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IMPACT OF REGIONAL REVENUE AND ALLOCATION FUNDS ON FINANCIAL INDEPENDENCE AND ECONOMIC GROWTH IN RIAU ISLANDS 2013-2023

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Abstract: This research aims to analyze the influence of Regional Original Income (PAD) and General Allocation Funds (DAU) on regional financial independence and economic growth in the Riau Islands Province in 2013-2023. The research method used is a quantitative method with secondary data in the form of budget realization reports. Data analysis was carried out using multiple linear regression and path analysis to test the direct and indirect effects between variables. The research results show that PAD has a positive and significant influence on regional financial independence, while DAU has no significant influence. Apart from that, neither PAD nor DAU have a significant effect on regional economic growth. This research identifies limitations in the sample coverage which only involves districts/cities in the Riau Islands Province as well as low Adjusted R Square values, which indicate the existence of other variables that have not been studied but have the potential to influence the results. This research recommends further studies to expand the regional coverage, extending the period research time, as well as adding other relevant variables to enrich the analysis. It is hoped that these findings will provide insight for local governments in increasing financial independence and economic growth through optimizing regional resources.

Keywords: Regional Original Income, General Allocation Funds, Regional Financial Independence, Economic Growth.

INTRODUCTION

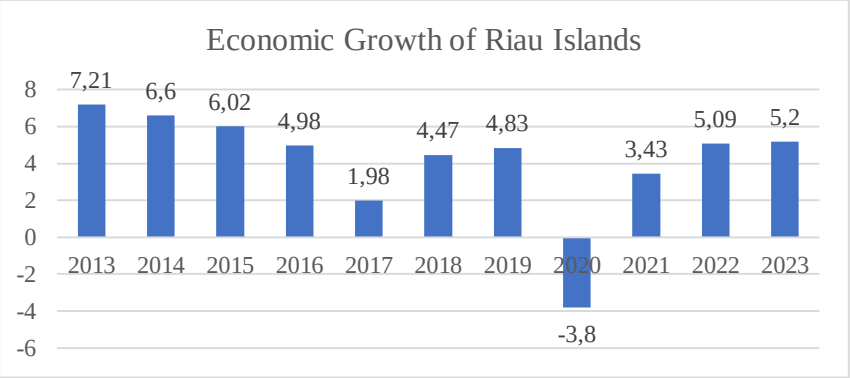
Law No. 23 of 2014 Article 1 paragraph (6) Regional Autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own government affairs and local community interests in accordance with statutory regulations. Riau Islands is one of the provinces in Indonesia that has implemented a regional autonomy policy. Riau Islands itself has a strategic position in the Indonesian economy because of its proximity to Singapore and Malaysia, making it one of the centers of international trade. Riau Islands, especially Bintan and Batam, are popular tourist destinations among foreign tourists, especially from Singapore and Malaysia. The tourism sector here is growing rapidly with various resorts, golf courses, and beach attractions, which contribute significantly to the local economy.

Law No. 1 Article 1 Paragraph (20) of 2022, Regional Original Income, hereinafter abbreviated as PAD, is Regional Income obtained from regional taxes, regional levies, results of management of separated regional assets, and other legitimate regional original income in accordance with laws and regulations. High PAD is a dream that must be fought for by every region to achieve it. The greater the PAD revenue obtained by the regional government, the more the region can be said to be independent.(Nurvaliza and Putra, 2024).

Law No. 1 Article 1 Paragraph (71) of 2022, General Allocation Fund, hereinafter abbreviated as DAU, is part of the TKD allocated with the aim of reducing the disparity in financial capacity and public services between

regions. This fund is intended to provide financial support for regional needs as part of the decentralization process. One of the goals of the central government is to encourage regional economic growth through the General Allocation Fund (DAU) to regional governments. DAU is used to allocate regional spending, both capital expenditures such as land, buildings, and other fixed assets as well as operational expenditures such as employee expenditures, goods expenditures and so on.(Mahardika and Fauzan, 2022).

Community welfare can also be seen from economic growth where if economic growth is good then community income will also increase, in addition, increasing community income will be able to meet their living needs better and this can show that community welfare is not in the low category. Symptoms of economic growth can be seen through one of its indicators, namely Gross Regional Domestic Product (GRDP) because GRDP can describe economic activities that are carried out and can be achieved in one period. Economic growth is a measuring tool for development because the development of economic sector activities can be measured through economic growth(Lestari, Ridwan, and Coal 2023).



Graph 1. Economic Growth Graph of Riau Islands
source: BPS, 2023

Graph 1 shows that in the last 11 years, namely 2013 to 2023, the economic growth of the Riau Islands Province tends to fluctuate. The highest economic growth was in 2013 at 7.21% and the lowest economic growth was in 2020 at -3.8%. The regional decline in the first quarter of 2022 was due to the Covid-19 pandemic which caused the Indonesian economy, provinces and districts, especially the Riau Islands Province, to decline. Realizing optimal regional development is not as easy as imagined, because it requires careful planning and ongoing efforts from government policy makers and development actors, including national managers, to ensure that national development runs sustainably and sustainably.

Researchers will test the influence of local revenue and general allocation funds from 2013-2023 on regional financial independence and regional economic growth. The purpose of this study is to determine the level of independence of a local government in managing its finances, whether the government has carried out its duties well or not in providing services to the community. This study is expected to contribute to the formulation of more sustainable development policies.

LITERATURE REVIEW

Stewardship Theory

Stewardship theory is a theory that describes a situation where managers are not motivated by individual goals but rather directed at their main outcome goals for the benefit of the organization, where executives as stewards are motivated to act according to the wishes of the principal, and strive to achieve the goals of their organization (Donaldson and Davis, 1989). For this study, stewardship theory involves the presence of local government as an institution that can be trusted to carry out its duties and functions properly in accordance with the public interest so that public services and public welfare can be achieved optimally, such as the goals of public sector organizations themselves have the goal of providing services to the public and to the public.

Signaling Theory

Signaling theory was developed as an effort to provide information signals from parties with more information to stakeholders with less information in the company. Signaling theory in the public sector is aimed at government efforts to provide signals in the form of quality financial information whose implementation is felt by the public from public services provided by the government.

Local Original Income (PAD)
Law No. 1 Article 1 of 2022 Regional Original Income, hereinafter abbreviated as PAD, is regional income obtained from regional taxes, regional levies, results of managing separated regional assets, and other legitimate regional original income in accordance with statutory regulations.
Law No. 22 Article 1 of 2014 concerning financial balance between the central government and regional governments states that PAD comes from:

a) Regional Tax;
b) Regional Retribution;
c) Results of management of separated regional assets; and
d) Other legitimate PAD

General Allocation Fund (DAU)
Law No. 23 Article 1 of 2014 General Allocation Fund, hereinafter abbreviated as DAU, is a fund sourced from APBN revenues allocated with the aim of equalizing financial capacity between regions to fund regional needs in the context of implementing decentralization. According to Law No. 1 Article 1 of 2022, the General Allocation Fund, hereinafter abbreviated as DAU, is part of the TKD allocated with the aim of reducing disparities in financial capacity and public services between regions.

PP No. 55 of 2005 Article 37 concerning balancing funds, there are several provisions for calculating the General Allocation Fund, namely: DAU is allocated to provinces and districts/cities; The total amount of the General Allocation Fund is set at a minimum of 26% (twenty six percent) of Net Domestic Revenue; The proportion of DAU between provinces and districts/cities is calculated based on a comparison between the weight of government affairs that are the authority of the province and district/city; Determination of the proportion as referred to in paragraph (3) cannot yet be calculated quantitatively, the proportion of DAU between provinces and districts/cities is set at a balance of 10% (ten percent) and 90% (ninety percent); The total amount of DAU as referred to in paragraph (2) is set in the APBN

Regional Financial Independence
Regional Financial Independence (fiscal autonomy) shows the ability of the regional government to finance its own government activities, development and services to the community who have paid taxes and levies as a source of income needed by the region. The higher the independence ratio means the level of dependence of the regional government on external assistance is lower. The higher the independence ratio, the higher the participation of the community in paying regional taxes and levies which are the main components of PAD formation.

Table 1
Regional Financial Independence Criteria

PAD Percentage	Regional Financial Independence
0.00 – 10.00	Very less
10.00 – 20.00	Not enough
20.01 – 30.00	Currently
30.01 – 40.00	Enough
40.01 – 50.00	Good
>50.00	Very good

Source: Research and Development Team of the Ministry of Home Affairs, Faculty of Social and Political Sciences, UGM (Susanto, 2014)

Table 1 shows the percentage ratio of local revenue to government assistance and local loans, presenting the level of independence of a region in financing regional revenue and spending budget expenditures. The greater the value of the ratio of local revenue to government assistance and local loans, the greater the level of

autonomy in the region. So the greater the value of local revenue received by the local government, the dependence on the central government will actually decrease and this shows that financial independence in the region will improve.

Economic growth

Economic growth is a long-term increase in a country's capacity to provide increasingly diverse economic goods to its population. This capacity grows in accordance with technological progress and the institutional and ideological adjustments it requires. Economic growth is the process of changing the economic conditions of a country continuously towards a better state during a certain period. The only most important measure in the concept of economics is Gross Domestic Product (GRDP) which is the sum of all Gross Value Added (NTB) generated by each activity/business sector. The method of calculating GRDP is:

a) Direct Method, carried out with three approaches, namely: production approach, income approach and expenditure approach.
b) Indirect Method, is carried out using two calculation methods, namely Calculation Based on Current Prices, which is the total amount of NTB or the value of final goods and services produced by production units in a certain period.

The Influence of PAD on Independence

Local revenue (PAD) is one of the factors that support the independence of a region. A region can be said to be independent if the local revenue is large and the level of dependence on the central government is getting lower. Conversely, if the local revenue (PAD) of a region is low, then dependence on the central government will be higher. The implementation of government by the central government and autonomous regions is considered necessary to emphasize more on the principles of democracy.

Research conducted by Malau and Simarmata (2020) And Novita and Arza (2024) shows that the regional original income variable has a positive coefficient direction and has a significant effect on the level of regional financial independence. Based on this description, the following hypothesis can be proposed:

H1: Local Original Income has a positive effect on the Level of Regional Financial Independence.

The Influence of DAU on Independence

DAU is used to allocate regional spending, both capital spending such as land, buildings, and other fixed assets as well as operational spending such as employee spending, goods spending and so on. The relationship between DAU and regional financial independence is inversely proportional. If the general allocation fund is high, then the level of financial independence of a region is low.

Research conducted by Mahardika. Eka and Fauzan (2022)shows the results of the study indicate that general allocation funds have a significant influence and a positive coefficient tendency on the level of regional financial independence. Based on this description, the following hypothesis can be put forward:

H2: General Allocation Funds Have a Positive Influence on the Level of Regional Financial Independence.

The Influence of PAD on Economic Growth

Increasing economic growth in a region can increase the Regional Original Income so that the income obtained by the community that is increasing indicates that the community's ability to pay levies set by the regional government will also increase. Economic growth that experiences an increase along with an increase in regional original income is expected to fulfill the region's ability in implementing autonomy so that regional financial independence will improve or regional dependence on finances from the central government will decrease.(Utari Handayani, 2020).Research conducted by Jefri Alfin Sinaga et al., (2020)supports this, which shows that local original income has an impact on economic growth.

H3: Local Original Income Influences Economic Growth

The Influence of DAU on Economic Growth

DAU is a type of intergovernmental transfer that is not linked to a specific spending program. DAU is also known as unconditional assistance. DAU is used to improve infrastructure gaps in each region and encourage equitable economic growth.(Alifah and Kurniawati, 2024). Research conducted by Rawung, Poluakan, and Hamenda (2023)And Lestari, Ridwan, and Coal (2023) supports this idea, showing that general allocation funds have a positive effect on economic growth.

H4: General Allocation Funds Have a Positive Impact on Economic Growth.

RESEARCH METHODS

The method used in this study is a quantitative method. Quantitative research can be interpreted as a research method based on the philosophy of positivism, used to research a particular population or sample. The data used in this study is secondary data. The secondary data that researchers use is the Regional Revenue and Expenditure Budget Realization Report of the Riau Islands Province from 2013-2023 which has been published by the Directorate General of Fiscal Balance. The population and sample used are the Regencies/Cities in the Riau Islands Province consisting of 5 Regencies and 2 Cities from 2013-2023.

Operational Definition of Research Variables

There are two types of variables, namely exogenous and endogenous variables. The PAD and DAU variables are exogenous variables. The regional financial independence and economic growth variables are endogenous variables. PAD and DAU are measured by calculating the regional original income figures in the budget realization report from 2013-2023. Regional financial independence is measured by the formula:

$$Rasio\ Kemandirian = \frac{Pendapatan\ Asli\ Daerah}{Total\ Pendapatan\ Daerah}\ x\ 100\%$$

Economic growth is measured by the formula:

$$Pertumbuhan\ Ekonomi = \frac{(PDRB\ t - PDRB\ t-1)}{PDRB\ t-1}\ x\ 100\%$$

Information:
PDRBt = Gross Regional Domestic Product in year t
GRDPt−1= Gross Regional Domestic Product one year before year t

Data Analysis Tools

This study tests the hypothesis of multiple linear regression method with path analysis. This study looks at the direct and indirect effects of independent variables (PAD and DAU) on the final dependent variable (regional economic growth) through the mediating variable (regional financial independence). To test hypotheses 1 and 2 using the following equation:

$$Y1 = \alpha + \beta1X1 + \beta2X2 + \epsilon$$

To test hypotheses 3,4 and 5 use the following equation:

$$Y2 = \alpha + \beta3X1 + \beta4X2 + \beta5Y1 + \epsilon$$

Information:
X1 =Local Original Income (PAD)
X2 = Funds General Allocation (DAU)
Y1 =Regional Financial Independence
Y2 =Regional Economic Growth
ε = Error term or residue
α =Constant or intercept
β =Regression coefficient

RESULTS AND DISCUSSION

Descriptive Statistics

From the Secondary Data on the realization of Regional Original Income (PAD), General Allocation Fund (DAU), Regional Financial Independence, and Economic Growth in 2013-2023 that has been collected, the data description of the research variables is as follows:

Table 2
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PAD	76	17218368878	1529020422000	272292740496.25	349506152088.468
DAU	76	145433895000	689833897919	414857469089.76	111099523331.228
INDEPENDENCE	76	2.78	140.19	31.4995	33.60044
GROWTH	76	-8.21	7.78	3.1353	3.38515
Valid N (listwise)	76				

Source: Data processed using statistical tool SPSS version 23

Table 2 explains the description of each research variable. A detailed explanation of the table is as follows:

a) Locally-generated revenue
It can be seen in table 2 that the number of samples studied is 76 (Seventy-Six) samples. The Local Original Income variable has a minimum value of Rp 17,218,368,878 obtained from Anambas Islands Regency in the 2015 budget year and a maximum value of Rp 1,529,020,422,000 obtained from Batam City in the 2023 budget year. The Mean value is Rp 272,929,740,496.25 and the standard deviation is Rp 349,506,152,088.47.

b) General Allocation Fund
It can be seen in table 2 that the number of samples studied is 76 (Seventy Six) samples. The General Allocation Fund variable has a minimum value of Rp 145,433,895,000 obtained from Natuna Regency in the 2015 budget year and a maximum value of Rp 689,833,897,919 obtained from Batam City in the 2023 budget year. The Mean value is Rp 414,857,469,089.76 and the standard deviation is Rp 111,099,523,331.23.

c) Regional Financial Independence
It can be seen in table 2 that the number of samples studied is 76 (Seventy Six) samples. The Regional Financial Independence variable has a minimum value of 2.78% obtained from Anambas Islands Regency in the 2014 budget year and a maximum value of 140.19% obtained from Batam City in the 2018 budget year. The Mean value is 31.49% and the standard deviation is 33.6%.

d) Economic growth
It can be seen in table 2 that the number of samples studied is 76 (Seventy Six) samples. The Economic Growth variable has a minimum value of -8.21% obtained from Anambas Islands Regency in the 2018 budget year and a maximum value of 7.78% obtained from Tanjung Pinang City in the 2013 budget year. The Mean value is 3.13% and the standard deviation is 3.38%.

Data Normality Test

Table 3
One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual	Unstandardized Residual
N			76	76
Normal Parametersa,b	Mean		-.2128402	-.6094403
	Std. Deviation		13.42374350	3.12446657
Most Extreme Differences	Absolute		.097	.129
	Positive		.097	.088
	Negative		-.082	-.129
Test Statistics			.097	.129
Asymp. Sig. (2-tailed)			.073c	.003c
Monte Carlo Sig. (2-tailed)	Sig.		.445d	.145d
	99% Confidence Interval	Lower Bound	.433	.135
		Upper Bound	.458	.154

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Based on 10000 sampled tables with starting seed 2000000.

Source: Data processed using statistical tool SPSS version 23

Normality test is conducted to test whether the data used is normally distributed. Data is said to be normally distributed if Asmp Sig. (2-tailed) is greater than a (0.05). Based on the results of the normality test using the Kolmogorov-Smirnov method in Table 3, it can be seen that the residual values in this study are normally distributed. This can be proven that the significant values of 0.445 and 0.145 are greater than 0.05 in this case it can be concluded that the residual variables are normally distributed.

Multicollinearity Test

Table 4
Multicollinearity Test Results Model 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-650.142	155,989		-4.168	.000		
PAD	24.005	1,582	.902	15.175	.000	.617	1,620
DAU	2,526	6.655	.023	.380	.705	.617	1,620

a. Dependent Variable: INDEPENDENCE
Source: Data processed using statistical tool SPSS version 23

Multicollinearity test is a test that is intended to test whether the regression model between independent variables is correlated with each other. To detect the presence or absence of multicollinearity in a regression model can be seen from the Variance Inflation Factor (VIF) value and tolerance value. Table 4 shows that the VIF value in the PAD variable is 1.620 and its tolerance value is 0.617. Likewise with the DAU variable which gets a tolerance value of 0.617 and its VIF value is 1.620. Independent variables, both have tolerance values above 0.10 and the Variance Inflation Factors (VIF) value is not greater than 10, researchers can conclude that there is no multicollinearity among the independent variables of this study.

Table 5
Multicollinearity Test Results of Model 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	73,029	71,631		1,020	.311		
PAD	.823	.726	.166	1.133	.261	.617	1,620
DAU	-3.382	3,056	-.162	-1.107	.272	.617	1,620

a. Dependent Variable: GROWTH
Source: Data processed using statistical tool SPSS version 23

The test results of Table 5, show that the calculation of the tolerance value for the PAD variable (X1) is 0.617 and its VIF value is 1.620. The General Allocation Fund (X2) gets a tolerance value of 0.617 and its VIF value is 1.620. The independent variables, both have tolerance values above 0.10 and the Variance Inflation Factors (VIF) value is not greater than 10, the researcher can conclude that there is no multicollinearity among the independent variables of this study.

Heteroscedasticity Test

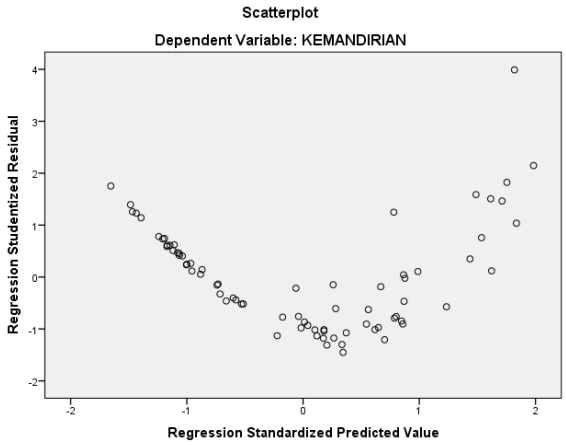


Figure 2. Heteroscedasticity Test Model 1
Source: Data processed using statistical tool SPSS version 23

The Heteroscedasticity Test aims to test the occurrence of variance inequality from the residual of one observation to another. If there is a regular pattern of dots, then heteroscedasticity is defined, conversely if the pattern of dots does not show a clear pattern, then heteroscedasticity is defined as not occurring. Based on the processing of SPSS 23, namely through the results of the Scatter plot diagram which can be seen in Figure 2, it is known that the pattern of dots that are spread irregularly and spread above and below the number 0 on the Y axis, then heteroscedasticity does not occur.

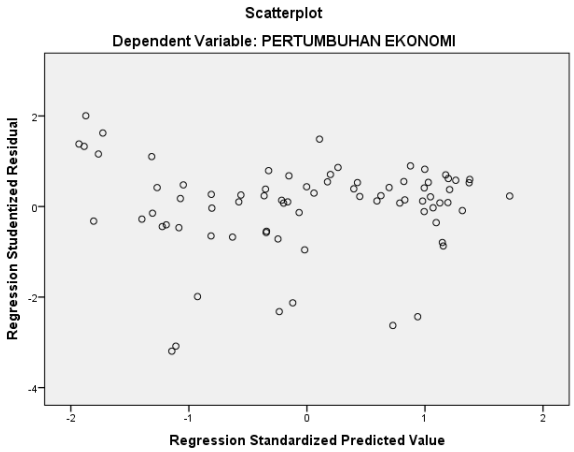


Figure 3. Heteroscedasticity Test Model 2
Source: Data processed using statistical tool SPSS version 23

The results of the heteroscedasticity test in Figure 3, based on SPSS 23 processing, namely through the results of the Scatter plot diagram which can be seen in Figure 3, researchers can also conclude that there is no heteroscedasticity because it can be seen in the figure above that there is no clear pattern, and the points are spread out, so there is no heteroscedasticity.

Autocorrelation Test

Table 6
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.489a	.239	.229	.17349849	2.129

a. Predictors: (Constant), DAU, PAD
b. Dependent Variable: Independence
Source: Data processed using statistical tool SPSS version 23

Autocorrelation Test aims to determine whether the regression has autocorrelation between the disturbance error in period t with the error in period t with the disturbance error in the previous period (t-1). To detect the presence or absence of autocorrelation, the Durbin Watson test is used. Table 6 states that the Durbin Watson (DW) value for the dependent variable Independence is 2.129. So, because 1.6819 < 2.129 < 2.3181, the model has no autocorrelation.

Table 7
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.756a	.571	.564	.51374938	1,910

a. Predictors: (Constant), DAU, PAD
b. Dependent Variable: Growth
Source: Data processed using statistical tool SPSS version 23

Table 7 produces the calculation of the Durbin Watson (DW) value for the dependent variable Growth of 1.910. So, because 1.6819 < 1.910 < 2.3181, the model has no autocorrelation or no correlation is found between the disturbing errors in one period and the previous period.

HYPOTHESIS TESTING RESULTS

Coefficient of Determination Test (R2)

The determination of R2 is used to determine how much the independent variable can explain the dependent variable. The higher the value or closer to 1, the higher a model explains its dependent variable. Likewise, the smaller and closer to 0, the lower a model explains its dependent variable.

Table 8
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.489a	.239	.229	.17349849	2.129

a. Predictors: (Constant), DAU, PAD
b. Dependent Variable: Independence
Source: Data processed using statistical tool SPSS version 23

Table 8 above states that the results of the multiple correlation analysis (R2) have been adjusted (Adjusted R Square) of 0.229 which shows that 22.9% has an influence between the Independent variable and the dependent variable. This means that the DAU and PAD variables have an influence on Regional Financial Independence while the remaining 77.1% has an influence on other variables not explained in this study.

Table 9
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.756a	.571	.564	.51374938	1,910

a. Predictors: (Constant), DAU, PAD
b. Dependent Variable: Growth
Source: Data processed using statistical tool SPSS version 23

Table 9 results of multiple correlation analysis (R2) have been adjusted (Adjusted R Square) of 0.564 which shows that 56.4% has an influence between the independent variable and the dependent variable. This means that the DAU and PAD variables have an influence on Economic Growth while the remaining 43.6% is influenced by other independent variables not discussed in this study.

Partial Test (T-Test)

Testing the significance value of the independent variable against the dependent variable can be done by conducting a t-test. The level of significance used is $\alpha = 5\%$ or 0.05. If count < T table or sig. value > 0.05, then H0 is accepted and H1 is rejected, meaning that the independent variable does not have a significant effect on the dependent variable. Conversely, count > table or sig. value < 0.05, then H0 is rejected and H1 is accepted, meaning that the variable.

Table 10
Partial Test Results (T-Test) Model 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-650.142	155,989		-4.168	.000		
PAD	24.005	1,582	.902	15.175	.000	.617	1,620
DAU	2,526	6.655	.023	.380	.705	.617	1,620

b. Dependent Variable: INDEPENDENCE
Source: Data processed using statistical tool SPSS version 23

Table 10 shows that the partial hypothesis test results for each variable to determine the influence of the independent variable on the dependent variable are as follows:

1. The first hypothesis states that Local Original Income (X1) has a partial effect on Regional Financial Independence. Proven by the results of the t-test obtained Tcount 15.175 > Ttable 1.992 and sig. value 0.000 < a (0.05). The higher the PAD, the higher the level of regional financial independence. This shows that PAD is a very important source of income in increasing regional financial independence.
2. The second hypothesis states that the General Allocation Fund (X2) has no partial effect on Regional Financial Independence. Proven by the results of the t-test obtained Tcount 0.380 < Ttable 1.992 and sig. value 0.705 > a (0.05). The DAU variable does not provide a significant contribution in explaining the level of regional financial independence. Although DAU is an important source of income for the region, its influence on regional financial independence is not as great as the influence of PAD.

Table 11
Partial Test Results (T-Test) Model 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	73,029	71,631		1,020	.311		
PAD	.823	.726	.166	1.133	.261	.617	1,620
DAU	-3.382	3,056	-.162	-1.107	.272	.617	1,620

a. Dependent Variable: GROWTH
Source: Data processed using statistical tool SPSS version 23

Table 11 shows that the partial hypothesis test results for each variable to determine the influence of the independent variable on the dependent variable are as follows:

1. The third hypothesis states that Local Original Income (X1) does not have a partial effect on Regional Economic Growth. Proven by the results of the t-test obtained Tcount 1.133 < Ttable 1.992 and sig. value 0.261 > a (0.05). The increase in PAD does not directly and significantly cause an increase in regional economic growth in the tested model.
2. The fourth hypothesis states that the General Allocation Fund (X2) does not have a partial effect on Regional Economic Growth. Proven by the results of the t-test obtained Tcount -1.107 < Ttable 1.992 and sig. value 0.272 > a (0.05). The increase in DAU does not directly and significantly contribute to increasing economic growth.

Simultaneous Test (F Test) or Anova

F Test Dependent variable testing to determine whether the independent variables are simultaneously able to influence or explain the dependent variable well and to test the model used whether it is fixed or not. Simultaneous criteria in decision making are if at the level of $\alpha = 5\%$ or 0.05 and if the sig. value > 0.05, then H0 is accepted and H1 is rejected, meaning that simultaneously the independent variable does not have a significant effect on the dependent variable. While if the sig. value < 0.05, then H0 is rejected and H1 is accepted, meaning that the independent variable has a significant effect on the dependent variable. The following are the test results using the F test (Simultaneous).

Table 12
Simultaneous Test Results (F Test) or Anova Model 1

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71166.968	2	35583.484	192.311	.000b
	Residual	13507.243	73	185,031		
	Total	84674.211	75			

a. Dependent Variable: INDEPENDENCE
b. Predictors: (Constant), DAU, PAD
Source: Data processed using statistical tool SPSS version 23

The results of the simultaneous test (F Test) in Table 12, it is known that the significance value (Sig.) is 0.000 l<i α (0.05). The null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted where the General Allocation Fund (DAU) and Regional Original Income (PAD) together have a significant effect on Regional Financial Independence. This shows that both independent variables contribute simultaneously in explaining variations in regional financial independence during the 2013-2023 period in the Riau Islands Province. DAU provides fiscal support to regions by helping to meet basic needs and reducing dependence on the central government, thereby increasing the capacity for financial independence. And PAD reflects the ability of regions to generate income from local resources, which is also the main indicator of financial independence.

Table 13
Simultaneous Test Results (F Test) or Anova Model 2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	188,962	2	94,481	10,287	.000b
	Residual	670,483	73	9.185		
	Total	859,445	75			

a. Dependent Variable: GROWTH
b. Predictors: (Constant), DAU, PAD
Source: Data processed using statistical tool SPSS version 23

The results of the simultaneous test (F Test) in Table 13, it is known that the significance value (Sig.) is 0.000 <α (0.05). The null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted where the General Allocation Fund (DAU) and Regional Original Income (PAD) together have a significant influence on Economic Growth. DAU as a transfer from the central government can be used by regions to finance economic development programs, such as infrastructure development, education, and health, all of which contribute to economic growth. And PAD reflects the ability of the region to generate local income that can be used to drive the regional economy more independently and sustainably.

DISCUSSION OF RESEARCH RESULTS

The Influence of Regional Original Income on Regional Financial Independence in the Riau Islands Province

The results of the study indicate that Local Original Income (PAD) has a positive and significant influence on regional financial independence in the Riau Islands Province during the period 2013-2023. This means that the higher the PAD, the better the level of independence of a region. This finding is consistent with previous theories and studies, which state that PAD is the main indicator of regional fiscal independence. An increase in PAD reflects the ability of regions to explore the potential of local resources, which ultimately reduces dependence on fund transfers from the central government.

Local revenue is regional revenue that can reflect the real conditions of the region and demonstrate regional financial independence. In the context of the Riau Islands Province, the increase in local revenue mainly comes from local taxes, levies, and regional asset management. However, there are still challenges in the form of low optimization of local resources, especially in areas with limited economic potential. Strategies that can be adopted include diversifying local revenue sources, involving the private sector in local economic development, and improving the quality of public services to attract investment. This is in accordance with the results of research by Malau and Simarmata (2020) which show that local revenue plays an important role in increasing regional fiscal capacity. In addition, the results of this study support the stewardship theory approach, where the local government as a "steward" is responsible for managing resources effectively for the public interest. This approach can be improved with better regional financial management training and strengthening collaboration between local governments and the community to optimally explore local revenue potential.

The Influence of General Allocation Funds on Regional Financial Independence in the Riau Islands Province

General Allocation Fund (DAU) is one of the financial transfer instruments from the central government to regional governments in the context of implementing fiscal decentralization. General Allocation Fund can help regions increase regional independence by funding productive programs that can encourage the growth of Regional Original Income (PAD). However, if DAU is only used for routine spending, it will actually increase the risk of regional dependence on central transfers.

The results of this study reveal that the General Allocation Fund (DAU) does not have a significant effect on regional financial independence in the Riau Islands Province. These results indicate that DAU is more often used for routine operational expenditures compared to productive investments that can support fiscal independence. In the context of fiscal decentralization, these results indicate the risk of regional dependence on central transfers. In fact, DAU should be an instrument to reduce financial disparities between regions. To mitigate this risk, policies are needed that encourage the allocation of DAU for strategic development programs, such as improving regional infrastructure, strengthening human resource capacity, and diversifying the local economy. This is relevant to the research of Mahardika and Fauzan (2022) which highlights the importance of results-based policies in the use of DAU.

The Influence of Regional Original Income on Regional Economic Growth in the Riau Islands Province
local revenue is one of the indicators in measuring the economic growth of a region. The greater the local revenue, the greater the economic growth. If a region has low local revenue, it will decrease economic growth. Theoretically, local revenue plays an important role in regional economic growth. Revenue generated by regions from local sources, such as local taxes, levies, results of managing regional wealth, and other legitimate revenues, should be used to support economic development through investment in infrastructure, public facilities, and public services. Thus, high local revenue should encourage increased economic activity, which ultimately creates jobs, increases people's purchasing power, and strengthens the local economic structure.

The results of the study indicate that PAD does not have a significant influence on regional economic growth. The increase in PAD does not directly encourage regional economic growth, the local government has not been able to optimize the role of the resources it has to increase economic growth. The PAD obtained is not used to improve community welfare, for example for public interests such as building roads, markets, hospitals and other facilities that can improve community welfare. This study is not in line with research conducted byJefri Alfin Sinaga et al., (2020) where the research supports that local original income has an impact on economic growth.

The Influence of General Allocation Funds on Regional Economic Growth in the Riau Islands Province
The General Allocation Fund (DAU) has a strategic role in driving regional economic growth. The General Allocation Fund can drive economic growth by funding infrastructure development projects, improving the quality of public services, and developing local economic potential. Adequate infrastructure, such as roads, bridges, health facilities, and education, can accelerate community economic activity, increase regional competitiveness, and create jobs. Thus, DAU has an important role as an investment instrument for regional development that can accelerate the rate of economic growth.

The results of the study indicate that DAU does not have a significant effect on regional economic growth. This is due to the inappropriate allocation of DAU, DAU received by the regions is not used for activities aimed at equalizing economic growth between regions, so that the role of DAU does not affect economic growth. The DAU received by the regions should be allocated for development spending as a means and infrastructure to increase economic growth but the DAU is allocated for routine spending, so that the allocation is not on target. This result is in line with the research of Rawung et al. (2023), which found that DAU often does not have a significant impact on economic growth because its allocation is used more for routine spending than for development investment. And this finding also supports the view of Lestari et al. (2023), which states that DAU is not effective in driving economic growth if it is not utilized optimally.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the results of the analysis and discussion regarding the Influence of Regional Original Income and General Allocation Funds on Regional Financial Independence and Regional Economic Growth in the Riau Islands in 2013-2023, it can be concluded that PAD has a positive and significant influence on regional financial independence. This shows that increasing PAD can strengthen the region's ability to be fiscally independent and reduce dependence on the central government. DAU does not have a significant influence on regional financial independence. These results indicate that the use of DAU tends to be directed towards routine spending rather than supporting an increase in regional fiscal capacity. PAD does not have a significant influence on regional economic growth. This shows that the allocation of PAD in the Riau Islands Province has not been fully directed to productive sectors that can drive economic growth. DAU also does not have a significant influence on regional economic growth. Ineffective management of DAU, especially in investment in sectors that drive economic productivity, is one of the factors explaining this finding.

Suggestion

Based on the conclusion regarding the Influence of Regional Original Income and General Allocation Funds on Regional Financial Independence and Regional Economic Growth in the Riau Islands in 2013-2023, the researcher suggests:

1. Local governments need to explore PAD potential more effectively, such as strengthening the management of local taxes, levies, and regional wealth. PAD allocation must be directed to productive sectors, such as infrastructure, education, and health, to support sustainable economic growth.
2. DAU should be used more strategically, with a larger proportion for development investment compared to routine spending. This will increase DAU's contribution to regional economic independence and growth. Monitoring and evaluation of DAU use needs to be improved to ensure efficiency and optimal economic impact.
3. Local governments are expected to improve their competence in regional financial management through training and development of financial management information systems, as well as encouraging collaboration with the private sector to create investment opportunities that can increase local revenue.
4. Further research is suggested to include other variables, such as capital expenditure or private sector investment, which can provide a more complete picture of the factors that influence economic growth and regional financial independence. Expanding the scope of the research area to other provinces to obtain more representative and comparable results.

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