THE INFLUENCE OF BALANCING FUNDS AND LOCALLY-GENERATED REVENUE ON ECONOMIC GROWTH IN SOUTH SUMATRA PROVINCE IN 2014-2018

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ABSTRACT

Purpose: This study discusses the influence of balancing funds and locally generated revenue on economic growth in South Sumatra Province in 2014-2018

Design/Methodology/Approach: The analytical method used is the Multiple Linear Regression using the help of the program eviews 10

Findings: The results of the calculation show that: (a) partially the Balancing Fund variable (X1) has a significant influence on economic growth in South Sumatra and Locally generated revenue (X2) has a significant influence on economic growth in South Sumatra. Then, they are tested to do together it is known that both the Balancing Fund (X1) and locally generated revenue (X2) together have a significant influence on economic growth in South Sumatra. (b) The value of the coefficient of determination (Adjusted R Square) is 0.99, it shows that 99% fluctuations in economic growth in South Sumatra are influenced by the Balanced Fund (X1) and locally generated revenue (X2) while the remaining 0.01% is influenced by variables other than variables in this study such as local expenditure and others.

Keywords: Balancing Funds, locally generated revenue and Economic Growth

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INTRODUCTION

Economic growth is a quantitative measure that describes the development of an economy in a certain year (Sukirno, 2014). This development cannot be separated in various regions in Indonesia. South Sumatra, as one of the provinces in Indonesia, is the result of the division of Sumatra Province in 1950. Until 1998, South Sumatra Province had 10 regencies/cities. From 1999 until now there has been regional division and 17 districts and 4 cities have been formed. Palembang City, as the capital of South Sumatra Province, is currently one of the destination cities in Indonesia. This is due to the condition of the city of Palembang, which in the last 5 years has progressed so rapidly, it can be seen from the rampant growth of infrastructure, city facilities and infrastructure, and the growing economic wheels.
To further realize good public and corporate governance, regional autonomy is deemed necessary to give the authority to self-regulate government affairs and the interests of local communities. This division of authority has been realized by regulating the distribution, utilization of national resources, and financial balance between the central and regional governments as stipulated in Law Number 23 of 2014 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Government.

Following Law Number 23 of 2014 concerning Regional Government Article 25 paragraph (1) states that the administration of government affairs which fall under regional authority is funded from and at the expense of the Regional Expenditure Budget (APBD), and paragraph (2) states that the administration of government affairs which becomes the authority of local governments to be funded from and at the expense of the State Budget (APBN). The relationship in the financial sector between the Central Government and the Regional Government as stated in Article 15 paragraph (1) letter b is about the allocation of balance funds to regional governments. The balancing fund consists of the Profit-Sharing Fund, the General Allocation Fund (DAU).

South Sumatra is a province in Indonesia that is located in the southern part of Sumatra Island. This province consists of 13 districts and 4 cities. This province is one of the provinces that has a fiscal imbalance problem in funding sources from PAD in several districts and cities. Fiscal imbalance, in this case, the regions are not able to meet regional expenditures and costs through genuine regional funding sources. Thus, the level of dependence of local governments on the central government is quite high. Therefore, it is needed for careful budget planning to achieve synergistic regional development. The following is data regarding Balancing Funds, locally generated revenue (PAD), and Economic Growth in South Sumatra Province.

| Year | Balancing Fund (X1) (Rp) | Locally-generated revenue (PAD) (X2) (Rp) | Economic Growth (Y) (Rp) |
|------|--------------------------|------------------------------------------|--------------------------|
| 2014 | 2,982,866,000,000,00   | 2,422,673,000,000,78                   | 306,421,601,000,00       |
| 2015 | 2,329,728,331,300,00   | 2,534,526,413,315,00                   | 331,765,702,000,00       |
| 2016 | 2,713,196,347,000,00   | 2,733,329,640,401,00                   | 354,547,076,000,00       |
| 2017 | 5,175,402,210,000,00   | 3,016,085,362,904,00                   | 383,758,602,000,00       |
| 2018 | 5,513,017,500,414,00   | 3,528,010,712,183,54                   | 422,057,000,000,00       |

*Source: Directorate General of Fiscal Balance and BPS, 2020.*
Based on the table 1, it is known that the economic growth rate of South Sumatra in 2014 increased by Rp. 306,421,601,000.00 from the following year 2015 amounting to Rp. 331,765,702,000.00 but due to the weakening of South Sumatra's economic growth, it also weakened, as seen from the 2016 data of Rp. 354,547,076,000.00 in the following year experienced a not too significant increase. This shows that the economy of South Sumatra experienced a significant shock even though in the following year it began to increase. The government should do more for public service programs (such as the Joint Movement for Persons with Disabilities and the Service Program that Never Stop schooling for street children and school dropouts), then allocate spending for the public interest and delegate authority to local governments, followed by delegation in the financial sector.

South Sumatra’s Locally generated revenue (PAD) has increased every year from 2014 to 2018; locally generated revenue in 2014 has increased not so significantly, namely Rp. 2,422,673,000,000.78 to Rp. 2,534,526,413,315.00. In budget management, the principle of independence is used as the basis for Regional Government to optimize revenue from its region, namely the PAD sector. According to Erlina and Rasdianto (2015: 111), Regional Original Income is a group of Regional Original Income divided according to the type of income consisting of regional taxes, regional levies, separated wealth management results, and other legitimate regional original income. PAD consists of local taxes, regional levies, proceeds from the management of separated regional assets, and other legal income. With the increase in PAD, it is hoped that it can increase local government investment in regional spending so that the government provides good quality public services.

Then the balance fund for South Sumatra in 2014 increased by Rp. 2,982,866,000,000.00 from the year after 2015 decreased by Rp. 2,329,728,331,330.00 seen from the data in 2016 amounting to Rp. 2,713,196,347,000.00 in the following year an increase was not so significant. The amount of balance funds for the Province of South Sumatra each year is determined based on a Presidential Decree, as the data shows that every year it changes and experiences ups and downs, this cannot be separated from the change in leadership of the Republic of Indonesia. Balancing funds come from general allocation funds, special allocation funds, and tax sharing / non-tax revenue sharing. The link between balancing funds and economic growth is one of the sources of financing for regional expenditures for the provision of facilities and infrastructure to provide good public services from local governments (agents) to the community (principals).

Arsyad (2010: 12) states that economic growth is an increase in GDP, regardless of whether the increase is greater or less than the rate of population growth, or whether there is a change in the economic structure applies or not.

According to Mahmudi (2015: 113), the purpose of the balancing fund is to address financial fiscal imbalances between the central government and horizontal imbalances between regional governments due to the inequality of existing resources in each region. Even though the balance fund is an idea of the burden of regional expenditure which is allocated fairly and evenly so that it can relatively be enjoyed by all groups of society
without discrimination, especially in the provision of public services, but in the following year, it has increased. According to Sumarsono (2010: 90), usually the greater regional spending which is issued the more regional development is carried out. The difference is, if PAD comes from public money, while the balance funds come from APBN transfers by the central government to local governments. The independence of the regions does not get better what happens is the opposite, namely the dependence of the regional government on central government transfers is getting higher.

**RESEARCH METHOD**

This study analyzes the economy of the Province of South Sumatra with the scope of the discussion of Balancing Funds and Locally generated revenue on Economic Growth to Economic Growth of South Sumatra Province in 2014 - 2018 in 17 Regencies / Cities.

This study uses secondary data. Secondary data is data that has been collected by data collection agencies and published to the data user community (Kuncoro, 2009: 148). Secondary data used by researchers is panel data (panel pooled data), namely a combination of cross-section data and time series (Widarjono, 2013: 253). The secondary data were obtained from the Central Statistics Agency (BPS) of South Sumatra Province and the Directorate General of Fiscal Balance.

The data used in this research is quantitative. Quantitative data is data that is measured on a numeric scale (numbers) (Kuncoro, 2009: 145). Quantitative data includes data on Balancing Funds and Locally generated revenue in 2014 - 2018 from the Directorate General of Financial Balance and economic growth between districts in South Sumatra Province in 2014 - 2018 at the Central Statistics Agency (BPS) of South Sumatra Province.

The method used in this research is the explanatory research method. The analytical tool in this research is quantitative data. According to Arikunto (2012: 352) quantitative analysis is an analysis tool that uses models (for example mathematics) with the results presented in the form of numbers which are then described or presented or interpreted in a description. The data linking cross-section and time series is called panel data. Regression using panel data is called a panel data regression model (Widarjono 2013: 253). There are several advantages to using panel data. First, panel data is a combination of two-time series data and a cross-section as well as providing more data so that it will produce a greater degree of freedom. Second, combining information from time series and cross-section data can solve problems that arise when omitted-variable problems are involved. This panel data analysis will use Eviews 9 software.

The panel data equation model which is a combination of cross-section data and time-series data is as follows:

\[ Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \ldots + \beta_n X_{nit} + e_{it} \]
The Influence of Balancing Funds and Locally-Generated Revenue on Economic Growth in South Sumatra Province in 2014-2018

where:

\[ Y_{it} = \text{economic growth (dependent)} \]
\[ X_{1it} = \text{Balancing Fund (independent)} \]
\[ X_{2it} = \text{Locally-generated revenue (PAD) (independent)} \]
\[ i = \text{entity of } i \]
\[ t = \text{period of } t \]

The equation above is a multiple linear regression model from several independent variables and one dependent variable. Multiple linear regression model estimation aims to predict the regression model parameters, namely the value of the constant (α) and the regression coefficient (βi). The constant is called the intercept and the regression coefficient is called the slope. Panel data regression has the same objective as multiple linear regression, which is to predict the intercept and slope values. The use of panel data in regression will result in different intercepts and slopes for each entity/company and each period. The panel data regression model to be estimated requires assumptions about the intercept, slope, and disturbance variables. According to Widarjono (2007), several possibilities will arise due to the assumption of the intercept, the slope, and the disturbance variable.

1. It is assumed that the intercept and slope are constant throughout the period and the entity/company. The difference between the intercept and the slope is explained by the residual disturbance variable.
2. It is assumed that the slope is fixed but the intercept is different between entities/companies.
3. It is assumed that the slope is fixed but the intercept is different both over time and between individuals.
4. It is assumed that the intercept and slope differ between individuals.
5. It is assumed that the intercept and slope differ over time and between individuals.

Model Selection (Estimation Technique) Panel Data Regression

The three-panel data estimation techniques (models) can be selected according to the research situation, seen from the number of individual banks and research variables. However, several ways can be used to determine which technique is the most appropriate in estimating panel data parameters. According to Widarjono (2007: 258), there are three tests for selecting panel data estimation techniques.

1. F statistical test (Chow test)
2. Hausman’s Test
3. Lagrange’s Multiplier test

Statistical Testing

1 t-test (Individual Test)

The T-test is used to test or compare the average value of a sample with its other values. The T-test is conducted to determine whether all the independent variables partially have
a significant effect on the dependent variable. The examiner is carried out with a specified level of 95% with a significant level of 0.05% and the degree of freedom (df) n-k comparing T count with T table, Ho is rejected, and Ha is accepted. This means that the independent variable has a significant effect on the independent variable has no influence on the dependent variable Supranto (2015: 148). The hypothesis in this test is:

a. Hypothesis of the Effect of Balancing Fund Variables (X1) on Economic Growth (Y)
Ho: $b_1 = 0$, there is no significant effect of the Balancing Fund (X1) variable on Economic Growth (Y).
Ha: $b_1 \neq 0$, there is a significant effect of the Balancing Fund (X1) variable on economic growth (Y).

b. Hypothesis of the Effect of Variable Locally generated revenue (PAD) (X2) on Economic Growth (Y)
Ho: $b_2 = 0$, there is no significant influence of the Locally generated revenue (PAD) variable (X2) on Economic Growth (Y).
Ha: $b_2 \neq 0$, there is a significant influence of the Locally generated revenue (PAD) variable (X2) on Economic Growth (Y).

2 Test F
The F-test is conducted to determine whether Balancing Fund and Locally generated revenue simultaneously affect the Economic Growth. The analysis of the F test is carried out by comparing F count with F table with the specified alpha confidence level is 10% comparing F count with F table; or p-value < $\alpha$ (research significance level), then Ho is rejected, and Ha is accepted. It means that the variable independent simultaneously influences the dependent variable. Conversely, if F count < F table; or p value > $\alpha$, then Ho is accepted, and Ha is rejected. The results are not significant, which means that the independent variable does not influence the dependent variable (Supranto, 2015: 148). The null hypothesis is:

Ho: $b_1, b_2 = 0$, there is no significant effect of the Balancing Fund and Locally generated revenue simultaneously on Economic Growth.

Ha: $b_1, b_2 \neq 0$, there is a significant effect of the variable Balancing Fund and Locally generated revenue simultaneously on economic growth.

RESULTS AND DISCUSSION
South Sumatra is a province in Indonesia that is located in the southern part of Sumatra Island. This province consists of 13 districts and 4 cities. This province is one of the provinces that has a fiscal imbalance problem in funding sources from PAD in several districts and cities. South Sumatra is a province in Indonesia that is located in the southern part of Sumatra Island. This province consists of 13 districts and 4 cities. This province is one of the provinces that has a fiscal imbalance problem in funding sources
from PAD in several districts and cities. Fiscal imbalance, in this case, the regions are not able to meet regional expenditures and costs through genuine regional funding sources. Thus, the level of dependence of local governments on the central government is quite high. Therefore, it is needed for careful budget planning to achieve synergistic regional development. The following is data regarding Balancing Funds, locally generated revenue (PAD), and Economic Growth in Regencies / Cities of South Sumatra Province from 2014 - 2018.

| Regency/city   | Year | Economic Growth (Rp) (Y) | Balancing Fund (Rp) (X₁) | Locally Generated Revenue (PAD) (Rp) (X₂) |
|---------------|------|--------------------------|--------------------------|------------------------------------------|
| Lahat         | 2018 | 11,723,720,000           | 1,377,663,737,906        | 112,571,296,475                          |
| Musi Banyuasin | 2018 | 42,678,340,000           | 2,399,445,440,610        | 210,238,037,283                          |
| Musi Rawas     | 2018 | 12,922,240,000           | 1,330,725,122,188        | 106,289,385,326                          |
| Muara Enim     | 2018 | 38,863,930,000           | 1,792,510,139,858        | 232,468,708,584                          |
| OKI            | 2018 | 19,218,840,000           | 1,603,716,516,140        | 235,946,143,259                          |
| OKU            | 2018 | 9,349,180,000            | 1,030,583,563,489        | 156,622,053,791                          |
| Palembang      | 2018 | 98,661,070,000           | 1,990,567,989,526        | 953,302,082,628                          |
| Prabumulih     | 2018 | 5,102,000,000            | 738,071,836,484          | 90,910,521,066                           |
| Pagar Alam     | 2018 | 2,160,760,000            | 636,317,733,383          | 73,600,344,354                           |
| Lubuk Linggau  | 2018 | 4,109,070,000            | 706,155,116,266          | 105,606,815,787                          |
| Banyuasin      | 2018 | 18,989,260,000           | 1,449,491,756,245        | 140,602,072,490                          |
| Ogan Ilir      | 2018 | 7,118,750,000            | 1,049,790,700,966        | 55,362,963,113                           |
| OKU Timur      | 2018 | 9,506,470,000            | 1,170,665,910,633        | 85,235,157,421                           |
| OKU Selatan    | 2018 | 5,441,960,000            | 910,648,906,804          | 42,993,134,752                           |
| Empat Lawang   | 2018 | 3,349,160,000            | 745,236,496,901          | 32,217,492,489                           |
| PALI           | 2018 | 4,432,600,000            | 1,022,376,727,650        | 74,392,980,925                           |
| Musi Rawas Utara | 2018 | 5,331,890,000           | 735,356,800,546          | 30,141,830,710                           |

Source: Directorate General of Fiscal Balance and the Central Bureau of Statistics, 2020.

Based on the table 2, it is known that the economic growth rate of South Sumatra has increased, but due to a weakening, the economic growth of South Sumatra has also weakened, for several districts/cities to experience an increase that is not so significant. This shows that the economy of South Sumatra experienced a significant shock or shock even though in the following year it began to experience an increase. The government should do more for public-like programs, and then allocate spending to share public
interests and the delegation of authority to local governments, followed by the delegation in the financial sector.

South Sumatra's Locally generated revenue (PAD) has increased every year from 2016 to 2019 in every district/city. In budget management, the principle of independence is used as the basis for Regional Government to optimize revenue from its region, namely the PAD sector. According to Erlina and Rasdianto (2015: 111), Locally generated revenue is a group of Locally generated revenue divided according to the type of income consisting of regional taxes, regional levies, separated wealth management results, and other legitimate Locally generated revenue. PAD consists of local taxes, regional levies, proceeds from the management of separated regional assets, and other legal income. With the increase in PAD, it is hoped that it can increase local government investment in regional spending so that the government provides good quality public services.

Then the South Sumatra balance funds in each district/city experienced an increase that was not so significant. The amount of balance funds for the Province of South Sumatra each year is determined based on a Presidential Decree, as the data shows that every year it changes and experiences ups and downs, this cannot be separated from the change in leadership of the Republic of Indonesia. Balancing funds come from general allocation funds, special allocation funds, and tax sharing / non-tax revenue sharing. The link between balancing funds and economic growth is one of the sources of financing for regional expenditures for the provision of facilities and infrastructure to provide good public services from local governments (agents) to the community (principals). According to Mahmudi (2015: 113), the purpose of the balancing fund is to address financial fiscal imbalances between the central government and horizontal imbalances between regional governments due to the inequality of existing resources in each region.

**Analysis Results**

Panel data regression has a combination of characteristics, namely data that consists of several objects and includes time. This kind of data has advantages, especially because it is robust against several types of violations, namely heteroscedasticity and normality. Panel data regression can be done in three models, namely pooled, fixed effect, and random effect. Each model has its advantages and disadvantages. The choice of the model depends on the assumptions used by the researcher and the fulfillment of the statistical data processing requirements that are correct so that it can be justified statistically. Therefore, the first step to take is to choose a model from the three available. Panel data that has been collected is regressed using the pooled method. Based on the three test results, the selected model is the fixed effect model (FEM).

After all the variables studied have passed the classical assumption test and there are no deviations from the classical assumptions, the next step is to test the hypothesis as follows:

The t statistical test shows how far the influence of one explanatory variable individually in explaining the variation of the dependent variable (Kuncoro, 2009: 238). The calculation results for the statistical t-test can be seen in the following coefficients table:
The Influence of Balancing Funds and Locally-Generated Revenue on Economic Growth in South Sumatra Province in 2014-2018

Table 3
Coefficients table

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|-------|
| C        | 8,478,697,801.45039 | 1,245,643,969.9944 | 6.806678 | 0.0000 |
| X1?      | 0.002914     | 0.001213   | 2.401739   | 0.0191 |
| X2?      | 0.029823     | 0.004326   | 6.893943   | 0.0000 |

R-squared 0.995458
Mean dependent var 1.595210
Adjusted R-squared 0.994219
S.D. dependent var 2.105210
S.E. of regression 1.604509
Akaike info criterion 45.41374
Sum squared resid 1.687820
Schwarz criterion 45.95975
Log likelihood -1911.084
Hannan-Quinn criter. 45.63336
F-statistic 803.5864
Durbin-Watson stat 1.679450
Prob(F-statistic) 0.000000

Source: 2020 data processed

Furthermore, based on table 3, it is obtained for t count for variable X¬1 of 2.401739 because with t table (α / 2 = 0.05 / 2 = 0.025) and df = (nk - 1), namely (85 - 2 - 1 = 82), for the two-party test obtained t table = 1.98932 with the decision-making criteria based on the probability value and the t-test. The value obtained is t count (2.401739) and t table (1.98932) because t count > t table or 2.401739 > 1.98932, then the decision Ho is rejected and Ha is accepted, meaning that (X¬1) the balance fund has a significant effect on economic growth in South Sumatra. Graphically, the hypothesis is tested on two sides.

![Figure 1](image-url)

**Figure 1**
Test of 95% Confidence Level for Variable X1

In the figure 1, it can be seen that the t count value of 2.401739 is in the receiving area of Ha, so that Ho is rejected, and Ha is accepted, meaning that the balanced fund has a significant effect on economic growth in South Sumatra.

Then in table 3 for the variable Locally generated revenue (PAD) (X2), the t count is 6.893943 with t table (α / 2 = 0.05 / 2 = 0.025) and df = (nk - 1), namely (85 - 2 - 1 = 83), for the two-party test obtained t table = 1.989 with the decision-making criteria based on the t test. The value obtained is t count (2.054342) and t table (1.98932) because t count > t table or 6.893943 > 1.98932, then Ho's decision is rejected and Ha is accepted, which means that locally generated revenue (PAD) has a significant effect on economic growth in South Sumatra. Graphically, the hypothesis is tested on two sides.
Figure 2

Test of 95% Confidence Level for Variable X2

In the figure 2, it can be seen that the t count value of 6.893943 is in the receiving area of Ha, so that Ho is rejected and Ha is accepted, meaning that the Locally-generated revenue (PAD) has a significant effect on economic growth in South Sumatra. To be able to find out whether all X variables, namely Balanced Fund (X1) and Locally-generated revenue (X2) jointly affect or not on economic growth in South Sumatra, a simultaneous significance test is used and the results are as follows:

Based on table 3, it is found that F count is 803.5864. The results are then compared with F table at a confidence level of 95% or \( \alpha = 5\% \) with F table = F (1 - \( \alpha \)) (dk numerator = 2), (dk denominator = 85 - 2 - 1 = 82) obtained F table \( 3, 11 \). So F count > F table or 803.5864 > 3.11, then Ho is rejected and Ha accepted, meaning that all X variables, namely Balancing Funds (X1) and Locally-generated revenue (X2) together have a significant effect on economic growth in South Sumatra.

Analysis of the coefficient of determination shows the magnitude of the contribution of the influence of the independent variable on the dependent variable. The results of the coefficient of determination analysis can be seen in the following table of the FEM model

Based on table 3, the value of the coefficient of determination (Adjusted R Square) is 0.99, this shows that 99% of the fluctuation of economic growth in South Sumatra is influenced by the variable Balancing Fund (X1) and locally generated revenue (X2) variables, while the remaining 0.01% is influenced by variables other than the variables in this study such as regional spending and others.

Results of Analysis and Discussion

Based on the results of data processing in the coefficient table with multiple linear regression methods to test the effect of independent variables balancing funds (X1) and locally generated revenue (X2) on the dependent variable economic growth (Y), a regression equation can be drawn up as follows:

\[
\text{Economic Growth} = 8,478,697,801.45039 + 0.002914 \times \text{Balancing Fund} + 0.029823 \times \text{Locally generated revenue}
\]

Based on the above equation, the constant value is 8,478,697,801.45039. This shows that if the Balancing Fund (X1) and locally generated revenue (PAD) (X2) do not exist or
have a zero value, then economic growth (Y) will increase by 8,478,697,801,450 rupiahs.

The regression coefficient value of the Balancing Fund (X1) = 0.002914 is positive, indicating that if the Balancing Fund variable increases by 1 rupiah, then Economic Growth (Y) in South Sumatra Province will increase by 0.002914 rupiahs, assuming the Locally generated revenue (PAD) variable is worth permanent.

The regression coefficient value of Locally generated revenue (PAD) (X2) = 0.029823 is positive, indicating that if the Locally generated revenue (PAD) variable increases by 1 rupiah, then Economic Growth (Y) in South Sumatra Province will increase by 0.029823 rupiahs, assuming the variable Fund Fixed value balance.

Based on the results of the analysis, it shows that the Balancing Fund variable (X1) has a significant effect on economic growth in South Sumatra and Locally generated revenue (X2) has a significant effect on economic growth in South Sumatra. Simultaneously it is known that both the Balancing Fund (X1) and locally generated revenue (X2) together have a significant effect on economic growth in South Sumatra.

Based on the research results, it is known that the Balancing Fund (X1) has a significant effect on economic growth in South Sumatra.

The balancing fund is related to economic growth where the balancing fund is allocated by the central government to the regions to finance regional needs with the aim of reducing inequality and funding gaps between regions. Thus, the balancing fund is also related to the program for equitable distribution of economic development between regions in order to increase regional economic growth (Waluyo, 2007).

Locally generated revenue (X2) has a significant effect on economic growth in South Sumatra. This is by the statements of Mawarni et al., (2013) and Putri (2015) in Kusumawati (2018) which states that locally generated revenue has a positive and significant effect on economic growth.

The decentralization policy has a positive influence on regional independence in an effort to increase regional economic growth. Regional original income as the main source of regional development is closely related to regional economic growth, because regional original income is all regional income originating from local economic sources, thus contributing greatly to supporting regional development in order to increase regional economic growth (Halim, 2010).

CONCLUSION AND SUGGESTION

Conclusion
Based on the results of the analysis and discussion, it can be concluded that:

1. Partially the Balancing Fund variable (X1) and locally generated revenue (X2) has a significant effect on economic growth in South Sumatra. Then together it is known that both the Balancing Fund (X1) and the Locally generated revenue (X2) together have a significant effect on economic growth in South Sumatra.
2. The fluctuation of economic growth in South Sumatra by 99% is influenced by the variable Fund Balance (X1) and locally generated revenue (X2) only 1% is influenced by variables other than variables in this study such as regional expenditure, population, inflation rate and other.

**Suggestion**
The variables in this study, so it can be suggested for further research to examine other factors that can affect the economic growth of regencies/cities in South Sumatra Province.

The Government of South Sumatra must continue to increase its regional revenues, especially those originating from Locally generated revenue by seeking all potential sources of income in South Sumatra.

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