

The Effect of Regional Original Income, Balancing Funds on Economic Growth and Their Impact on Poverty in Makassar City

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This study examines the influence of Regional Original Revenue and Balancing Funds on Economic Growth as mediating variables affecting Poverty. Using 2012–2022 secondary data from Bapenda and BPS Makassar City, the analysis employs Structural Equation Modeling (SEM). Results show Regional Original Revenue significantly impacts Economic Growth, while Balancing Funds do not. Both have a positive but insignificant effect on Poverty, whereas Economic Growth significantly influences Poverty. Indirectly, Regional Original Revenue and Balancing Funds via Economic Growth reduce Poverty significantly. The study recommends focusing on Regional Original Revenue management and allocating Balancing Funds for public initiatives to sustainably reduce Poverty.

INTRODUCTION

Economic development is often associated with economic growth, which is a key indicator of a country's progress. In developing countries, including Indonesia, economic growth is prioritized to enhance national development, create jobs, and improve public welfare. Economic growth reflects the expansion of goods and services produced, often measured through real national income or GDP. While growth is essential, it alone does not guarantee equitable prosperity, as income inequality can widen the poverty gap. Many perspectives suggest that development is often associated with economic growth. Economic development is a process aimed at achieving equitable economic distribution (equity) and sustainable growth (sustainability) (Zakaria, 2015). A country is considered to have implemented development if it has been able to increase its growth over time. It is an undeniable fact that, in the early stages of development, governments in developing countries tend to prioritize economic growth as their main development goal. This is achieved by developing economic sectors and potential regions that can serve as leading sectors and the economic foundation of a country.

Indonesia's decentralized governance aims to address regional disparities by granting local governments autonomy, as stipulated in Law No. 33 of 2004 (Indonesia, 2004). This decentralization enables regions to manage resources and finances, primarily through Regional Original Revenue (Pendapatan Asli Daerah/PAD) and balancing funds (Dana Perimbangan), which include revenue-sharing funds, general allocation funds, and special allocation funds. PAD, derived from local taxes, retributions, and other lawful sources, is critical for funding regional development. However, disparities in PAD among regions, driven by differences in resources and

economic potential, remain a challenge. According to Saragih, the increase in Regional Original Revenue (PAD) should have an impact on the regional economy (Handra & Maryati, 2009). To address this, the government has implemented regional autonomy. The implementation of regional autonomy grants broad authority to local governments to regulate the fair utilization of resources and financial balance between the central and regional governments (Zakaria, 2015). The objectives of regional autonomy include (1) accelerating effective and strong regional economic development by empowering local economic actors and potentials, (2) Accelerating rural development to empower communities, particularly farmers and fishermen, through infrastructure provision, agribusiness system development, small industries and traditional crafts, institutional development, technological advancement, and natural resource utilization and (3) Improving the quality of human resources in the region based on the principles of decentralization and regional autonomy. One form of regional autonomy implementation is fiscal decentralization, which involves granting revenue sources to regions that can be explored and utilized independently according to their respective potential (Firdausy, 2018).

The increase in Regional Original Revenue (PAD) is considered as capital for regional income, which, in accumulation, will generate more positive externalities and accelerate economic growth. Fiscal decentralization grants greater authority in the management of each region; however, another issue arises, namely that each region has different capabilities and capacities in funding its respective regional affairs. Regions with strong industrial capabilities or abundant natural resources tend to have significantly higher Regional Original Revenue (PAD) compared to others, and vice versa (Baharuddin, 2022). On one hand, some regions are very wealthy due to high PAD, while on the other hand, some regions are left behind due to low PAD (Purpitasari & Kurnia, 2015). Several factors contribute to this disparity, including low human resource quality, geographical differences, variations in natural resources, and others. The financial balance between the central and regional governments is a system of vertical financial relations between the central and regional governments (Intergovernmental Fiscal Relation System). This system is a consequence of the implementation of regional autonomy, involving the delegation of part of the government's authority. The financing system for central and regional government administration is regulated under Law Number 33 of 2004.

There are two conflicting theories regarding this issue. The Traditional Theory explains that fiscal decentralization not only creates regional disparities but also negatively affects economic growth and can disrupt stability. However, the New Perspective Theory argues that fiscal decentralization can improve efficiency, reduce regional disparities, and accelerate regional financial independence, enabling better public service delivery (Debbi et al., 2014). Indirectly, the government is required to enhance the potential of each region to achieve self-sufficiency in carrying out its functions and financing all regional activities (Nur et al., 2022). Makassar, as the largest city in eastern Indonesia, plays a vital role in the nation's economy. Despite consistent growth, the COVID-19 pandemic caused a significant economic downturn in 2020, leading to increased poverty. Prior studies show mixed results regarding the relationship between economic growth and poverty, motivating this research to analyze the influence of PAD and balancing funds on economic growth and their impact on poverty in Makassar City.

RESEARCH METHOD

This study employs an associative method with an experimental approach to analyze the influence of Regional Original Revenue (PAD) and Balancing Funds on economic growth and their impact on poverty in Makassar City. The data used consists of secondary time-series data from 2012 to 2022, sourced from Bapenda and BPS Makassar City. The data includes PAD realization, Balancing Funds, Gross Regional Domestic Product (GRDP) at constant prices, and

poverty rates. The study was conducted in Makassar City due to its rapid economic growth and dynamic development. The data types include quantitative data (such as PAD, Balancing Funds, GRDP, and poverty rates) and qualitative data (supporting information such as regulations and organizational documents). Data collection methods include observation, documentation, and literature review. The data analysis utilizes Path Analysis with a Structural Equation Model (SEM). This model enables the identification of complex causal relationships, including the role of mediation variables such as economic growth. This study aims to provide recommendations for the Makassar City government in managing PAD and Balancing Funds to promote sustainable economic growth and reduce poverty.

RESULTS AND DISCUSSION

Results

From the data obtained regarding Regional Original Revenue (Pendapatan Asli Daerah/PAD) in Makassar City, South Sulawesi Province, for the 2012–2022 period, it can be presented as follows:

Table 2. Realization of Regional Original Revenue in Makassar City for the Years 2012–2022

Years	Target	PAD	Persen
2012	Rp. 490.179.934.000	Rp.556.202.758.215	
2013	Rp. 546.863.198.000	Rp.612.056.765.277	10%
2014	Rp. 750.506.544.000	Rp.655.362.121.024	7%
2015	Rp. 904.432.575.000	Rp.696.269.803.242	6%
2016	Rp. 1.193.018.343.000	Rp.879.579.142.506	26%
2017	Rp. 1.086.139.148.000	Rp.949.667.704.216	8%
2018	Rp. 1.194.753.148.000	Rp.947.371.868.404	-0,02%
2019	Rp. 1.340.000.000.000	Rp.1.073.061.660.653	13%
2020	Rp. 850.672.543.763	Rp.868.699.900.035	-19%
2021	Rp. 1.005.025.000.000	Rp.930.261.385.437	7%
2022	RP. 1.377.704.800.000	RP.1.195.233.080.591	28,48%

Source: BAPENDA Makassar

It can be observed that the realization of Regional Original Revenue (PAD) in Makassar City from 2012 to 2022 experienced an annual increase. However, in 2020, there was a significant decline due to the COVID-19 pandemic, which led to mass layoffs by companies, ultimately reducing regional income. The data shows that in 2013, PAD amounted to IDR 612,056,765,277, reflecting a 10% increase from the previous year. In 2014, it grew by approximately 7% to IDR 655,362,121,024.

In 2015, the revenue by 6%, reaching IDR 696,269,803,242. A significant increase of about 26% occurred in 2016, followed by an 8% increase in 2017. However, in 2018, there was a slight decline of around 0.002%, attributed to miscalculations by the city government. In 2019, PAD grew by 13% to IDR 1,073,061,660,653. The most severe drop occurred in 2020, with revenue falling to IDR 868,699,900,035, representing a -19% decline. By 2021, the revenue rebounded with a 7% increase to IDR 930,261,385,437. In 2022, PAD experienced a notable recovery, rising by 28.48% to IDR 1,195,233,080,591.

Meanwhile, the data obtained on Balancing Funds in Makassar City from 2012 to 2022 can be seen as follows:

Table 3. Balancing Funds in Makassar City for the Years 2012–2022

Years	Balancing Fund	Persen
2012	Rp. 1.105.463.604,000	
2013	Rp. 1.161.279.547,076	5,05%
2014	Rp. 1.836.090.960,671	58,11%
2015	Rp. 1.402.787.592,484	-23,60%
2016	Rp. 1.992.747.630,282	42,06%
2017	Rp. 1.672.967.166,403	-16,05%
2018	Rp. .808.260.589,049	8,09%
2019	Rp. 1.824.567.795,045	0,90%
2020	Rp. 1.676.121.523,029	-8,14%
2021	Rp. 1.687.551.396,004	0,68%
2022	RP. 1.800.519.452,037	6,69%

Source: BAPENDA Makassar

The Balancing Funds in Makassar City have experienced fluctuations. In 2012, the amount was IDR 1,105,463,604,000 with an increase of approximately 5.05%. In 2013, there was a significant rise of 58.11%, but by 2015, it had decreased by -23.60%. In 2016, the funds increased to IDR 1,992,747,630,282, reflecting a 42.06% rise. However, in 2017, there was a decline of around -16.05%, amounting to IDR 1,672,967,166,403.

In 2018 and 2019, the funds saw an increase of approximately 8.99%, but in 2020, a decrease of around -8.14% occurred. In 2021, there was a slight rise to IDR 1,687,551,396,004, representing an increase of about 0.68%. Finally, in 2022, the funds increased by approximately 6.69%.

Economic growth can be observed through the growth of the Gross Regional Domestic Product (GRDP) at constant prices. The data obtained on economic growth in Makassar City from 2012 to 2022 is as follows:

Table 4: GRDP at Constant Prices of Makassar City for the Years 2012-2022

Years	Economic Growth	Persen
2012	Rp. 70.851.035,02	
2013	Rp. 76.907.410,08	8,55%
2014	Rp. 82.592.818,43	7,39%
2015	Rp. 88.828.146,57	7,55%
2016	Rp. 95.957.638,04	8,03%
2017	Rp. 103.826.155,09	8,20%
2018	Rp. 112.568.414,88	8,42%
2019	Rp. 122.465.829,07	8,79%
2020	Rp. 120.905.752,03	-1,27%
2021	Rp. 126.312.827,67	4,47%
2022	RP. 133.132.598,14	5,40%

Source: BPS Makassar

The Gross Regional Domestic Product (GRDP) at Constant Prices in Makassar City from 2012 to 2022 showed a general upward trend due to high demand for goods and services. From 2012 to 2013, it increased by 8.55%. In 2014, it rose by 82,592,818.43, an increase of 7.39%. In 2015, the growth reached 88,828,146.57, rising by 7.55%. In 2016, it increased by 95,957,638.04,

or 8.03%. In 2017, GRDP grew to 103,826,155.09, an increase of 8.70%. In 2018, it further increased to 112,568,414.88, rising by 8.42%. In 2019, it continued to grow to 122,465,829.07, with an 8.79% increase. However, in 2020, there was a decline of -1.27%, reaching 120,905,752.03, due to the global economic disruption caused by the COVID-19 pandemic, which also impacted various regions in Indonesia. In 2021, GRDP rebounded with a 4.47% increase, followed by a 5.40% growth in 2022.

Table 5 Poverty Based on Per Capita Expenditure in Makassar City for the Years 2012-2022

Years	Poverty	Persen
2012	Rp. 3.477.200	
2013	Rp. 3.842.400	10,50%
2014	Rp. 4.200.000	9,31%
2015	Rp. 4.560.000	8,57%
2016	Rp. 5.282.400	15,84%
2017	Rp. 6.007.200	13,72%
2018	Rp. 9.000.000	49,82%
2019	Rp. 12.006.000	33,40%
2020	Rp. 14.460.000	20,44%
2021	Rp. 18.000.000	24,48%
2022	RP. 21.600.000	20%

Source: BPS Makassar

According to the Central Bureau of Statistics, per capita expenditure of the poor refers to the average monthly cost incurred per person to meet basic living needs. This per capita expenditure is used as one of the indicators to calculate poverty levels. Based on Table 5, it can be seen that poverty based on per capita expenditure in Makassar City from 2012 to 2022 tended to increase annually. This was caused by the rising inflation rate each year.

From 2012 to 2013, there was an increase of 10.50%; in 2014, with a figure of 4,200,000, it rose by 9.31%; in 2015, the amount of 4,560,000 represented an 8.57% increase; in 2016, the amount reached 5,282,400, marking a 15.84% rise; in 2017, with 6,007,200, it increased by 13.72%. And in 2018, the figure rose significantly to 9,000,000, marking a 49.82% increase; in 2019, it reached 12,006,000, an increase of 33.40%; in 2020, it rose to 14,460,000, reflecting a 20.44% increase. In 2021, the amount climbed to 18,000,000, with a rise of 24.48%, and in 2022, it further increased to 21,600,000, marking a 20.00% growth.

Table 6. Path Regression Model 1

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2120494110,566	1724743861,624		1,229	0,254
Original Revenue	0,010	0,002	0,945	4,886	0,001
Balancing Funds	0,000	0,001	-0,037	-0,192	0,852

a. Dependent Variable: Economic Growth

Source: Processed Data, 2024

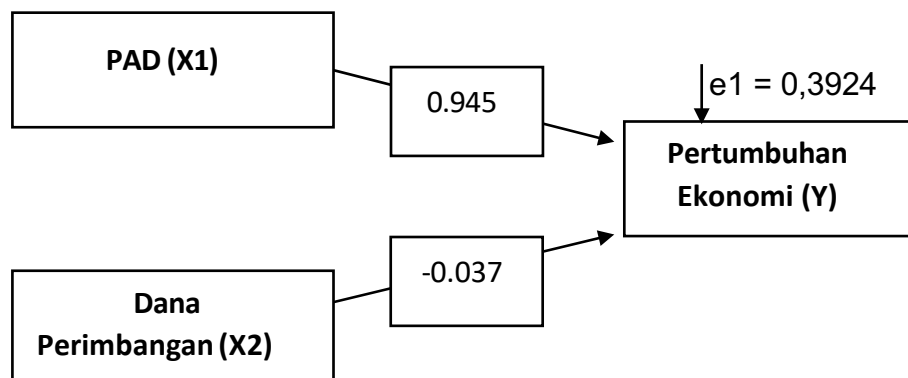


Figure 1 Path Diagram of Model I

1. **H1:** The significance of Regional Original Revenue (X1) is less than 0.05 ($0.001 < 0.05$). Thus, the significance is accepted, and Regional Original Revenue (X1) has a positive and significant effect on Economic Growth (Y).
2. **H2:** The significance of Balance Funds (X2) is greater than 0.05 ($0.852 > 0.05$). Thus, the significance is rejected, and Balance Funds (X2) have a positive but insignificant effect on Economic Growth (Y).

The direct influence of Regional Original Revenue (X1), Balance Funds (X2), and Economic Growth (Y) on Poverty (Z) partially can be observed as follows:

Table 7. Path Regression Model 2

Coefficients^a

		Unstandardized Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	-14685487,899	5188210,260		-2,831
	Original Revenue	-5,898E-06	0,000	-0,187	-0,515
	Balancing Funds	-4,993E-06	0,000	-0,227	-1,248
	Economic Growth	0,004	0,001	1,225	3,696
					0,025
					0,622
					0,252
					0,008

a. Dependent Variable: Poverty

Source: Processed Data, 2024

3. **H3** = If Regional Original Revenue (X1) is greater than 0.05 ($0.622 > 0.05$), then the hypothesis is rejected, meaning Regional Original Revenue (X1) has a positive but insignificant effect on Poverty (Z).
4. **H4** = If Balance Funds (X2) is greater than 0.05 ($0.252 > 0.05$), then the hypothesis is rejected, meaning Balance Funds (X2) has a positive but insignificant effect on Poverty (Z).
5. **H5** = If Economic Growth (Y) has a significance value smaller than 0.05 ($0.008 < 0.05$), then the hypothesis is rejected, meaning Economic Growth has a positive and significant effect on Poverty (Z).

Table 8. Indirect Relationship of Regional Original Revenue and Balance Funds on Poverty through Economic Growth

		Standardized Coefficients	
Model		Beta	Sig.
1	(Constant)		0,025
	Original Revenue	-0,187	0,622
	Balancing Funds	-0,227	0,252
	Economic Growth	1,225	0,008

a. Dependent Variable: Poverty

Source: Processed Data, 2024

6. **H6** = Regional Original Revenue (X1) on Poverty (Z) through Economic Growth (Y) has a beta coefficient value of -0.187, meaning that X1 has a negative impact on Z through Y.
7. **H7** = Balance Funds (X2) on Poverty (Z) through Economic Growth (Y) has a beta coefficient value of -0.227, meaning that X2 has a negative impact on Z through Y.

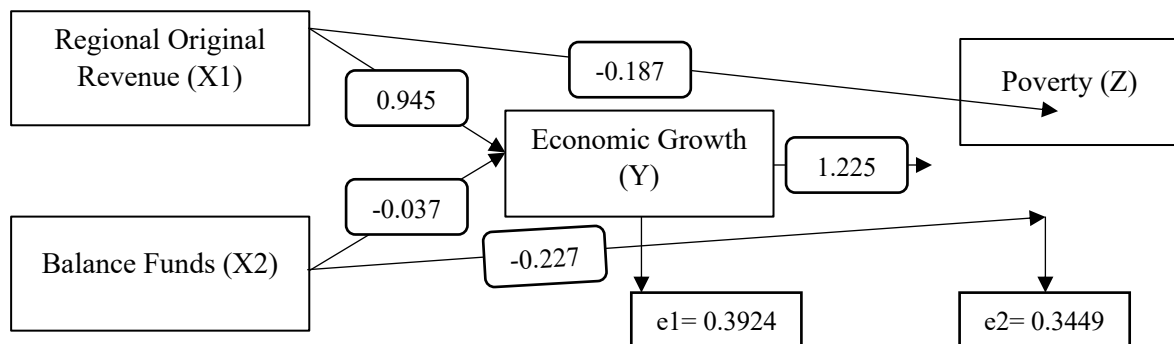


Figure 2 Path Diagram of Model 2

DISCUSSION

Regional progress is significantly influenced by economic growth and the amount of regional income, which impacts the well-being of the community. Indicators of well-being in a region are influenced by regional income, the level of economic growth, and the progress of regional development. Regional Original Revenue (PAD) is the income generated by local governments to collect funds for regional needs, consisting of regional taxes, regional levies, profits from state-owned enterprises, and other legitimate regional revenues. The higher the economic growth of a region, the more it should increase the influence of PAD.

Based on the analysis, it shows that PAD directly has a positive and significant effect on economic growth, meaning PAD directly significantly influences economic growth. Therefore, the hypothesis that PAD directly has a positive and significant impact on economic growth is accepted. This means that PAD has an impact on the economic growth of Makassar City. If PAD increases, it will stimulate economic growth in Makassar City, whereas if PAD decreases, it will impact the economic growth rate in Makassar City. This aligns with the research conducted by Saraswati, where PAD has a positive and significant effect on economic growth (Saraswati, 2018). However, it is contrary to the study conducted by Dewi, which stated that PAD has a negative effect on economic growth (Dewi et al., 2017).

According to the theory proposed by Tambunan (Jolianis, 2015), PAD is one of the sources of regional expenditure. If PAD increases, the funds available to the local government will be greater, and the region's independence will also increase, thus giving the local government a higher opportunity to build its economy. It can be explained that the local government of Makassar City is able to explore its internal resources, which are collected based on local regulations in accordance with the applicable laws, especially PAD through sources such as local taxes, regional levies, state-owned business profits, and other legitimate regional income. A region with a positive PAD growth rate has the potential to achieve better economic growth. If PAD increases, the funds available to the local government of Makassar City will be higher, and the city's level of autonomy will also rise. This shows that when PAD increases, it will encourage the autonomy of Makassar City in developing infrastructure. With adequate infrastructure in place, PAD revenue will indirectly stimulate economic growth in Makassar City. This also indicates that PAD funds can increase economic growth, which means that Makassar City is showing autonomy in managing its region, reducing its reliance on balance funds from the central government.

Efforts the local government of Makassar City should make to optimize PAD can be carried out in three ways: (1) intensification, which is an effort to optimize PAD by increasing what already exists (intensified). (2) Extensification, monitoring (to identify leakage), administrative order, and efforts to tax those who have not been taxed. (3) Improving services to the community, an important factor considering that people now make payments of taxes and levies as obligations to the state. Therefore, tangible efforts to serve the community are necessary. The increasing Balance Fund will be able to support economic growth in a region. The ability of each region naturally varies; every region, when implementing development, will face disparities if relying only on local revenue (PAD), leading to an imbalance in development between regions.

Therefore, through the Balance Fund, the central government implements fiscal decentralization, allowing local governments to supplement their budgets using funds from the Balance Fund to enhance development in their respective regions. The Balance Fund will be utilized for both general and specific development projects, in line with national priorities and the regional potential development to create prosperity in the area. Based on the analysis results, it shows that the Balance Fund has a positive but insignificant direct effect on economic growth. This means that while the Balance Fund directly has a positive effect, it is not significant on economic growth. Therefore, the hypothesis stating that the Balance Fund has a positive and significant direct effect on economic growth is rejected. Thus, there is no effect of the Balance Fund on economic growth in Makassar City. This is inconsistent with previous studies conducted where their analysis indicated that the Balance Fund has a positive and significant effect on economic growth (Manek & Badrudin, 2017)(Wiraswasta et al., 2018).

According to the theory proposed by Ogujuba, the Balance Fund consists of: Revenue Sharing Fund (DBH), General Allocation Fund (DAU), and Special Allocation Fund (DAK). The Balance Fund comes from government transfers from the central government to the regions, aimed at addressing fiscal imbalances, enabling regions to allocate it for public facility development and improving community welfare (Ogujuba & Abraham, 2012).

Regional Original Revenue (PAD) comes from regional taxes, regional levies, profits from regionally owned enterprises, revenue from the management of separated regional assets, and other legitimate regional income. The increase in PAD, considered as capital, will cumulatively generate more positive effects and accelerate economic growth. Furthermore, an increase in PAD will eventually help reduce unemployment and regional poverty. Based on the analysis results, it shows that Regional Original Revenue (PAD) has a positive but insignificant direct effect on poverty, meaning that PAD directly has a positive effect but is not significant in reducing poverty. Therefore, the hypothesis stating that PAD has a positive and significant direct effect on poverty is rejected. Thus, PAD does not influence poverty in Makassar City. This is due to the fact that the PAD received by the Makassar City government is not used for activities aimed at reducing poverty levels, which leads to a decline in the community's standard of living and limits their ability to meet daily needs. This finding contradicts previous research conducted (Nurhidayah & Hendikawati, 2018) (Dewi et al., 2017), which stated that PAD has a significant effect on poverty. According to Sidik (Sidik, 2002), the success of increasing PAD should not only be measured by the amount received but also by its role in regulating the local economy to support further development, ultimately improving community welfare in the region and reflecting regional economic progress.

Meanwhile, Zakaria (Zakaria, 2015) highlighted several challenges in poverty alleviation efforts, including weak institutions managing poverty reduction programs, the lack of an operational family poverty database for program interventions, the absence of a comprehensive recording and reporting mechanism for poverty alleviation programs, and the need for synergy between programs initiated by the central government, provincial government, and city/regency

governments. The increase in PAD, considered as capital, will have more positive effects and accelerate economic growth. As economic growth increases in Makassar City, poverty levels are expected to decline. One of the key inputs in poverty reduction programs is the availability of funding. For regional governments, fiscal independence, reflected in PAD, serves as a flexible financial resource that can be allocated for independent programs such as poverty alleviation, scholarships for underprivileged families, and healthcare facilities for the community. If a regional government has strong PAD capacity, its ability to carry out development programs, including poverty reduction, will also be stronger. Community obligations, such as paying taxes and levies, contribute to increasing PAD. Therefore, the local government, as the planner and executor of development, should provide adequate and high-quality public services financed by PAD as feedback to the community. This aligns with the research conducted which found that PAD has a direct and significant effect on poverty in Central Java Province (Nurhidayah & Hendikawati, 2018). However, this contradicts the study conducted which stated that PAD has a significant effect on poverty in Bitung City (Paat et al., 2019).

Based on Law Number 33 of 2004 on the Fiscal Balance between the Central Government and Regional Governments, the balance fund aims to reduce disparities in government funding sources between the central and regional governments, as well as to minimize funding gaps among different regions, according to Elmi's theory (Elmi, 2002). The balance fund is sourced from state budget (APBN) revenues and allocated to regional governments to finance their needs, particularly for investment in development, procurement, improvement, and maintenance of physical infrastructure with a long economic lifespan. This includes the procurement of supporting physical infrastructure, but excludes capital participation. With the balance fund, the Makassar City Government can optimize capital expenditures, as these funds generally contribute to increasing government-owned assets. This, in turn, enhances public services through the provision of public facilities related to the optimization of income distribution, such as schools, hospitals, employment opportunities, roads, bridges, and other infrastructure. The availability of these public facilities will have a positive impact, ultimately helping to reduce poverty in Makassar City.

Based on the analysis results, it shows that economic growth has a direct positive and significant effect on poverty, meaning that economic growth directly influences poverty in a positive and significant way. Therefore, the hypothesis stating that economic growth does not have a direct positive and significant effect on poverty is rejected. Thus, economic growth affects poverty in Makassar City. This can be seen from the results of Path Regression II, which indicate that the economic growth value is greater than 0.05, confirming that economic growth has a direct and significant effect on poverty. This study demonstrates the impact of economic growth on poverty, meaning that every increase in economic growth, as measured by Makassar City's Gross Regional Domestic Product (GRDP), leads to a decrease in the poverty rate in Makassar City.

According to Zakaria (Zakaria, 2015), economic development is a process aimed at achieving equitable economic development (equity) and sustainable growth (sustainability). One of the key challenges of development in this decade is the effort to reduce the number of poor people (Setiyawati & Hamzah, 2007). This study is in line with the research conducted which states that economic growth affects poverty in the Special Region of Yogyakarta (D.I. Yogyakarta) (Noermanisa & Muttaqin, 2023). However, it contradicts the research by Marianus Manek (2016), which found that economic growth does not affect poverty (Manek & Badrudin, 2017).

CONCLUSION

This study examines the impact of Local Revenue (PAD), Balancing Funds, Economic Growth, and Poverty in Makassar City. Based on the analysis, PAD is found to have a positive and significant effect on economic growth in Makassar City. An increase in PAD has the potential to stimulate economic growth, as funds derived from regional taxes, levies, and regional-owned enterprises can enhance regional independence. To optimize PAD, the regional government needs to improve intensification, extensification, and public service delivery. Balancing Funds also affect regional development, although their impact on economic growth in Makassar City is not significant. Balancing funds, which come from central government transfers, aim to reduce disparities between regions and support infrastructure development, although their allocation has not been maximized enough to significantly boost economic growth. Nevertheless, balancing funds can improve public services and the welfare of the community, which in turn supports regional economic growth. PAD has a positive impact on poverty, but its effect is not significant in Makassar City. While increasing PAD can accelerate economic growth, the local government has not maximized its use for direct poverty reduction programs. This suggests that although PAD can improve welfare, its management needs to be more focused on poverty alleviation. Meanwhile, Balancing Funds also have a positive but insignificant effect on reducing poverty. The allocation of balancing funds, which aims to finance general and specific development, has not been effective enough to address poverty in Makassar City. However, if used optimally, balancing funds could improve public facilities that support job creation and healthcare services, which in turn could reduce poverty levels. Economic growth has a significant impact on reducing poverty in Makassar City. Every increase in economic growth contributes to a reduction in poverty levels because the rise in per capita income improves the welfare of the population. Therefore, the local government should focus on developing the local economy through the optimization of PAD and balancing funds to achieve sustainable development and more effectively reduce poverty.

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