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Original Research Article

The Importance of Regional Original Revenue, Revenue Sharing Funds, and General Allocation Funds to Improve Economic Growth in District/City Governments in Papua

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Abstract: This research aims to describe Local Original Income, Revenue Sharing Funds, General Allocation Funds, and Economic Growth. The research location was in the Regency/City in Papua Province. The data analysis technique in this study used descriptive qualitative analysis. The results of the study found that regional financial components such as Regional Original Income (PAD), Revenue Sharing Funds (DBH), and General Allocation Funds (DAU) in Papua showed stability. At the same time, Economic Growth varied, reflecting complex economic challenges. With different contributions in each region, PAD supports financial independence, and DBH is allocated fairly and evenly. Overall, a sustainable policy is needed for economic stability, considering the potential and challenges of each region. The research results are expected to provide accurate information that helps in decision-making and policy improvement and is expected to be a benchmark for community performance for the regional government. It also theoretically tests regional revenue sources' management, including expenditure and financing, and its impact on poverty, area, capital expenditure, and economic growth.

Keywords: Local Original Income, Revenue Sharing Fund, General Allocation Fund, Economic Growth.

1. INTRODUCTION

Economic growth is a condition where a country's economic conditions change continuously towards a better direction for a certain period. To achieve economic growth, the government carries out development, which is part of the implementation of Regional Autonomy, where Regional Autonomy provides the authority and obligation to run and regulate its own region in accordance with the regulations stipulated by law and the principles of regional autonomy.

The implementation of Regional Autonomy is financed by regional income, from which the balance of the Regional Government is expected to play a role by utilizing all resources optimally in creating high economic growth Fajri *et al.*, (2019), while economic growth will be easier to achieve when the regional government has good governance (Cooray, 2009). Economic growth is a long-term increase in a country's ability to provide many types of economic goods to its population; the government's ability grows in accordance with technological advances, and the necessary institutional and ideological adjustments (Jhingan, 2010).

Economic growth can be seen from the GRDP value (Azizah *et al.*, 2022). Gross Regional Domestic Product is one of the macroeconomic indicators that can provide an indication of the extent of economic development and regional economic structure. Meanwhile, Arsyad (2020) stated that regional economic growth is measured by analyzing changes in aggregate work agreements sectorally compared to changes in the same sector in the economy that are used as a reference. When economic growth does not reach the target, the government must immediately stabilize growth and take action. The government needs to adopt policies to encourage economic growth, especially when there is a weakness.

When economic growth achieved without government efforts (market-driven growth rate) exceeds the growth target, the government has no incentive to increase spending. Conversely, when the market-driven growth rate falls short of the target, the government is pressured to stabilize growth and increase government

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spending to boost the economy (Chen & Xu, 2022). On the positive side, the incentive to achieve economic growth targets can motivate local governments to boost economic growth (Li *et al*., 2019). On the negative side, the government is more likely to manipulate statistical data and distort resource allocation under the pressure of performance assessment (Lyu *et al*., 2018; Yu, Y *et al*., 2019 and Chen *et al*., 2021).

In modern organizations, performance targets are widely used to incentivize leaders to improve performance (Locke *et al*., 1990; Murphy, 2000). Macro-level performance targets are the setting of various economic targets, such as economic growth, monetary, and inflation (Xu & Liu, 2017; Bell, 2016; Svensson, 1997; Issing, 1997). Previous studies have found many factors that influence socio-economics, such as population density, level of economic development, trade openness, regional size, and political institutions (Rodrik, 1996; Ram, 2009; Alan, 1998; Meltzer & Richard, 1983; Persson & Tabellini, 2004).

Research conducted by Akram and Rath (2020) revealed that the size of the government can increase or suppress economic growth in many ways. The government can suppress economic growth by financing government spending by collecting taxes, increasing borrowing, or printing more money. Conversely, the government can weaken economic growth due to the complexity of providing 'public goods'. The government is optimal when an economy works efficiently with positive economic growth and the private and public sectors are in balance.

The trade theory literature shows a positive relationship between economic openness and income growth (Balassa, 1978; Kessides, 1991; Dollar & Kraay, 2004; Darku & Yeboah, 2018). Outward-oriented policies that encourage capital inflows also create a conducive and supportive environment for the private sector to develop and contribute fully to the potential of domestic economic growth. Empirical investigations into the relationship between economic openness and real GDP growth began with the work of Balassa., (1978) and Krueger, (1978). The results showed that economic openness is the “engine” of real GDP growth and a means to improve living standards.

The composition of government expenditure varies widely across countries and has changed significantly globally (Chen *et al*., 2019). The relationship between government expenditure and economic growth has received much attention in theoretical and empirical economic growth literature. The literature has also generated a series of ongoing debates on the effects of government expenditure and economic growth (Aschauer, 1989; Tanzi & Zee, 1997; Kolluri *et al*., 2000; Ono, 2014; Lahirushan *et al*., 2015). Research results indicate a causal relationship between government expenditure and economic growth (Ram, 1986; Levitt *et al*., 1987 & Srinivasan, 2013).

Several studies found a positive relationship between government spending and economic growth (Chude, 2013; Agbonkhese *et al*., 2014; Njoku *et al*., 2014; Lahirushan & Open, 2015), and some studies found a negative relationship (Landau, 1983; Aschauer, 1989; Grier & Tullock, 1989; Barro, 1990; Devarajan *et al*., 1996) while others found no significant relationship between government spending and economic growth (Ansari *et al*., 1997). The relationship between government spending and economic growth can be explained by two main theoretical propositions, namely Wagner's law and the Keynesian hypothesis, which have been tested using empirical data. Wagner's law suggests that economic growth will increase government spending, especially on social services and transfers, infrastructure, and other economic services (Joyce, 1987 & Srinivasan, 2013). In contrast, the Keynesian hypothesis suggests that government spending is an independent policy tool that can be used to influence economic activity in the short run.

Government spending as a fiscal policy tool to direct government funds to certain priority sectors is an important determinant of Economic Growth. Ram (1986) discusses that (1) government involvement can increase the level of greater productive investment, and (2) government involvement can align the conflicting interests of the private sector and society, thereby increasing economic growth.

To explore the relationship between government spending and economic growth, Gross Domestic Product (GDP) and government spending have been used to measure the variables of government spending and economic growth (Selvanathan & Selvanathan, 2021). The results of the study show that government spending is positively related to economic growth, while government investment spending appears to have the greatest influence on growth.

Ravinthirakumaran & Kesavarajah (2011) revealed that government spending on education, transportation, and communication positively impacts economic growth, while health and defense negatively impact economic growth. Alam *et al*., (2010) found that spending on infrastructure, education, and health plays an important role in driving economic growth in all Asian countries.

Regional autonomy is autonomous regions' right, authority, and obligation to regulate and manage their government affairs and the local community's interests by laws and regulations (Regional Autonomy Law No. 32 of 2004). Regional governments have the authority to generate revenue and play an independent allocation role in determining development priorities through Regional Autonomy and fiscal decentralization.

Regional autonomy and fiscal decentralization policies are expected to reduce vertical and horizontal disparities between regions and promote equitable development by the wishes of the regions to develop regions according to their respective regional potentials.

The regional government is authorized to determine the allocation of funding sources for financing regional government programs by adhering to the principles of compliance with laws, regional needs, and regional capabilities. Permendagri Number 77 of 2020 states that Regional Financing is all receipts that must be repaid and expenditures that will be received back in the relevant and subsequent budget year (Permendagri, 2020).

This research aims to describe local original income, revenue sharing funds, general allocation funds, and economic growth. The results of this study are expected to contribute practically, which is useful for the Regional Government to provide accurate information that helps in decision-making, improving public policies, and solving community problems. As well as being useful for the community as a benchmark for government performance in managing regional income for public services and economic growth. In addition, theoretical contributions empirically test the management of revenue sources by local governments, including spending on revenue sources, financing government activities, and their impact on the number of poor people, area, and capital expenditures that affect economic growth.

2. LITERATURE REVIEW

The development of technological progress and production factors are the most important factors that determine the level of economic growth in a certain period. From time to time, the government has intervened in the country's economy since implementing the tax system and the possibility of inflation, seeing how each factor of production and technological developments affect economic growth and analyzing the contribution of capital stock development and technological development in economic development.

Experts such as Robert Solow and Harrold Domar explain the neo-classical flow in economic growth theory. According to Solow, economic growth is rooted in factors such as humans, capital accumulation, use of technology, and production output. Solow also emphasized that population growth can have positive or negative impacts but should be used as a positive economic resource. Meanwhile, Harrold Domar explained that to achieve stable economic growth in the long term, an increase in the capacity of capital goods and aggregate spending is needed. According to Domar, capital must be used effectively because capital formation plays an important role in influencing economic growth.

An important indicator of a region's economic condition in a certain period is the Gross Regional Domestic Product (GRDP). GRDP is the amount of added value produced by all business units in a certain country or final goods and services produced by all economic units.

The three main approaches in calculating Gross Regional Domestic Product (GRDP) are the production, income, and expenditure approaches. According to the production approach, GRDP is calculated from the amount of added value of goods and services produced by production units in a region within a certain period (usually one year). The income approach calculates GRDP as the remuneration received by production factors such as wages, rent, interest, and profits before taxes. In addition, this approach includes depreciation and net indirect taxes (taxes on production and imports minus subsidies). Meanwhile, the expenditure approach assesses GRDP from all components of final demand, including household consumption expenditure, non-profit institution consumption, government consumption, fixed capital formation, changes in inventory, and net exports (exports minus imports).

Conceptually, all three approaches will produce the same number. So, the expenditure will be equal to the amount of final goods and services produced and must also be equal to the income for factors of production. The GRDP produced in this way is called GRDP at market prices because it already includes net indirect taxes.

Regional Original Income, from now on referred to as PAD, is income obtained by the region and collected based on regional regulations by laws and regulations. Regional Original Income is Regional Income sourced from Regional Tax results, Regional Retribution results, results of management of separated Regional assets, and other legitimate Regional Original Income, which aims to provide flexibility to the region in exploring funding in the implementation of regional autonomy as a manifestation of the principle of Decentralization (Law Number 33 of 2004 Balancing Funds).

In the process of organizing and implementing it, regional autonomy requires large funds. The implementation of regional government functions will be carried out optimally if the implementation of government affairs is followed by the provision of sufficient sources of income to the regions. According to Article 5 of Law Number 33/2004, sources of regional income in the context of implementing decentralization consist of regional original income (PAD), balancing funds, and other legitimate income. In obtaining PAD, regions are required to develop and optimize all regional potentials excavated from within the relevant regional territory. The problem that often arises is the need for regional governments to produce very accurate predictions (estimates) of regional income so that it cannot be collected optimally.

Through Law Number 33 of 2004, the ability of regions to obtain funds should be increased. The increase in Original Regional Revenue, considered capital sourced from the region, in accumulation, should create more positive externalization and provide contributions that will accelerate economic growth. On the other hand, fiscal decentralization raises new problems, as each region has different abilities to fund its regional operational activities, thus creating fiscal disparities between regions.

Revenue Sharing Fund is a fund sourced from APBN revenues allocated to regions by considering the potential of producing regions based on a certain percentage figure to fund regional needs in implementing decentralization. Revenue Sharing Fund consists of Tax and Natural Resource Revenue Sharing Funds (Harahap, 2017). Revenue Sharing Fund is allocated based on two principles, namely (1) the principle of origin, where regions producing state revenue receive a larger portion (percentage) and other regions in one province receive a portion (percentage) based on equal distribution, (2) the distribution of Revenue Sharing Fund is carried out based on the actual principle, where the amount of Revenue Sharing Fund distributed to regions, both producing regions and regions receiving an even allocation, is based on the realization of the deposit of State Tax Revenue (PNP) and Non-Tax State Revenue (PNBP) in the current budget year (Law Number 33 of the Balancing Fund, 2004).

Revenue Sharing Fund is the regional portion of Land and Building Tax Revenue, Land and Building Rights Fee, and revenue from natural resources. A revenue-sharing fund is an allocation that considers the potential of regional income. Article 11 of Law No. 33 of 2004 Revenue Sharing Fund is divided into two: tax revenue sharing fund and revenue sharing fund derived from natural resources. Revenue Sharing Fund derived from taxes, as referred to in paragraph (1), consists of Land and Building Tax (PBB), Land and Building Rights Acquisition Cost (BPHTB), and Income Tax (PPh) Article 25 and Article 29 of Domestic Individual Taxpayers and Income Tax Article 21. Revenue Sharing Fund derived from natural resources, as referred to in paragraph (1), comes from Forestry, General mining, Fisheries, Petroleum mining, Natural gas mining, and geothermal mining.

Law Number 33 of the Balanced Fund (2004) explains that the General Allocation Fund is obtained through domestic revenues from the center to the regional government with the hope of financial justice between regions used to finance expenditures that need to implement decentralization. The financial capabilities of each region vary in implementing activities, especially fiscal decentralization, with these problems, the central government makes a transfer policy from the center to the regions.

Halim (2004) explained that the allocation of APBN funds is given with the hope of equalizing regional finances to meet regional funding related to the implementation of fiscal decentralization or regional autonomy, namely the General Allocation Fund. One of the important objectives of the General Allocation Fund allocation is to meet the needs of regional governments in providing better public services.

The General Allocation Fund is a fund obtained from the State Budget (APBN), which aims to equalize financial capacity between regional governments to finance the needs of each regional government. The central government provides general allocation funds to finance the lack of funds from regional governments in utilizing their original regional income so that the general allocation funds received by the government are focused on financing regional government spending, especially in terms of improving public services that can be created through infrastructure and infrastructure development.

3. RESEARCH METHODS

3.1 Research Design

This study uses a qualitative descriptive approach with the type of research that converts data into natural logarithm form (X1 = Ln PAD).

To calculate the amount of Regional Original Income (PAD), you can use the following formula:

PAD = Regional taxes + Regional levies + Results of management of separated regional assets + Other legitimate PAD.

Regional Original Income is a source of regional original income that is excavated in the region to be used as basic capital for the regional government in financing development and regional efforts to reduce dependence on funds from the central government.

3.2 Research Location

The research location is the object of research where the research is conducted. In this study, the location used as a place to conduct research is the Regency/City in Papua Province.

3.3 Data Analysis Techniques

The analysis technique uses descriptive analysis in the form of analysis that can be carried out to describe data from each variable of Regional Original Income, Revenue Sharing Funds, and General Allocation Funds.

4. RESULTS AND DISCUSSION

4.1 Research Results

Papua is a province located at the eastern tip of Indonesia, with the capital city of Jayapura. Astronomically, Papua is located at 2025' - 900 South

Latitude and 1300 – 1410 East Longitude. Geographically, Papua is bordered by the Pacific Ocean to the north, while to the south it is bordered by the Arafura Sea. In the west, Papua borders the Province of West Papua, while in the east it borders the State of Papua New Guinea. The area of Papua reaches 319,036.05 km2 and is recorded as the largest province in Indonesia.

Now, Papua is divided into 28 districts and 1 city, with a population of 2021 4,355,445. The Papua Province consists of lowland, coastal, and mountainous areas consisting of three mountain ranges, namely: 1) the Northern Mountains in the outer ring, 2) the Southern Mountains in the inner ring, and 3) the Central Mountains, which are the edge of The Australian Continent. The mountainous area is at an altitude of between 3000-4000 and more than 4,000 meters above sea level (masl).

The highest area is in Puncak Jaya Regency, which has an altitude of 2,980 meters above sea level. In comparison, the lowest is Jayapura City, which has an average altitude of 4 meters above sea level. The slope that dominates the Papua province is gentle (0-8)% occupying 45.9%, and a very steep slope (> 40%), occupying 43.3%, which is spread across the Haanim, Meepago, Mamta, and Laapago areas.

Papua is a mountainous area, making the development of land transportation networks very difficult and requiring higher costs than other areas in Indonesia. This topographic condition also constrains the development of other public facilities networks such as electricity, clean water, information, and communication. They all require large and very expensive costs that cannot be handled by the provincial and district/city governments alone. Therefore, in terms of infrastructure development in Papua, the role of the central government has been very necessary so far.

The extreme topographic conditions spread across almost all of Papua have caused many areas to be isolated and have yet to be adequately touched by public services from the government. Hence, the number of areas in Papua categorized as underdeveloped is the largest in Indonesia. As explained in Presidential Regulation Number 131 of 2015 concerning the Determination of Underdeveloped Regions in 2015-2019, it is stated that the number of underdeveloped areas in Papua is 26 regencies, which is furthermore based on Presidential Regulation Number 21 of 2018 concerning the National Strategy for Accelerating Development of Underdeveloped Regions in 2015-2019, it is stated that the main causes of the 26 becoming underdeveloped areas are 6 factors, namely: (1) accessibility, (2) Human Resources, (3) Economy, (4) Facilities and Infrastructure, (5) Regional Characteristics, and (6) Regional Financial Capacity.

Based on the conceptual framework, the research variables consist of independent, intervening, and dependent variables. The independent variables in this study consist of Regional Original Income, Revenue Sharing Fund, General Allocation Fund, Special Allocation Fund, Special Autonomy Fund, Budget Financing Surplus, Number of Poor People, Area, and intervening variable Capital Expenditure. In contrast, the dependent variable is Economic Growth.

The results of the research that has been conducted are in the form of descriptive statistical analysis results conducted with the main objective of providing a brief overview of the distribution of data for each research variable. This descriptive statistical analysis summarizes several important aspects of the data: the minimum value, maximum value, mean, and standard deviation. The minimum and maximum values of each variable provide an overview of the range of data distribution, while the mean is the center of the data distribution. The standard deviation provides information about the distribution of data from the mean.

Thus, descriptive statistical analysis provides an understanding of the characteristics and variations of data contained in each research variable. The results of the analysis present a statistical description of the variables of this study, namely Regional Original Income, Revenue Sharing Funds, General Allocation Funds, Special Allocation Funds, Special Autonomy Funds, Budget Financing Surplus, Number of Poor People, Area, Capital Expenditure and Economic Growth of Regencies/Cities in Papua Province for the period 2010-2021.

The General Allocation Fund shows relative stability with limited variation. A similar phenomenon is also seen in the variables of Regional Original Income, Revenue Sharing Fund, Special Allocation Fund, Special Autonomy Fund, Budget Financing Surplus, Number of Poor People, Area, Capital Expenditure, and Economic Growth, which show stability with low variation. However, the Economic Growth variable based on the analysis results shows a high level of variation, with a wide range of values between -0.00 to 44.55, with a standard deviation of 5.01, close to the average value of 5.58. This reflects the complex dynamics in the economic growth of Regencies/Cities in Papua Province during 2010-2021.

The standard deviation approaching the average value of economic growth indicates that there is quite a large fluctuation from year to year. This indicates that the Regency/City in Papua Province faces challenges and opportunities that vary over time, and changes in economic conditions are unpredictable. Understanding the factors that influence the variability of economic growth is key to formulating responsive and sustainable policies to improve the stability and economic welfare of the Regency/City in Papua Province.

Regional Original Income is sourced from regional taxes, regional levies, results of management of separated regional assets, and other legitimate regional original income, which aims to provide flexibility to the region in exploring funding in the implementation of regional autonomy as a manifestation of the principle of decentralization. Regional Original Income is the backbone of regional financing, therefore the ability to implement the economy is measured by the amount of contribution that can be given by Regional Original Income to the APBD, the greater the contribution that can be given by Regional Original Income to the APBD means the less dependence of the regional government on central government assistance.

Good management of Regional Original Revenue is very important to ensure that the funds are used efficiently and effectively in accordance with the needs and priorities of regional development so as to increase regional financial independence and not depend on the allocation of funds from the central government. Below is data on the realization of Regional Original Revenue of Regencies/Cities in Papua Province for 2010-2021. During 2010-2021, Puncak Regency experienced a high average increase in Regional Original Revenue of 141.41%, while Paniai Regency experienced an average decrease of -5.26% during the 2010-2021 research period. This was caused by security disturbances, which reduced investor interest in investing and caused the economic cycle to be unstable, so the receipt of Regional Original Revenue was not optimal.

Revenue Sharing Funds are funds sourced from APBN revenues allocated to regions by considering the potential of the producing regions based on a certain percentage figure to fund regional needs in the context of implementing decentralization. The distribution of Revenue Sharing Funds is regulated in accordance with the provisions contained in Law No. 33 of 2004. The basic principles in distributing these funds include providing a larger portion to regions with a significant role as resource producers. In addition, the principle of providing Revenue Sharing Funds also includes a balanced distribution among other regions in one province, according to the provisions regulated in Law No. 33 of 2004. Revenue Sharing Funds are allocated based on two principles, namely (1) the principle of origin, where regions that generate state revenues receive a larger portion (percentage) and other regions in one province receive a portion (percentage) based on equal distribution, (2) distribution.

4.2 DISCUSSION OF RESEARCH RESULTS

The following will discuss the study's results on the importance of Regional Original Income, Revenue Sharing Funds, and General Allocation Funds to increase Economic Growth in Regency/City Governments in Papua. The analysis results show that the Regional Original Income of Regencies/Cities in Papua Province continues to experience a significant increase from year to year. This increase is largely due to factors such as Economic Growth, effective tax policies, and diversification of revenue sources. Regional taxes, including property and income taxes, are the main contributors to Regional Original Income, followed by natural resource revenues. The development of Regional Original Income from 2010 - 2021 experienced significant growth fluctuations, in 2014 the increase was IDR 1,058 billion.

The Regional Government continues to make efforts to increase the Regional Original Income which continues to increase in the following years, where the largest increase occurred in 2021 at IDR 1,955 billion. Urban areas tend to have higher Regional Original Income than rural areas due to more developed economic activities and denser populations.

Several factors can affect Local Original Income, including the level of economic growth, central government policies related to the allocation of transfer funds, and each region's geographical and demographic conditions. The implications of the Local Original Income trend are the need for efforts from local governments to continue to encourage local economic growth, increase efficiency in regional tax management, and diversify sources of income to reduce dependence on one source of income. In addition, it is also necessary to build infrastructure and strengthen potential economic sectors in rural areas to reduce income disparities between regions.

The central government's attention to efforts to support development in Papua Province continues to increase, this can be seen from the increase in Revenue Sharing Funds received by the Papua Provincial Government, which continues to increase from year to year. Data from the Directorate General of Fiscal Balance, Ministry of Finance of the Republic of Indonesia (2021). From 2010 to 2021, there has been a consistent increase in the realization of Revenue Sharing Funds by the Central Government. In 2010, the allocation of Revenue Sharing Funds received by the Regency/City government was IDR 2,256 billion, and a significant increase in 2021 of IDR 3,815 billion was experienced.

The study results show that the implementation of revenue-sharing funds has significantly impacted the regional income of regencies/cities in Papua Province. The funds have made a significant contribution to regional income, contributing a large portion of the total regional income. This is mainly due to the allocation of Revenue Sharing Funds from the Central Government which covers various sectors, such as tax revenue, natural resources, and others. The implementation of Revenue Sharing Funds has incentivized Regional Governments to increase regional income by increasing tax revenues and diversifying other sources of income.

In addition to the increasing revenue sharing funds, challenges faced in their implementation include issues of fair and transparent allocation and the appropriate and effective use of funds by the Regional Governments of the Regency/City of Papua Province.

Efforts to continuously improve the effectiveness of the implementation of revenue sharing funds, both in terms of fair allocation and efficient use by the local government of the Regency/City. In addition, it is also necessary to conduct periodic monitoring and evaluation of the implementation of the Revenue Sharing Fund to ensure that regional development goals can be achieved optimally, impacting sustainable economic growth and improving the welfare of the Regency/City community in Papua Province.

The General Allocation Fund received by Regencies/Cities in Papua Province has increased yearly from 2010 - 2021. Based on data from the Directorate General of Fiscal Balance, Ministry of Finance of the Republic of Indonesia (2022). In 2010, the realization of the General Allocation Fund received by Regencies/Cities in Papua Province was IDR 9,970 billion and continued to increase until 2017, amounting to IDR 20,060 billion. Then, in 2018, it decreased to IDR 19,880 billion, but in 2019, the General Allocation Fund increased again to IDR 20,473 billion, the largest revenue value during the study period.

In 2020, the Allocation Fund received a decrease of IDR 18,467 billion, and in 2021, IDR 18,179 billion. This decrease is associated with the impact of the COVID-19 pandemic that has hit the world. The COVID-19 pandemic has caused serious disruptions in economic activity, restrictions on movement, business closures, and a general decline in economic activity have affected government revenues, including sources of revenue such as taxes.

Due to fiscal pressures caused by the pandemic, the central government took spending-saving measures, including reducing the allocation of the General Allocation Fund. In addition, most of the budget was diverted to address urgent needs arising from the pandemic, such as the procurement of medical equipment, social assistance programs, and economic stimulus.

The study results indicate that the General Allocation Fund has an important role in supporting economic activities and providing public services in the Districts/Cities of Papua Province. The General Allocation Fund significantly contributes to regional income, thus helping to strengthen the financial capacity of local governments to provide basic services to the community.

The implementation of the General Allocation Fund encourages the Regional Government to make various efforts to improve the quality of infrastructure, health services, education, and other public facilities as well as efficiency in budget management and provision of public services. In addition, steps are taken to reduce dependence on the General Allocation Fund by strengthening independent economic sectors that have the potential to increase regional income.

Several challenges in implementing the General Allocation Fund include coordination problems between the central and regional governments, inefficient budget management, and the risk of corruption and misuse of funds. To overcome this, steps are needed to improve transparency, accountability, and supervision of the use of the General Allocation Fund. The Regency/City Government needs to create better policies in managing and supervising the General Allocation Fund and expand funding sources to ensure the sustainability of development programs and public services.

The realization of the Special Allocation Fund in 2010 for Regencies/Cities in Papua Province reached IDR 1,442 billion and continued to increase during the 2010-2021 research period. This figure reflects the central government's efforts to financially support Papua Province, which is facing unique geographic and social challenges. The consistent increase over the following years proves the effectiveness of the Special Allocation Fund in responding to development needs and priorities in Papua.

The highest increase in Special Allocation Fund Realization for districts/cities occurred in 2016, reaching IDR 5,712 billion. This amount reflects the central government's commitment to overcoming development challenges in districts/cities in Papua Province, including improving infrastructure, meeting basic community needs, and developing the economic sector. However, it has continued to decline until 2021 to IDR 4,272 billion, which aligns with the impact of the COVID-19 pandemic. This decline can be interpreted as the central government's response to the health emergency that requires adjustments to budget priorities. However, this value still reflects the commitment to mitigating the impact of the pandemic and supporting economic recovery at the regional level. The seriousness of the central government in maintaining the sustainability of development in Papua Province, even though it is still faced with global challenges that have not fully recovered.

Targeted and specific financial support from the Special Allocation Fund enables district/city governments to design and implement strategic projects, improve infrastructure, and enhance public services. The Special Allocation Fund is also an instrument that accelerates the achievement of national development targets. The central government continues to improve the effectiveness of the Special Allocation Fund allocation to respond to changes in development needs and priorities and maintain the sustainability of inclusive and sustainable development in Papua Province.

5. CONCLUSION AND SUGGESTIONS

Based on the research results that have been described previously regarding the importance of Regional Original Income, Revenue Sharing Funds, and General Allocation Funds to increase Economic Growth in Regency/City Governments in Papua, it can be concluded that regional financial components, such as Regional Original Income, Revenue Sharing Funds, General Allocation Funds have stable data variations. However, Economic Growth shows a high level of variation, reflecting the complex dynamics of economic growth in the Districts/Cities of Papua Province during the 2010-2021 period. This stability indicates that the funds allocated are relatively consistent in their distribution, while fluctuations in economic growth indicate different economic challenges and opportunities in each region.

Local Original Revenue is important in supporting regional financial independence, with contributions varying in each region. Puncak Regency showed a significant increase in Local Original Revenue, while Paniai Regency experienced a decline due to security factors that affect investment interest. Revenue Sharing Funds, regulated by Law No. 33 of 2004, are allocated based on the principles of justice and equity, providing a larger portion for producing regions. Overall, responsive and sustainable policies are needed to improve the stability of economic growth in Papua, taking into account the potential and challenges in each district/city.

Based on the conclusion, there are suggestions for the Regency/City government in Papua Province, where in the preparation of the Regional Revenue and Expenditure Budget planning, it is necessary to pay attention to the potential that is the source of Regional Original Income and provide greater potential for capital expenditure on projects that have long-term economic impacts, such as infrastructure development, skills training and providing support for the local economy. Increasing capital expenditure on long-term development projects can increase employment and strengthen regional competitiveness, impacting regional economic growth.

It is necessary to review the allocation and use of these funds to increase the portion of Revenue Sharing Funds that support economic growth. Adjustments are made to channel more revenue sharing funds to investments in capital expenditures that can directly support economic growth, such as the development of transportation, education, and health infrastructure. Investment in this infrastructure will have a greater impact on increasing the productivity and competitiveness of the Papua Province economy and increasing the availability and quality of public services in the community.

In addition, it is necessary to encourage the use of revenue-sharing funds in sustainable economic development projects such as developing agriculture, fisheries, tourism, and local industries that require large capital expenditure allocations. This will help create jobs and increase community income. Supervision of the use of revenue sharing funds must also be strengthened so that the allocation of funds is in accordance with the needs and opportunities for regional economic growth. Thus, these activities are expected to ensure that revenue sharing funds significantly support sustainable economic growth in Regencies/Cities in Papua Province and strengthen the competitiveness and welfare of the Papuan people.

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