic growth will increase by 0.17 percent.

Coefficient of Determination Test (R2)

Table 11. Results of the Determination Coefficient Test (R2)

R-squared	0.411704	Mean dependent variable	1.915741
Adjusted R-squared	0.257626	SD dependent var	5.342369
SE of regression	4.603045	Akaike information criterion	6.084443
Sum squared residual	889.8971	Black criterion	6.526440
Log likelihood	-152.2800	Hannan-Quinn critter.	6.254904
F-statistic	2.672053	Durbin-Watson stat	2.067250
Prob(F-statistic)	0.010752		

Source: Secondary data processed, 2024

Based on Table 11, the Adjusted R-square value is 0.257626. This value shows that the PAD (X1), capital expenditure (X2), and TPAK (X3) variables as a whole are able to explain the dependent variable of economic growth by 25.76 percent.

Variable Dominance Test

Table 12. Dominant Variable Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-257.0839	49.35899	-5.208451	0.0000
X1	8.212317	2.832609	2.899206	0.0059
X2	4.306965	1.582687	2.721300	0.0094
X3	0.173811	0.274603	0.632955	0.5302

Source: Secondary data processed, 2024

From Table 12Cshows that variable X1, namely PAD, has a coefficient of 8.212 or 8.21 million rupiah, variable X2, namely capital expenditure, has a coefficient of 4.307 or 4.31 million rupiah, and variable X3, namely TPAK, has a coefficient of 0.174 or 17.38 percent.

Discussion of Research Results

The Influence of Regional Original Income on Economic Growth

Based on testing using panel data regression, it shows that local revenue (X1) has a positive and significant effect on economic growth (Y). These results are in accordance with the theory and research hypothesis.Local Original Income (PAD) is considered as a source of income used by local governments to increase government spending that supports economic growth. Adolf Wagner's theory known as Wagner's Law, states that government spending tends to increase along with economic growth (Wagner A., 1892).

According to Wagner, economic growth not only increases national income, but also drives the need for larger and more complex public services. He also stated that this government spending does not only consist of spending needed to run the government, but also includes spending that is oriented towards community needs, such as infrastructure, education, and health.

The results of this study indicate that increasing PAD, obtained from local sources such as local taxes, levies, and income from separated regional assets, can strengthen the fiscal capacity of local governments. With higher PAD, the government has more resources to fund development projects, infrastructure, and public services that are important in driving economic activity. The effectiveness of PAD allocation contributes directly to increasing regional productivity and creating economic growth. This positive relationship also shows that PAD is one of the factors in reducing regional dependence on funds from the central government.

In addition, the significant influence of PAD on economic growth shows that every increase in PAD will be followed by higher economic growth. Efficiency in PAD management also plays an important role in increasing regional competitiveness, because regions with strong PAD tend to be better able to attract investment and create jobs. This sustainable economic growth is proof that regions with optimal PAD can be fiscally independent, and have better resilience in facing economic crises. These results are in accordance with the research of Royda & Utami (2023) which states that Regional Original Income has a positive and significant effect on Economic Growth. Mulyani, et al (2021) also showed that there was a partial and significant influence of PAD on economic growth in East Kalimantan Province 2001-2020. The results of the study byTuwo, et al., (2021) also showed that the PAD variable has a positive effect on economic growth in Minahasa Regency.

The Impact of Capital Expenditure on Economic Growth

Based on testing using panel data regression, it shows that capital expenditure (X2) has a positive and significant effect on economic growth (Y). This result is in accordance with the research hypothesis which assumes that the capital expenditure variable has a positive effect on economic growth in Bali Province. This study strengthens the theory that capital expenditure, as one of the government's investments, has a strategic role in increasing the productive capacity of the regional economy. In Bali Province, whose economy is highly dependent on the tourism sector, capital expenditure has a large multiplier effect. Increasing capital expenditure for the development of tourism facilities, such as airports, ports, and other supporting infrastructure, not only increases the number of tourist visits but also encourages the growth of related sectors, such as hotels, transportation, and trade. In addition, the allocation of capital expenditure that supports the preservation of local culture and the environment also strengthens competitiveness. Bali Province as a world-class tourist destination, which ultimately increases the contribution of the tourism sector to Gross Regional Domestic Product (GRDP).

However, the positive impact of capital expenditure on economic growth is also greatly influenced by the effectiveness of its management and allocation. Capital expenditure that is not targeted or inefficient can reduce its potential benefits for economic growth. Therefore, planning and implementation of capital expenditure must be data-based, consider priority regional needs, and pay attention to sustainable development. For example, investment in the agricultural sector through the provision of modern irrigation facilities can increase the productivity of farmers in rural areas, thereby contributing to equitable economic growth throughout Bali, both in urban and rural areas. Local governments can utilize this scheme to increase infrastructure financing capacity without burdening the regional budget excessively. Thus, the positive impact of capital expenditure on economic growth in Bali Province can continue to be maximized, creating inclusive, sustainable development that is able to face global economic challenges.

Research iThis is in line with Keynes's view that increased capital spending can drive the economy by increasing aggregate demand. However, the effectiveness of capital spending in driving economic growth also depends on how it is allocated and managed. Keynes stated that inefficient or inappropriate investment can reduce the potential for economic growth.These results are in accordance with the results of research conducted byWinarni E., et al, (2020) which shows that capital expenditure has a positive and significant effect on economic growth in Central Java Province. Utami & Indrajaya (2019) which shows that capital expenditure has a positive effect on economic growth. In addition, the results of this study are in contrast toresearch by Sinaga, M., et al. (2023) which shows that capital expenditure has a partial positive but insignificant effect on economic growth. As well as research by Tuwo, et al., (2021) which shows that capital expenditure has a negative and insignificant effect on economic growth in Minahasa Regency.

The Influence of Labor Force Participation Rate on Economic Growth

Based on testing using panel data regression, it shows that the labor force participation rate (X3) has a positive but insignificant effect on economic growth (Y). This result is in accordance with the research hypothesis which assumes that the labor force participation rate variable has a positive effect on economic growth in Bali Province.

The results of the study show that the labor force participation rate (LFPR) has a positive effect on economic growth, but the effect is not statistically significant. This indicates that the increase in LFPR, although expected to boost economic activity, is not strong enough to have a significant impact on overall economic growth. One possible reason for this is the low quality of the workforce, where the majority of the workforce may not have the skills or productivity that match the needs of the modern economic sector. In addition, the large proportion of the workforce working in the informal sector with a low contribution to Gross Regional Domestic Product (GRDP) can also limit the positive impact of LFPR. Limited investment in vocational education and training also weakens the capacity of the workforce to contribute optimally to economic growth.

The positive relationship between the influence of TPAK on economic growth shows that there is potential that can be maximized in the future. To strengthen the contribution of TPAK, the government needs to focus on improving the quality of the workforce through education and training that is more focused and relevant to market needs. In addition, the creation of jobs in the more productive formal sector can have a greater impact on economic growth. Investment in sectors that have high added value, such as manufacturing and technology, will also help increase labor productivity. Thus, although the influence of TPAK is not yet significant, efforts to improve the quality of the workforce remain important to achieve more sustainable economic growth in the future. The results of this study are in accordance with the results of research conducted byby Syamsuddin N., et al. (2021) that if TPAK increases, economic growth will increase. Safrina, Y. & Ratna (2023) also stated that the TPAK variable partially has a positive and significant effect on economic growth in North Sumatra. In addition, the results of this study contradict the research by Firdani, et al. (2023) which shows that the TPAK variable has a positive and significant effect on the rate of economic growth in Indonesia.

Dominant Variables Affecting Economic Growth

To find out which variable is dominant among the independent variables consisting of Regional Original Income (PAD), Capital Expenditure, and Labor Force Participation Rate (TPAK) and the dependent variable, namely Economic Growth, it is done by looking at the highest value (ranking) of the regression coefficient of each significant independent variable. The variable with the largest coefficient is the independent variable (X) that is dominant over the dependent variable (Y).

Variable X1, namely Regional Original Income (PAD), has a beta coefficient of 8.212. Variable X2, namely capital expenditure, has a beta coefficient of 4.307 and variable X3, namely the Labor Force Participation Rate (TPAK) has a beta coefficient of 0.174. This shows that the PAD variable (X1) has the largest beta coefficient among other independent variables, which means that the PAD variable is the most dominant variable influencing economic growth in the Regency/City of Bali Province in 2018-2023.

High Local Revenue will increase the fiscal capacity of local governments to invest in infrastructure and public services that support economic activities and attract investors, especially in the tourism sector which is the backbone of Bali Province. In addition, high PAD will reduce regional dependence on the central government, so that regions are more flexible in developing leading sectors and adjusting economic policies to changes and challenges. Effective PAD management also allows regions to support MSMEs, strengthen local competitiveness, and improve community welfare through better public services, which contribute to productivity and community purchasing power. Thus, high and optimally managed PAD can be an important foundation for economic growth in Bali Province.

The results of this study are in line with research conducted by Savira, et al (2022) which shows that between PAD, capital expenditure, and TPAK, PAD plays a major role in influencing GRDP in NTB Province. In addition, Saputra, et al (2021) also showed that PAD

is the dominant variable of capital expenditure that influences economic growth in South Sulawesi Province.

CONCLUSION

Based on the results of the previous analysis and discussion, the following conclusions can be drawn:

1. Local original income, capital expenditure, and labor force participation rate simultaneously have a significant effect on economic growth in 9 (nine) regencies/cities in Bali Province in 2018-2023.
2. Regional original income and capital expenditure partially have a positive and significant effect, but the labor force participation rate partially has a positive but insignificant effect on economic growth in 9 (nine) regencies/cities in Bali Province in 2018-2023.
3. The Regional Original Income (PAD) variable is the most dominant variable influencing economic growth in 9 (nine) regencies/cities in Bali Province in 2018-2023.

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