

## THE EFFECT OF INVESTMENT, REGIONAL ORIGINAL REVENUE (PAD), GENERAL ALLOCATION FUND (DAU), AND REGIONAL EXPENDITURE ON ECONOMIC GROWTH IN REGENCIES AND MUNICIPALITIES OF WEST PAPUA PROVINCE

**Devi Rahel Christina Mustamu<sup>1</sup> Anak Agung Ketut Ayuningsasi<sup>2</sup>**

<sup>1,2</sup> Faculty of Economics and Business, Udayana University, Bali, Indonesia

E-mail: [mustamukristinarahel@gmail.com](mailto:mustamukristinarahel@gmail.com)<sup>1</sup>

### ABSTRACT

Economic growth is an important indicator of regional development influenced by economic and fiscal factors, including investment, Regional Original Revenue (PAD), General Allocation Fund (DAU), and regional expenditure. This study aims to analyze the effect of investment, PAD, DAU, and regional expenditure on the economic growth of regencies/cities in West Papua Province during 2019–2022, both simultaneously and partially. The study employed a quantitative approach using secondary data obtained from Statistics Indonesia, the Directorate General of Fiscal Balance, and the Ministry of Investment and Downstream Industry/BKPM. Data were analyzed using multiple linear regression with SPSS version 22 through descriptive statistical tests, classical assumption tests, F-test, t-test, and coefficient of determination. The results show that all variables simultaneously have a significant effect on economic growth. Partially, investment has no significant effect, while PAD and regional expenditure have a positive significant effect, and DAU has a negative significant effect. Regional expenditure is the most dominant variable, with a coefficient of determination of 87%.

**Keywords:** Investment, Regional Original Revenue, General Allocation Fund, Regional Expenditure, Economic Growth.

### INTRODUCTION

Economic development is a multidimensional process aimed at improving public welfare through increased income, employment opportunities, and equitable development. The success of economic development is generally measured by economic growth, which is reflected in the increase of Gross Regional Domestic Product (GRDP). Adam Smith's classical economic growth theory explains that economic growth is influenced by population development, capital accumulation, and the division of labor, all of which enhance labor productivity (Jhingan, 2018). Meanwhile, Solow's neoclassical growth theory emphasizes the importance of technological advancement and the quality of human resources in promoting economic growth.

Investment is one of the key determinants of economic growth because it enhances production capacity and creates employment opportunities. Sukirno (2000) explains that investment refers to capital expenditures intended to increase the production of goods and services. The Harrod–Domar theory and Schumpeter's innovation theory (1934) further emphasize that investment and innovation play significant roles in fostering sustainable regional economic development.