

Path Analysis : The Influence of PAD and TKD on Economic Growth Through Regional Expenditure in The Regency Fakfak, West Papua Province, 2015-2024.

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A R T I C L E I N F O

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A B S T R A K

Study This discuss connection between PAD, TKD, spending area, and growth economy in context implementation autonomy areas in the Regency Fakfak. Autonomy area give authority more big to government area For manage source power and finance area use push development economy and welfare community. Transfer to Regions (TKD) for Papua which is sourced from from government centers, such as Allocation Funds General (DAU), Allocation Fund Special (DAK), Autonomy Fund Special (DOK), and Revenue Sharing Fund (DBH) Tax and other sources Power nature , to be component main income area. However, the height dependence area towards central transfer compared to Income Local Original Income (PAD) gives rise to question about effectiveness management finance area in push growth economics. Research This aim For analyze the influence of PAD and TKD on growth economy through Regional Expenditure as intervening variables during period 2015–2024. With using analysis models path analysis, research This evaluate influence direct and indirect directly PAD and TKD as well Regional Expenditure on growth economics. Research results expected give proof empirical for government area in formulate policy more fiscal effective as well as become reference for study furthermore related management finance regions and development regional economy.

INTRODUCTION

The implementation of regional autonomy in Indonesia is part of governance reform aimed at achieving equitable development and improving public welfare. Through decentralization policies, regional governments have gained broader authority to manage government affairs, including development planning and regional financial management. Regional autonomy has also had a positive impact on communities through regional economies, which have experienced encouraging growth, thanks to the authority of regional governments to manage local potential (Maimunah, 2026).

Decentralization fiscal become component important in implementation autonomy area Because give authority to area For manage source finance in a way independent . Government area No only sued For increase income , but also must capable allocate shopping in a way effective and efficient management finance good area will support development infrastructure, services social and activities economy productive which has an impact on welfare public.

Source income area consists of from Income Regional Original Income (PAD), balancing funds , and other legitimate income . Balancing funds is a transfer from government center that aims reduce gap fiscal between region. Balanced fund components includes Allocation Fund General (DAU), Allocation Fund Special (DAK), and funds for results tax as well as source Power nature. Through mechanism this, the government center make an effort ensure that every area own capacity adequate fiscal For operate function governance and development.

Although thus, many areas in Indonesia still face PAD limitations so that depend on balancing funds as source main income. High dependency towards central transfer can influence independence fiscal area and flexibility in determine priority development. Therefore that, effectiveness use of balancing funds become factor important in push development economy area.

Condition This is also seen in the Regency Fakfak, where the contribution of PAD to total revenue area relatively small compared to balancing funds. In situation this, Local governments are expected to manage regional expenditure optimally so that the funds available capable push activity economy and improve welfare community. Shopping areas directed at the sector productive and development infrastructure expected capable create a multiplier effect for economy local .

Regional expenditure is instrument policy strategic fiscal in push growth economy. Allocation proper expenditure targets, especially in development infrastructure, education, health, and empowerment economy society, can increase productivity and power competition area. On the other hand, there is less spending effective can hinder growth economy and reduce benefit from fiscal transfers received.

For see dynamics fiscal Regency Fakfak between 2015-2024 in general more comprehensive, following presented development data Income Regional Original Income (PAD), Balancing Funds, Regional Expenditure, and Growth Economy.

Table 1. PAD, Balancing Funds (DP), Regional Expenditures (BD), and Growth Economy (GRDP) of the Regency Fakfak in West Papua, 2015-2024 (In Billion Rupiah).

Year	PAD	DP /TKD	BD	PDRB (Price Constant)
2015	39,07	883,04	1,256,40	2,801,96
2016	48,07	1.132,17	1.240,38	2.948,83
2017	39,02	1.210,52	1.245,36	3.159,03
2018	39,81	1.155,08	1.143,80	3.367,23
2019	40,60	1.240,29	1.328,51	3.545,31
2020	48,87	1.240,46	1.370,43	3.440,58
2021	39,20	1.118,68	1.165,67	3.474,01
2022	31,59	1.243,72	1.327,00	3.538,16
2023	21,15	1.297,72	1.433,08	3.603,90
2024	22,12	1,429,42	1,500,37	3,717,40

Source: BPS, Fakfak In APBD Data Figures & Portal, DJPK, Ministry of Finance.

The data in the table shows significant fluctuations in both fiscal variables and economic growth as a result of the COVID-19 pandemic. The ratio of local revenue (PAD) to regional expenditure in Fakfak Regency is quite large, indicating that regional expenditure is predominantly sourced from balancing funds. Similarly, the ratio of balancing funds to regional expenditure is not significantly different from PAD. This fluctuating condition, with a tendency to experience extreme increases and decreases for each regional financial variable, is projected to persist as long as the region's fiscal dependence on the state budget persists.

Growth economy Regency Fakfak, based on the data in the table on seen experience increase before and after covid-19 pandemic but There is data movement of a nature strange, namely between 2022-2023, where moment 2022, balancing funds only amounting to 1,243.72M, spending area actually increased by 83.24M to 1,327.00M (the difference No can be financed by PAD which is only amounting to 31.59M) as well as for 2023, however on the other hand side growth economy with GRDP indicators in the same year precisely experience quite an improvement significant. This is indicates that growth economy Regency Fakfak No forever influenced by variables fiscal area (Invisible hand). Besides that, shopping area Regency Fakfak more dominated by shopping employees and not There is relation in a way direct with growth economy area.

Phenomenon real related variables fiscal Regions and Growth Economy in the Regency Fakfak as explained on precisely own differences that lead to inconsistencies to results study previously related with the same variables, including Some studies show a positive effect, while others find a negative or insignificant effect (Nihayatuz et al., 2025; Meilina et al., 2025; Laodini et al., 2023; Sugandi et al., 2024; Firmansyah et al., 2022; Waspada Meliala et al., 2025). The inconsistencies in each of these research findings indicate a research gap that needs further examination, especially in the context of Fakfak Regency with its fluctuating fiscal dynamics and economic growth and indications of strange data movements.

Based on description above, research This done For analyze development of balancing funds, spending area, and growth economy as well as test the influence of balancing funds to growth economy through shopping area as intervening variables. Research results expected give proof empirical about effectiveness policy fiscal area and become material consideration for government area in formulate strategy management more optimal financial use support development sustainable economy.

LITERATURE REVIEW

According to Law Number 1 of 2022, State Finances are all state rights and obligations that can be valued in money, as well as everything, whether in cash or in kind, that can be owned by the state in connection with the implementation of these rights and obligations. This concept serves as the legal basis for fiscal management in Indonesia. In a macroeconomic context, fiscal policy plays a crucial role in maintaining economic stability by regulating state revenues and expenditures, both at the central and regional levels.

Within the framework of regional autonomy and special autonomy in Papua, the central government issued two laws and regulations, namely Law Number 23 of 2014 concerning the implementation of regional government and Law Number 1 of 2021 concerning amendments to Law Number 21 of 2001 concerning special autonomy for the province of Papua (including West Papua Province). These two regulations were issued with a primary focus on Decentralization, namely the transfer of authority from the central government to regional governments to manage their own regions with certain limitations, including managing regional finances (Fiscal Decentralization). Regarding regional financial management, the Government also issued Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments.

Income The next local original abbreviated with PAD as arranged in Constitution Number 1 of 2022 is income acquired area from tax area , levies area results management riches separated areas , and other income original legitimate area in accordance with regulation legislation. According to Siregar in Nihayatuz (2025), PAD is an important instrument that allows regional governments to optimize local potential in an effort to increase fiscal capacity. Another concept of PAD, according to Fitriani and Syarif (2025) and Rahmawati and Yusuf (2022), also emphasizes that PAD has a crucial role in strengthening fiscal space so that regions can implement development programs independently without high dependence on the central government. (Nihayatuz, 2025; p. 1755).

In study this , the author using 2 (two) different terms but meaning and purpose The same Because reasons for data collection before and or after its validity Constitution Number 1 of 2022, namely the Balancing Fund and Transfers to Regions (TKD). Transfers to Regions (TKD) according to Constitution Number 1 of 2022 which follows abbreviated as TKD, is a fund sourced from from the APBN and is part from allocated and distributed state spending to the Region for managed by the Region in frame funding organization Affairs The government that became Regional authority. While the balancing

funds according to Minister of Finance Regulation Republic of Indonesia Number 41 of 2021, is funds sourced from the APBN to regions to finance regional needs in the context of implementing decentralization, consisting of general transfer funds and special transfer funds. TKD consists of the General Allocation Fund (DAU), Special Allocation Fund (DAK), Special Autonomy Fund (DOK), and Revenue Sharing Fund (DBH).

According to Constitution Republic of Indonesia Number 1 of 2022 says that, shopping area is all recognized regional obligations as reducer mark riches clean in period year the budget concerned. In APBD posture according to Directorate data General Balance Finance, Ministry of Finance Republic of Indonesia, shopping area consists of from shopping employees, shopping goods and services, capital expenditure, and other expenditure. Based on data on the Financial System website Information Regional Finance (SIKD), in 2015-2024, expenditure area Regency Fakfak more Lots monopolized by shopping employee (salary/allowances) employees and shopping goods and services in term long, no related direct with growth economy.

Draft decentralization fiscal emphasize that government area own more information Good about need public local. According to theory decentralization delegation authority fiscal will increase efficiency allocation source Power Because policies taken more responsive to condition area. However Thus, the capacity fiscal area still become factor determinant success implementation autonomy. Growth economy in study This measured use Product Gross Regional Domestic Product (GRDP) base price constant. Growth economy reflect improvement capacity production goods and services in an area of time to time. The increase in GRDP shows existence activity growing economy and increasing welfare public.

Theory growth the classic theory put forward by Adam Smith (Arsyad, 2010) emphasizes importance accumulation of capital, labor work, and resources Power natural in push growth economy. Meanwhile tha, theory growth neoclassical theory developed by Robert Solow added role progress technology as factor main growth term long. Besides that, theory endogenous growth pioneered by Romer (Todaro & Smith; 2011) explains that growth economy No only influenced by factors external, but also by investment in resources Power humans, innovation, and technology that originates from in system economy That alone. In context area, shopping government in the sector education, health and infrastructure can become driver growth term long.

Shopping area is all over expenditure government area in one year budget used For finance organization government and development. Shopping area shared become shopping direct and shopping No direct. Shopping development, especially capital expenditure, have role strategic in create infrastructure and improve productivity economy area. Based on study theory and research previously, PAD and TKD/ Balancing Funds influential to improvement shopping area, and shopping area in the end impact on growth economy. With thus, the relationship between PAD, TKD/ Balancing Funds, Regional Expenditure, and Growth Economy form something framework conceptual

explanation that fiscal transfer from government center can push development area through mechanism expenditure productive government.

METHODOLOGY

Study This use approach quantitative with method verification approach descriptive aim For describe development of PAD, TKD/ Balancing Funds, Regional Expenditure, and Growth Economy in the Regency Fakfak during period research . Meanwhile that, approach verification used for test connection causal between variables through analysis statistics in the form of analysis track. Location study is Regency Fakfak, West Papua Province. Election location This based on considerations that area the Is area autonomous that receives TKD/ Balancing Funds from government center and have dynamics growth relevant economics for analyzed. Period study covers 2015 to 2024.

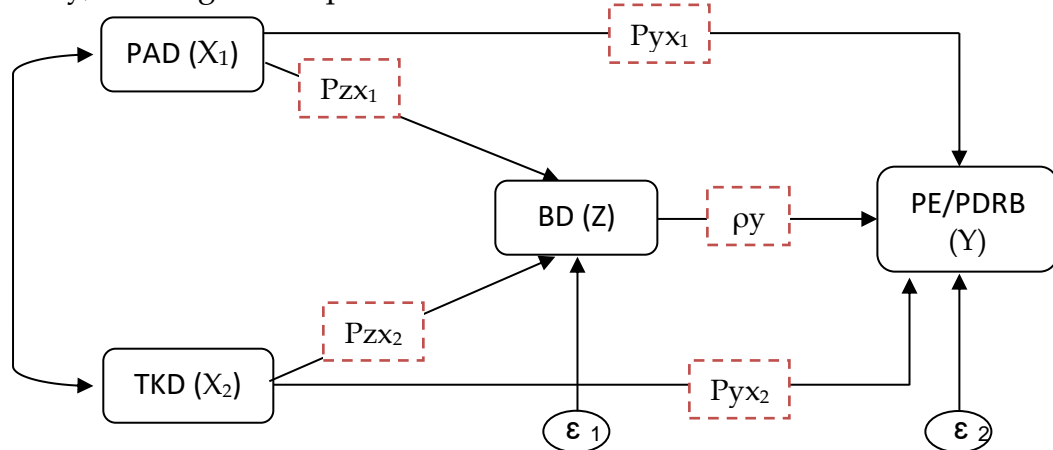
Type of data used in study This is secondary data that is time series in nature. The data is obtained from publication official Central Statistics Agency (BPS) Regency Fakfak as well as report realization Budget Regional Revenue and Expenditure (APBD) on the System site Information Regional Finance (SIKD) owned by Directorate General Balance Finance, Ministry of Finance Republic of Indonesia. Use of secondary data intended for get accurate and verified information. Variables in study This consists of on variables independent variables, intervening variables, and dependent variables dependent variable independent is PAD, TKD/Balancing Funds which consist of from. The intervening variable is Regional Expenditure, while variables dependent is Growth The economy is measured through Product Gross Regional Domestic Product (PDRB) base price constant .

Definition operational variables formulated so that each variables can measured in a way quantitative. PAD is measured from reception taxes and levies region, TKD/Balancing Funds measured from size DAU, DAK, DOK and DBH receipts are measured based on the amount of funds transferred recorded in the APBD. Regional spending is measured of the total realization expenditure government area, whereas Growth Economy measured from percentage change in PDRB from year to year. Data collection techniques were carried out through studies documentation and studies bibliography. Study documentation done with gather report financial and statistical data area. Meanwhile that, study literature done with study literature scientific, books text, and regulations relevant legislation with topic study.

Data analysis techniques used in study This is according to Muhidin and Abdurahman (2011; 221), who said that in statistical analysis for the purpose of forecasting/estimating the value of Y based on the values of X_1, X_2, \dots, X_i , the appropriate relationship pattern is a relationship pattern that follows the regression model, while to analyze the causal relationship pattern between variables with the aim of knowing the direct and indirect influence, either simultaneously or independently of several causal variables on an effect variable, the appropriate pattern is the Path Analysis model. This path analysis model is what the author uses to answer research problems and hypotheses, but because of the complexity of a study using this path analysis model, the author will divide it into several stages so that it can later simplify the analysis process, including:

Path Diagram Preparation

In addition, according to Kadir (2013; 2), the indirect influence of several independent variables on a dependent variable is through other variables called intervening variables. For this purpose, to simplify the process and structure of the analysis, a path diagram is needed and according to Harun Al-Rasyid (2005) in his book Muhidin and Abdurahman (2011; 222) said that a path diagram is a diagram or image that requires a structured relationship between variables. In this study, the diagram in question is as follows:



For test influence intervening variables used method analysis Path Analysis. Analysis track is expansion from analysis multiple linear regression analysis track use analysis regression for estimate connection causality between variables (causal model) that have been set previously based on theory (Khuzaini ,2009; 169).

Equation Model Structural

Mathematically, path analysis follows a structural model pattern determined by a set of general (linear) equation models, namely as follows:

- Influence Direct *Effect*, namely influence from X₁ and X₂ respectively direct against Z or more simple can served in form equality structural non-linear with the following model:

$$\text{Ln } Z = \rho_{zx1} \text{Ln}X_1 + \rho_{zx2} \text{Ln}X_2 + \varepsilon_1$$

$$\text{Ln } Y = \rho_{yz} \text{Ln } Z + \varepsilon_2$$

- Indirect Effect (*IE*) is the influence of X₁ and X₂ on Y. via Z or more simple can formulated as following :

$$\text{IE} = \rho_{zx1} + \rho_{zx2} + \rho_{yz} + \varepsilon_3$$

Calculation Coefficient Track

The magnitude of the direct influence of an exogenous variable on a particular endogenous variable is expressed by the magnitude of the numerical value of the path coefficient from exogenous to endogenous by calculating the correlation matrix between variables given the symbol \underline{R} and calculating the Inverse Correlation Matrix with the symbol R_1^{-1} and calculating all path coefficients.

Count Influence Variables Exogenous to Endogenous Variables

Furthermore, to determine the extent of the influence of several exogenous variables on an endogenous variable, this can be done partially (either directly or indirectly) or simultaneously.

Coefficient Test Calculation Track

To test the significance of each path coefficient that has been calculated, both partially and simultaneously between exogenous and endogenous variables, using the following stages: making a statistical hypothesis statement, calculating the path coefficient test partially, and calculating the path coefficient test simultaneously.

RESEARCH RESULT

Analysis results multiple linear regression show that in a way simultaneous PAD and TKD/ Balancing Funds influential significant to Regional expenditure. This proven through the F test which shows mark significance more small from level α (0.05) and or $F_h < F_t$ (3.96 < 4.35). With thus, PAD and TKD/ Balancing Funds in a way together capable explain variation Regional expenditure. In a way partial, the t-test results show that Income Local Original Income (PAD) has influence negative (-2.489) against Regional expenditure however mark coefficient PAD regression is more big compared to DP/TKD (2.220 > 0.906) and also the R^2 PAD value is higher big from R^2 DP/TKD value (0.43 > 0.37), and significant in a way statistics because the p-value is greater small of 0.05 (i.e. 0.03). This indicates that PAD is also one of the source financing expenditure government area although very small percentage its value.

Balancing Funds and /or Transfers to Regions (DP/TKD) have an impact positive and significant to Regional Expenditure based on t-test results that have a value positive of 2,180. This is show that allocation of funds intended for activity special or priority national participate increase realization shopping government areas, especially in the sectors certain like infrastructure and services public. Analysis results regression simple show that Regional expenditure has an impact positive and significant to Growth The economy is measured through the GRDP above base price constant. Coefficient value positive regression ($b = 0.471$) indicates that improvement shopping government area capable push activity economy in the region.

Coefficient value determination ($R^2 = 0.3728$ or 37.28%) in the model shows that the Balancing Fund and /or Transfer to Regions (TKD) is capable of explain part big variation Regional expenditure, while Regional expenditure is also capable explain variation Growth Economy based on the R^2 value is 0.2461 or 24.61 % in sufficient proportion significant. This is indicates that the research model own Power explain well.

Based on results analysis path analysis, found that the Balancing Fund own influence No direct to Growth Economy through Regional Expenditure as intervening variable. This means that the increase in transfer funds from government center No necessarily direct increase growth economy, but through mechanism improvement expenditure government area.

In a way overall, results study This show that the Balancing Fund play a role important in support capacity fiscal area, improve Regional expenditure, and ultimately push Growth Economy in the Regency Fakfak. With Thus, the effectiveness management of Balancing Funds and optimization productive shopping become factor key in speed up development economy area.

CONCLUSION AND RECOMMENDATIONS

Based on results analysis research, can concluded that PAD and Balancing Funds or Transfer Funds to Regions (DP/TKD) in simultaneous influential significant to District Regional expenditure Fakfak. Increase in transfer funds from government center proven increase capacity fiscal area in finance expenditure government.

In a way partial, Balancing Fund or Regional Transfer Funds (DP/TKD) is the most dominant component influence Regional expenditure. This show that dependence fiscal Regency Fakfak to government center Still Enough high, especially through DAU mechanism as a block grant fund.

Study this also concludes that Regional Shopping has an impact positive and significant to Growth Economy. This means an increase expenditure government area capable push activity economy and improve Product Gross Regional Domestic Product (PDRB) of Regency Fakfak.

Analysis results track show that the Balancing Fund/Transfer to Region (DP/TKD) not only influential direct to Regional expenditure, but also has influence No direct to Growth Economy through Regional Expenditure as intervening variable. With thus, shopping government become mechanism main in transmit the impact of transfer funds on growth economy area.

Based on conclusion said, the government area Regency Fakfak recommended For optimize use of Balancing Funds/Transfers to Regions (DP/TKD) to be more directed at shopping productive, especially capable capital expenditure create effect multiplier effect on economy area.

Besides that, the government area need increase Income Local Original Income (PAD) for reduce dependence against the Balancing Fund /Transfer to Regions (DP/TKD) has been proven with own reciprocal relationship back) marked negative. Diversification source income area will strengthen independence fiscal as well as increase flexibility in planning development.

Lastly, it is necessary improvement effectiveness and efficiency management budget through based planning performance as well as strict supervision. With good governance good finances, Balancing Funds/Transfers to Regions (DP/TKD) can utilized optimally for push growth sustainable and improving economy welfare public Regency Fakfak.

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