

THE INFLUENCE OF LOCALLY-GENERATED REVENUE AND REVENUE-SHARING FUNDS ON ECONOMIC GROWTH IN ACEH PROVINCE, WITH CAPITAL EXPENDITURE AS A MEDIATING VARIABLE

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ABSTRACT

This study examines the effect of Local Own-Source Revenue (PAD) and Revenue Sharing Funds (DBH) on Economic Growth with Capital Expenditure as a mediating variable in Aceh Province during 2015–2024. The study employs a quantitative approach using secondary time-series. Data were analyzed using multiple linear regression, classical assumption tests, coefficient of determination, t-test, F-test, path analysis, and the Sobel Test. The results indicate that PAD, DBH, and Capital Expenditure do not significantly affect Economic Growth either partially or simultaneously. The Sobel Test indicating that Capital Expenditure does not significantly mediate the effects of PAD and DBH on Economic Growth. The findings suggest that increases in fiscal revenue do not automatically translate into economic growth without productive and effective budget allocation.

Keywords: Local Own-Source Revenue, Revenue Sharing Funds, Capital Expenditure, Economic Growth, Mediation.

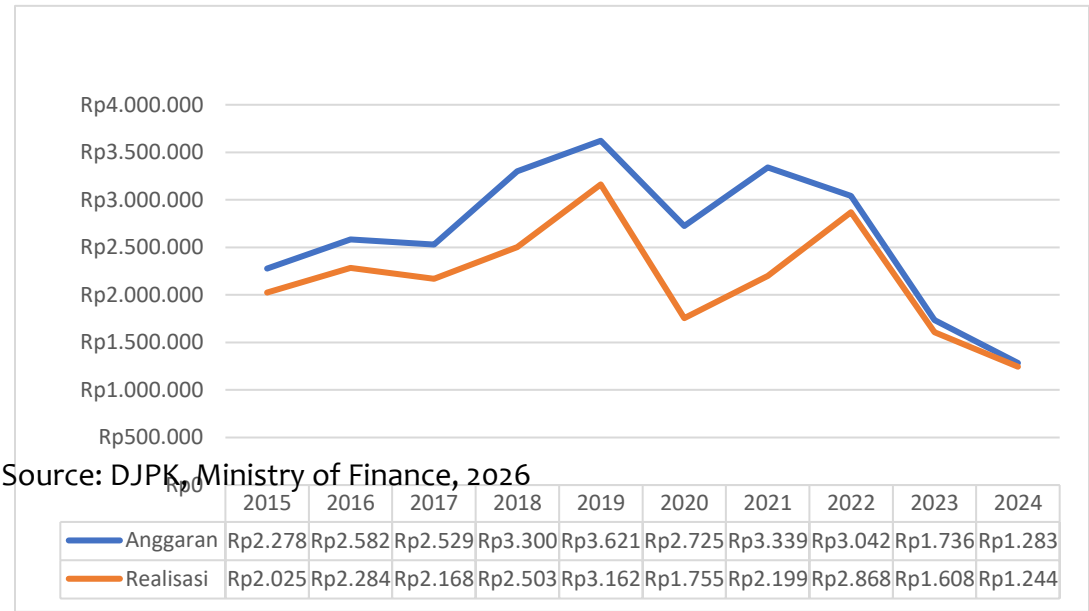
1. Background

Based on Law No. 33 of 2024 concerning Regional Government, it can be concluded that regional government entails the administration of governmental affairs within a region (the concept of autonomy). The implementation of regional autonomy is essentially an effort to improve public welfare by carrying out development in alignment with the community's interests. Utilizing allocated funds, regional governments must apply principles of efficiency and transparency in their spending. One form of expenditure is capital expenditure, used to acquire

fixed assets for the purpose of providing public services. In formulating capital expenditure budgets, regional governments employ a public investment policy framework—specifically, the "value for money" approach.

Capital expenditure budgets facilitate the procurement or purchase of fixed assets with a useful life exceeding one year. These assets are subsequently utilized in government activities, yielding economic, social, or other benefits that enhance the government's capacity to serve the public. Consequently, regional budget planning must be structured around a performance-based approach. Capital expenditure also serves as a barometer for assessing a regional government's financial performance. Presented below are data regarding the capital expenditure budget and actual spending for Aceh Province from 2015 to 2024.

Picture 1 Aceh Capital Expenditure Budget and Realization, 2015–2024 (in millions)



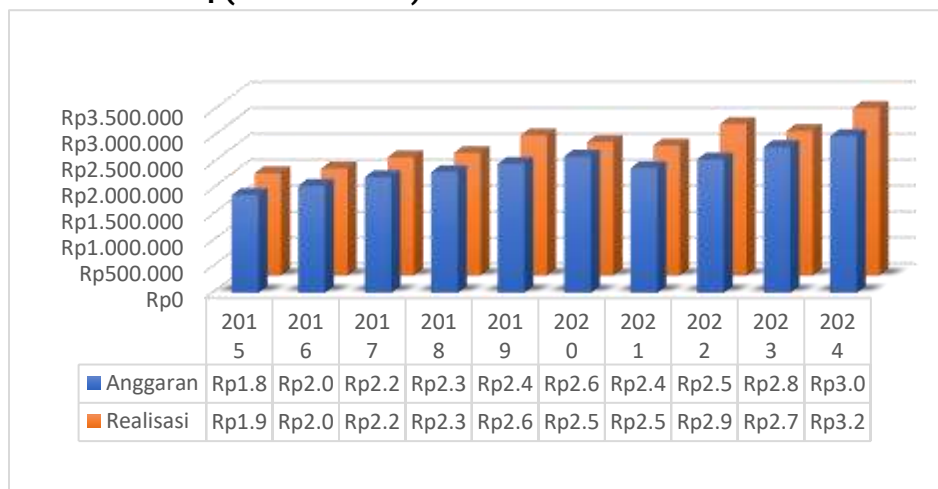
Source: DJPK, Ministry of Finance, 2026

The graph above shows that average capital expenditure increased between 2022 and 2024, following a significant decline from 2018 to 2021. The capital expenditure budgeted by Aceh Province over the past decade reflects needs identified through budget report reviews. Regional development is a crucial component of a national strategy that emphasizes equitable welfare through improved public services and infrastructure development. However, despite Aceh's substantial fiscal capacity, the proportion of capital expenditure

remains lower than that of personnel expenditure. This situation indicates that a large share of the regional budget is allocated to operational costs rather than development investment.

Modern governance requires sufficient fiscal autonomy to enable local governments to set priorities and allocate resources effectively. In this context, strengthening regional revenue sources is key to ensuring sustainable development, particularly as public demand for services rises annually alongside economic growth and social dynamics. Rapid regional development entails fiscal activities that require effective and efficient government fund allocation to cover expenditure categories—comprising both routine and development spending—thereby necessitating significant financial resources. Locally-Generated Revenue (PAD) plays a vital role in bolstering a region's fiscal independence. PAD reflects a region's capacity to optimally manage its economic potential, thereby reducing over-reliance on central government transfers. Within the development framework, PAD is often regarded as a primary indicator of successful regional autonomy. Empirical findings suggest that increased fiscal independence tends to correlate positively with higher development expenditure.

Picture 2 Aceh Locally-Generated Revenue (PAD): Budgeted vs. Realized, 2015–2024 (in thousands)



Source: DJPK, Ministry of Finance, 2026

On the other hand, the Revenue-Sharing Fund (DBH) consists of funds sourced from the State Budget (APBN) and allocated to regions based on specific percentages to finance regional needs in the context of decentralization. There are two types of DBH transferred to local governments: Tax DBH (comprising

income tax—specifically Article 21 and Article 25/29 for domestic individual taxpayers—Land and Building Tax [PBB], and the Duty on the Acquisition of Rights on Land and Building [BPHTB]) and Natural Resource DBH (derived from forestry, fisheries, crude oil, natural gas, and general mining). The primary objective of the DBH is to reduce vertical fiscal disparity between the central government and local governments.

Picture 3 Budget and Realization of Aceh's Revenue-Sharing Fund (DBH), 2015–2024 (in thousands)



Source: DJPK, Ministry of Finance, 2026

In terms of academic study, there is a research gap regarding how Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) influence capital expenditure capacity in regions with special characteristics, such as Aceh. When PAD and DBH are simultaneously integrated with capital expenditure, local governments gain greater fiscal flexibility to carry out development processes, which ultimately impacts the region's economic growth.

2. Research Methodology

This study employs a quantitative approach. This approach was selected because all research variables are expressed as numerical data and analyzed using statistical methods. The study focuses on Aceh Province, covering the observation period from 2015 to 2024. The unit of analysis consists of annual data,

resulting in a total of ten observations. The research utilizes secondary data obtained from official sources—specifically Statistics Indonesia (BPS) of Aceh Province, the Directorate General of Fiscal Balance, and local government/BPKA records. Data collection was conducted through document and literature reviews. Document review was used to gather annual fiscal and economic data.

Table 1 Operational Variable

Variabel	Operasionalisation	Indicator	Unit	Scale
PAD (X ₁)	Realization of Aceh Province's Locally-Generated Revenue	Total realized locally-generated revenue	Rupiah	Rasio
DBH (X ₂)	Realization of Revenue-Sharing Funds received by Aceh Province	Total realized Revenue-Sharing Fund (DBH)	Rupiah	Rasio
Capital Expenditure (M)	Actual expenditure for the acquisition of fixed assets or other assets with a useful life of more than one year.	Total realized capital expenditure	Rupiah	Rasio
Economic growth (Y)	Changes in regional economic activity measured by GRDP at constant prices.	Growth rate of GRDP at constant prices	Persen	Rasio

Note: Fiscal data in the study were transformed into natural logarithms (LN) to standardize the scales of fiscal variables characterized by large nominal values.

The analysis employed several approaches. The first equation examined the impact of Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) on Capital Expenditure: $M = \alpha + \beta_1 X_1 + \beta_2 X_2 + e_1$. The second equation examined the impact of PAD, DBH, and Capital Expenditure on Economic Growth: $Y = \alpha + \beta_3 X_1 + \beta_4 X_2 + \beta_5 M + e_2$. Indirect effects were calculated using the path coefficients for $X \rightarrow M$ and $M \rightarrow Y$ and confirmed via the Sobel Test. A 5 percent significance level was applied; an effect was deemed significant if the probability value was less than 0.05, whereas a probability value exceeding 0.05 indicated that the hypothesis of a significant effect was not supported.

Normality testing was conducted using the Jarque-Bera test to determine whether model residuals approximated a normal distribution. Multicollinearity testing was used to identify high correlations among independent variables; the Variance Inflation Factor (VIF) served as the indicator, with values exceeding 10 signaling a multicollinearity issue. Heteroskedasticity was assessed using the Breusch-Pagan-Godfrey test to determine whether residual variance remained

constant; a probability value above 0.05 indicated no evidence of heteroskedasticity. Autocorrelation was tested using the Breusch-Godfrey Serial Correlation LM Test; a probability value above 0.05 indicated no significant serial correlation in the residuals. The coefficient of determination (R^2) was used to measure the proportion of variation in economic growth explained by the model's variables. The t-test assessed the partial effect of each variable, while the F-test assessed the simultaneous effect. In the mediation analysis, direct and indirect effects were compared, and the Sobel Test was used to evaluate the significance of the mediation path. 4. Research Results.

Based on the data used, Locally-Generated Revenue (PAD) showed an upward trend, whereas Revenue-Sharing Funds (DBH) and Capital Expenditure exhibited greater fluctuation. Economic growth also underwent significant changes in 2020. These patterns indicate that fiscal variables and economic growth do not always move in tandem. In 2020, economic growth fell to -0.37 percent; meanwhile, PAD remained around IDR 2.62 trillion and Capital Expenditure around IDR 4.69 trillion. This situation demonstrates that the state of budgets and fiscal revenues cannot be separated from the broader economic context. During the 2023–2024 period, PAD rose again, and economic growth stood at 4.23 percent and 4.66 percent, respectively. However, Capital Expenditure remained at a level significantly lower than at the beginning of the period. This pattern highlights a key reason why the statistical relationships between these variables require direct testing.

Table 2 Development of Research Variable Data

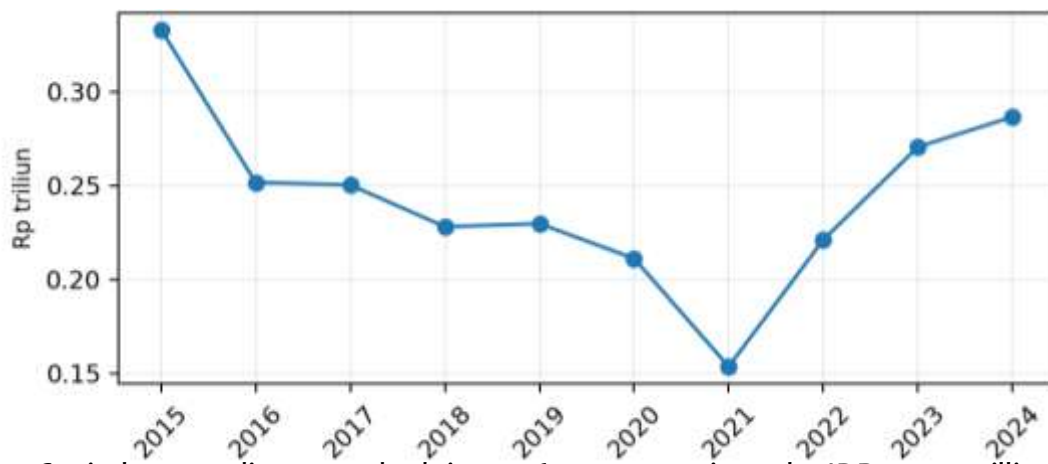
Tahun	PAD (Rp T)	DBH (Rp T)	Belanja Modal (Rp T)	PE (%)
2015	1.883	0.333	6.575	-0.73
2016	2.057	0.252	7.389	3.29
2017	2.227	0.250	6.635	4.18
2018	2.786	0.228	3.817	4.61
2019	2.482	0.230	5.363	4.15
2020	2.624	0.211	4.686	-0.37
2021	2.980	0.153	4.678	2.81
2022	2.824	0.221	4.152	4.21
2023	2.953	0.270	1.669	4.23
2024	3.226	0.287	1.244	4.66

Source: 2026 research results

Revenue-Sharing Funds (DBH) exhibited a downward trend during most of the initial period. Revenue fell from approximately IDR 333 billion in 2015 to IDR

153 billion in 2021, before rising to IDR 221 billion in 2022, IDR 270 billion in 2023, and approximately IDR 287 billion in 2024, based on the preliminary data used in the analysis. The divergent trends between Locally-Generated Revenue (PAD) and DBH indicate that these two revenue sources possess distinct characteristics. PAD primarily reflects a region's internal revenue-generating capacity, whereas DBH is determined by specific revenue-sharing mechanisms. Consequently, an increase in PAD does not necessarily imply a simultaneous increase in DBH. Such variation is significant for regression analysis, as the two variables can provide distinct insights into fiscal capacity. However, the study's multicollinearity test results indicate a high correlation when PAD and DBH are used jointly to explain Capital Expenditure.

Picture 4 Trends in Aceh Province's Revenue-Sharing Funds (2015–2024)



Capital expenditure peaked in 2016 at approximately IDR 7.39 trillion. Subsequently, there was a sharp decline to around IDR 3.82 trillion in 2018. Realization increased again in 2019 but hovered around IDR 4.69 trillion in 2020–2021 and IDR 4.15 trillion in 2022. The most significant drops occurred in 2023 and 2024, with capital expenditure falling to approximately IDR 1.67 trillion and IDR 1.24 trillion, respectively. This pattern indicates that development spending does not always track with increases in Locally-Generated Revenue (PAD). In other words, the capacity to generate revenue does not automatically translate into increased government investment in every period. From a policy perspective, this situation warrants an evaluation of spending priorities. Capital expenditure should be directed toward assets that yield long-term public service benefits and productivity. If the decline in capital expenditure stems from a shift in budget

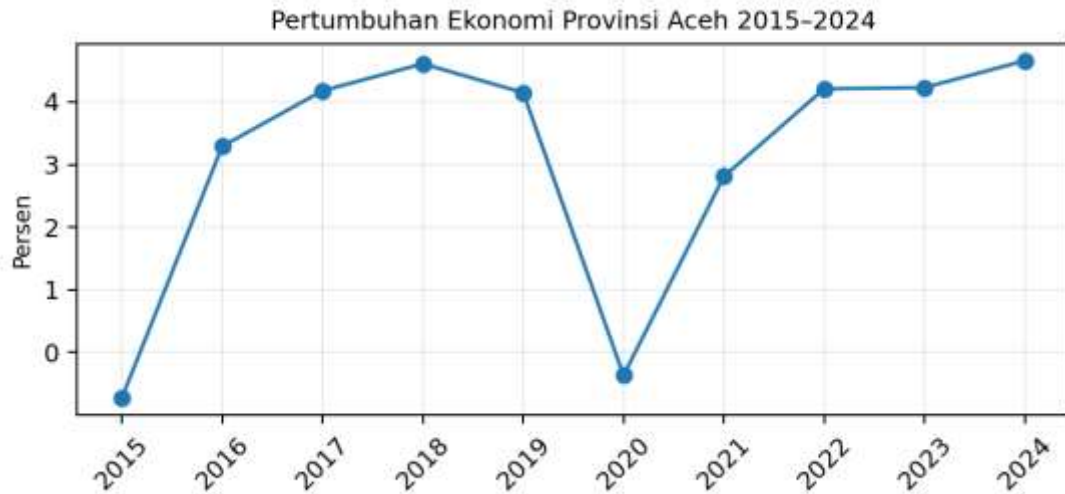
priorities, local governments must ensure that essential investment needs continue to be met.

Picture 5 Trends in Capital Expenditure in Aceh Province, 2015–2024



Economic growth exhibited a pattern distinct from that of the three fiscal variables. Growth rose from -0.73 percent in 2015 to 4.61 percent in 2018, before declining to 4.15 percent in 2019 and -0.37 percent in 2020. Subsequently, growth rebounded to reach 4.66 percent in 2024. The 2020 contraction marked a pivotal point in the study period, demonstrating that economic growth can be influenced by factors extending beyond regional fiscal capacity. The post-2020 recovery further illustrates that economic activity can pick up again even when capital expenditure does not consistently rise. This phenomenon provides context for interpreting the regression results; given the limited ten-year observation period and significant fluctuations in economic growth, the influence of fiscal variables may not appear statistically significant. Therefore, the findings should be viewed as a reflection of the relationship over the 2015–2024 period, rather than as evidence that fiscal variables never impact economic growth.

Picture 6 Economic Growth of Aceh Province, 2015–2024



Normality tests were conducted on the residuals of several regression models. The Jarque-Bera results showed probability values exceeding 0.05 for the models tested. For the model examining the effect of Revenue Sharing Funds (DBH) on Capital Expenditure, the Jarque-Bera statistic was 0.563094 with a probability of 0.754615. For the model examining the effects of Locally-Generated Revenue (PAD) and DBH on Capital Expenditure, the Jarque-Bera statistic was 0.082746 with a probability of 0.959471. The model examining the effects of PAD, DBH, and Capital Expenditure on Economic Growth yielded a Jarque-Bera statistic of 0.524380 with a probability of 0.769365. Meanwhile, the model examining the effects of PAD and DBH on Economic Growth yielded a Jarque-Bera statistic of 0.606410 with a probability of 0.738448. All these probability values were greater than 0.05; therefore, the residuals of the tested models can be considered to satisfy the normality assumption.

Table 4 Normality Test Results (Jarque-Bera)

Model	Jarque-Bera	Probability	Decision
DBH → M	0,563094	0,754615	Normal
PAD + DBH → M	0,082746	0,959471	Normal
PAD + DBH + M → Y	0,524380	0,769365	Normal
PAD + DBH → Y	0,606410	0,738448	Normal

These results indicate that the residual distribution does not exhibit sufficient deviation to reject the normality assumption at the 5 percent significance level; thus, testing can proceed according to the established procedure. Multicollinearity tests yielded varying results across the models. In the model featuring Locally-Generated Revenue (PAD) and Capital Expenditure in the VIF test, the VIF was recorded at approximately 3.781855. In the model involving Revenue-Sharing Funds (DBH) and Capital Expenditure, the VIF was around 5.614953. These values remain below the threshold of 10. However, when PAD, DBH, and Capital Expenditure were analyzed together, the VIF for PAD was 12.62703 and the VIF for DBH was 18.74746. These values exceed the standard threshold of 10, indicating the presence of multicollinearity.

Table 5 Multicollinearity Test Summary

Variabel/Model	VIF	Interpretasi
PAD	3,781855	Unidentified
DBH	5,614953	Unidentified
PAD pada model X_1+X_2+M	12,62703	Identified
DBH pada model X_1+X_2+M	18,74746	Identified

Multicollinearity warrants attention because it can increase uncertainty regarding coefficient estimates and render the coefficients less stable. In the context of this study, Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) both represent fiscal resources; thus, an economic relationship between them is plausible. This finding constitutes an empirical limitation of the study and must be considered when interpreting partial coefficients, although the primary interpretation relies on the obtained probability values and mediation test results.

The Breusch-Pagan-Godfrey heteroskedasticity test indicates that the models tested do not exhibit heteroskedasticity, as the Obs*R-squared probabilities exceed 0.05. The model of PAD against Capital Expenditure shows a Prob. F of 0.9953 and a Prob. Chi-Square of 0.9932. The model of DBH against Capital Expenditure shows a Prob. F of 0.7028 and a Prob. Chi-Square of 0.6192. The model of PAD and DBH against Capital Expenditure shows a Prob. Chi-Square of 0.0567; as this value is slightly above 0.05, it was determined that heteroskedasticity is absent. The model of PAD, DBH, and Capital Expenditure against Economic Growth shows a Prob. Chi-Square of 0.5665, while the model of PAD and DBH against Economic Growth shows a Prob. Obs*R-squared of 0.3043.

The Breusch-Godfrey autocorrelation test also yields probabilities exceeding 0.05. The model of PAD against Capital Expenditure yields a Prob. F of 0.7566 and a Prob. Chi-Square of 0.7021; the model of DBH against Capital Expenditure yields 0.1682 and 0.1122; the model of PAD and DBH against Capital Expenditure yields 0.1601 and 0.0834; and the model of PAD, DBH, and Capital Expenditure against Economic Growth yields 0.2282 and 0.0981. Thus, the assumptions regarding heteroscedasticity and autocorrelation are satisfied according to the procedures employed in the thesis. These results support the use of the regression model for hypothesis testing, although attention must still be paid to potential multicollinearity in specific models.

Regression results for the Economic Growth model—with Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) as independent variables—indicate that both PAD and DBH exhibit a positive relationship. Based on the analysis reported in the thesis, the coefficient for PAD in this model is 6.100000 (with a probability of 0.1198), while the coefficient for DBH is 4.600000 (with a probability of 0.4901).

Table 6 Regression results of Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) on economic growth

Variable	Coeffisient	Std. Error	t-Statistik	Prob.
Constanta	112,0000	91,71078	4,221231	0,2678
PAD (X1)	6,100000	3,365018	1,812770	0,1198
DBH (X2)	4,600000	2,177184	0,734904	0,4901

Since the probability value for Locally-Generated Revenue (PAD) of 0.1198 exceeds 0.05, PAD does not have a significant effect on economic growth. Revenue-Sharing Funds (DBH) also show no significant effect, as the probability value of 0.4901 is greater than 0.05. Consequently, hypotheses H3 and H4 are not supported at the 5 percent significance level. These results indicate that a positive coefficient direction is insufficient to demonstrate a significant effect. In the context of Aceh, increases in PAD and DBH revenues have not shown a strong statistical relationship with economic growth during the study period. This may be attributed to the budget utilization structure, economic fluctuations, and other factors not included in the model.

Table 7 Regression Results

Variable	Coeffisient	Std. Error	t-Statistik	Prob.
Constanta	412,0000	91,71078	4,221231	0,2678
PAD (X1)	6,100000	3,365018	1,812770	0,1198
DBH (X2)	4,600000	2,177184	0,734904	0,4901
Belanja Modal (M)	0,300000	1,357694	0,220983	0,8324

In the model incorporating Capital Expenditure, the coefficient for Locally-Generated Revenue (PAD) remains 6.100000 ($p = 0.1198$), Shared Revenue (DBH) is 4.600000 ($p = 0.4901$), and Capital Expenditure is 0.300000 ($p = 0.8324$). All probability values exceed 0.05. Consequently, PAD, DBH, and Capital Expenditure do not have a significant partial effect on economic growth; thus, H5 is not supported. These findings demonstrate that the inclusion of Capital Expenditure as an additional variable does not alter the conclusion regarding the statistical insignificance of PAD and DBH. From a substantive perspective, this result implies that high levels of realized Capital Expenditure in a given year do not necessarily lead to an immediate boost in economic activity. Infrastructure projects require time to be completed, put into use, and generate a multiplier effect. Furthermore, the nature of the assets constructed and their linkages to productive sectors determine the magnitude of their economic impact.

Table 8 Coefficient of Determination and Simultaneous Test

Item	Value	Interpretasion
R-squared	0,571816	57,18% variasi Y dijelaskan model
Adjusted R-squared	0,357724	35,77% setelah penyesuaian
F-statistic	2,870886	Pengujian simultan
Prob(F-statistic)	0,141238	Tidak signifikan

The R-squared value of 0.571816 indicates that approximately 57.18 percent of the variation in Economic Growth within the model can be explained by Locally-Generated Revenue (PAD), Revenue-Sharing Funds (DBH), and Capital Expenditure. Meanwhile, the remaining 42.82 percent of the variation is explained by factors outside the model. The Adjusted R-squared value of 0.357724 reflects a more conservative explanatory power after accounting for the number of variables and observations. The F-test yielded an F-statistic of 2.870886 with a Prob(F-statistic) of 0.141238. Since the probability exceeds 0.05, PAD, DBH, and

Capital Expenditure do not collectively exert a significant influence on Economic Growth. The R^2 value—which is relatively high compared to the F-test significance—must be interpreted with caution given the small sample size of only ten observations. R^2 represents the proportion of variation that can be explained mathematically, whereas the F-test assesses whether the relationship is statistically robust at a specific significance level.

Mediation analysis was employed to determine whether PAD and DBH influence Economic Growth through Capital Expenditure. Conceptually, a mediation effect occurs when an independent variable influences a mediator, which in turn influences the dependent variable, thereby creating a meaningful indirect effect. The Sobel test reported in the thesis yielded a test statistic of 0.21933946 and a p-value of 0.82638563. As the p-value is substantially higher than 0.05, the indirect effect via Capital Expenditure is not significant.

Table 9 Sobel Test Results

Component	Result
Test statistic Sobel	0,21933946
p-value	0,82638563
A	0,05
Decision	Not signifikan
Conclusion	Capital expenditure does not significantly mediate.

These results indicate that changes in Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) did not demonstrate a significant indirect pathway to economic growth via capital expenditure during the study period. This finding is consistent with the partial test results, which showed that capital expenditure alone did not have a significant effect on economic growth.

Analysis of direct effects revealed that the direct impact of PAD on economic growth yielded a coefficient of 4.055556 with a probability of 0.0622. At a 5 percent significance level, this value was not significant, although, from an exploratory perspective, the relationship was close to the 5 percent threshold and could be considered significant at the 10 percent level. Meanwhile, the effect of capital expenditure on economic growth showed a coefficient of -0.500000 with a probability of 0.5441, indicating a lack of significance.

Table 10 Direct and Indirect Effects

Path	Coeffisient	Prob./p-value	Decision
PAD → Pertumbuhan Ekonomi	4,055556	0,0622	Not signifikan at 5%
Belanja Modal → Pertumbuhan Ekonomi	-0,500000	0,5441	Not signifikan
PAD/DBH → M → Y	—	0,8264 (Sobel)	The indirect effect is not significant.

The discrepancy between coefficient values and probability levels highlights the importance of significance testing. A positive coefficient does not automatically indicate an effect that can be generalized. In this study, the direct path from Locally-Generated Revenue (PAD) to Economic Growth was not significant at the 5 percent level, and the path from Capital Expenditure to Economic Growth was likewise insignificant. Consequently, the Sobel Test indicated an absence of mediation. For Capital Expenditure to serve as a robust mediator, evidence would be required showing that changes in PAD or Revenue-Sharing Funds (DBH) influence Capital Expenditure, and that Capital Expenditure, in turn, affects Economic Growth.

The study results indicate that PAD does not have a significant effect on Economic Growth. This finding contradicts the initial hypothesis that an increase in local internal revenue directly boosts growth. One possible explanation is that the increased PAD has not been fully allocated to activities that generate new production capacity. PAD may also be used to finance routine government operations and service delivery. While such expenditures remain vital for the community, their impact on the Gross Regional Domestic Product (GRDP) is not always immediate. The economic impact could be greater if PAD were utilized to support infrastructure, local economic development, service quality improvements, and productivity-enhancing programs.

Maheni and Maryono (2021) found a positive effect of PAD on both Capital Expenditure and Economic Growth within their specific research context. In contrast, the current study shows that in Aceh (2015–2024), the effect of PAD on Economic Growth was not significant. This discrepancy underscores the importance of regional characteristics and the specific observation period. DBH also showed no significant effect on Economic Growth, with a probability value of

0.4901. These results suggest that variations in DBH revenue during the study period were insufficient to explain changes in Aceh's economic growth. Because DBH relies on specific revenue-sharing arrangements, the amounts received are not entirely within the local government's control. This finding aligns with some previous studies indicating that DBH does not always significantly influence economic growth indicators. Ultimately, fiscal transfers should be viewed not merely as an influx of funds, but as a financing source that must be translated into effective development policies.

Capital expenditure does not have a significant effect on economic growth, with a probability of 0.8324. This is a significant finding because, theoretically, capital expenditure is expected to enhance infrastructure and productivity. This lack of significance may indicate that the impact of government investment requires a longer timeframe than the annual period observed, or that the actual spending was not sufficiently linked to economic sectors that generate value-added. The decline in capital expenditure in 2023 and 2024, coinciding with an increase in economic growth, further demonstrates that growth is not determined solely by government investment; factors such as consumption, exports and imports, the private sector, commodities, productivity, and external influences can play major roles. The Sobel test yielded a p-value of 0.82638563, indicating that capital expenditure does not mediate the relationship between Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) and economic growth. These results show that the hypothesized fiscal pathway has not been statistically proven to function as expected. Consequently, an increase in fiscal revenue does not automatically translate into growth via capital expenditure. Substantively, local governments need to focus on the quality of spending. Effective capital expenditure should be directed toward assets that are genuinely utilized, yield economic benefits, and support connectivity and productivity. Post-construction evaluation is also crucial to ensure that assets deliver benefits in line with their intended objectives.

The study's primary implication is the need to shift focus from merely increasing nominal revenue to improving the quality of fiscal management. Locally-Generated Revenue (PAD) needs to be boosted through the optimization of taxes, user fees, regional assets, and public services. Revenue-Sharing Funds (DBH) should be channeled into productive programs. Capital expenditure needs

to prioritize infrastructure and assets that are strongly linked to community productivity.

5. Conclusion and Recommendation

Based on the research findings, Locally-Generated Revenue (PAD) and Revenue-Sharing Funds (DBH) did not have a significant effect on the economic growth of Aceh Province during the 2015–2024 period. The probability values were 0.1198 for PAD and 0.4901 for DBH. Capital Expenditure also showed no significant effect on economic growth, with a probability of 0.8324. Simultaneously, PAD, DBH, and Capital Expenditure did not exert a significant influence, with a Prob(F-statistic) of 0.141238. The model yielded an R-squared of 0.571816 and an Adjusted R-squared of 0.357724. Mathematically, this means that approximately 57.18 percent of the variation in economic growth can be explained by the variables in the model, while 42.82 percent is influenced by other factors. However, the test for simultaneous significance indicates that the relationship is not sufficiently strong at the 5 percent level. The Sobel test produced a test statistic of 0.21933946 and a p-value of 0.82638563. Consequently, Capital Expenditure was not proven to significantly mediate the effects of PAD and DBH on economic growth. The study also detected signs of multicollinearity in the model, with VIF values of 12.62703 for PAD and 18.74746 for DBH. Thus, during the 2015–2024 period, increases in PAD, DBH, and Capital Expenditure failed to generate a significant impact on the economic growth of Aceh Province. This situation suggests that available regional revenues and capital expenditures have not been fully directed toward productive activities capable of driving economic activity and regional growth.

Local government needs to increase PAD by optimizing local taxes, user fees, asset management, and service quality. The management of DBH should be directed toward productive programs that offer long-term economic benefits. The quality of Capital Expenditure planning and implementation requires strengthening, particularly regarding infrastructure development that enhances productivity, connectivity, and public services. Local government needs to conduct periodic evaluations of the economic benefits derived from the assets constructed. Fifth, future research is advised to incorporate variables such as investment, labor, government consumption, human resource quality, or leading

sectors, and to consider a longer time period so that the relationship between fiscal factors and growth can be analyzed more comprehensively.

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