Quest Journals
Journal of Research in Business and Management
Volume 9 ~ Issue 8 (2021) pp: 12-22
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

Regional Financial Capabilities And Economic Growth In North Toraja District

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Abstract: *This research aims to determine the effect of independence, regional financial dependence, income effectiveness, and the degree of fiscal decentralization on economic growth in North Toraja District. In this research, the method used by the researcher is a quantitative descriptive method. The results showed that independence had a significant effect on economic growth in North Toraja District, meanwhile regional financial dependence, income effectiveness, and fiscal decentralization had no effect on economic growth in North Toraja District. However, independence, regional financial dependence, revenue effectiveness, and fiscal decentralization together have a positive and significant impact on the economic growth of North Toraja District.*

Keywords: *Regional Finance Independence, Regional Finance Dependence, Income Effectiveness, Economic Growth*

Received 28 July, 2021; Revised: 10 August, 2021; Accepted 12 August, 2021 © *The author(s) 2021. Published with open access at www.questjournals.org*

I. INTRODUCTION

Economic growth is one of the benchmarks that can be used to increase the development of an area from various economic sectors which indirectly describes the level of economic change. Economic growth means the development of activities in the economy which causes the goods and services produced to increase and the prosperity of the community to increase. One of the factors in determining the success of economic development is by looking at its economic growth. In formulating regional development, high economic growth is the main target. Restiatun in Pratama and Soejoto (2013) states that economic growth marked by an increase in Gross Regional Domestic Product (GRDP) is needed to accelerate a balanced and dynamic economic structure characterized by a strong and advanced industry, and has a balanced sectoral growth base. Thus, economic growth becomes an illustration of performance in carrying out development. The statement also concludes that an increase in GRDP will result in an increase in economic growth. As an autonomous region, North Toraja District continues to improve itself to increase revenue sources to create regional independence. Even though the fiscal conditions in North Toraja District from the four components of revenue sources, that are regional taxes, regional levies, the results of separated regional wealth management and other legitimate Regional Original Income (PAD) have not played an optimal role. The consequence of the implementation of regional autonomy in North Toraja District lies in the ability of regional finances to finance the administration of its government, so that it can have an impact on the regional economy. Regional financial capacity is measured by several indicators, including the ratio of independence, financial ability, income effectiveness, and the degree of decentralization (Sumardjoko, 2019). However, the problem is that there is no empirical evidence that shows the influence of regional financial capacity on economic growth in North Toraja District, making it important to be researched.

II. THEORETICAL AND LITERATURE REVIEW

2.1. Regional Development Planning Theory

Hirscman's opinion in Adisasmita (2013) states that each region has different potential growth factors which include natural resources, labor, capital and technology. These differences in economic growth factors encourage regional specialization based on the comparative advantages of each region. Each region will concentrate on producing goods and services by intensively utilizing relatively excess production factors or

resource endowment. Specialization provides a comparative advantage in production. These characteristics will encourage inter-regional trade which has an impact on regional economic growth. Although in the long term, there may be an equalization of the relative prices of production factors between regions or production factor's equalization (Ohlin in Adisasmita, 2013). This condition illustrates the process of convergence of growth between regions.

This paradigm views the regional economy as consisting of basic and non-base sectors. The basic sector functions to serve external demand or produce goods and services for export, while the non-base sector serves to serve local needs or support the basic sector. The economic growth of a region is determined by the ability of the region to serve external demand through the development of the basic sector. The economic growth is generated through a process of multiplier effects. Regional development requires the support of modern financial management to accelerate economic growth. Regional financial management adheres to the principles of transparency, accountability, and value for money which includes economy, efficiency and effectiveness. Transparency is a form of openness in the planning, preparation and implementation of regional budgets. Community members have the same rights and access to know the budget process because it involves shared aspirations and interests, especially meeting the needs of people's lives (Alis & Jamaluddin, 2018).

2.2. Regional Finance

According to Law Number 33 Year 2004, regional finances are all regional rights and obligations that can be valued in money and everything in the form of money and goods that can be used as regional property related to the implementation of these rights and obligations. The government in implementing broad, real and responsible regional autonomy requires sufficient funds and continues to increase in accordance with the increasing demands of the community, government activities and development.

2.3. Regional Revenue and Expenditure Budget (APBD)

According to the Ministry of Home Affairs Regulation No. 21 Year 2011, the Regional Revenue and Expenditure Budget (APBD) is the annual financial plan of the regional government which is discussed and approved jointly by the regional government and the Regional People's Representative Council (DPRD), and is determined by regional regulations. It can be used as a means of communication for local governments to their communities regarding allocation priorities made by local governments

2.4. Regional Original Income (PAD)

Regional Original Income (PAD) is regional income originating from regional financial sources such as regional taxes, regional levies, BUMD profits, service revenues and other revenues (Kaho, 1998). PAD can give its own color to the economic level of a region, because this type of income could be used freely by the region. PAD is a regional financial source that is excavated in the related region, consisting of regional tax proceeds, regional retributions, proceeds from regionally owned companies, and the results of the management of other separated regional assets, as well as other legitimate Regional Original Income.

2.5. Economic Growth

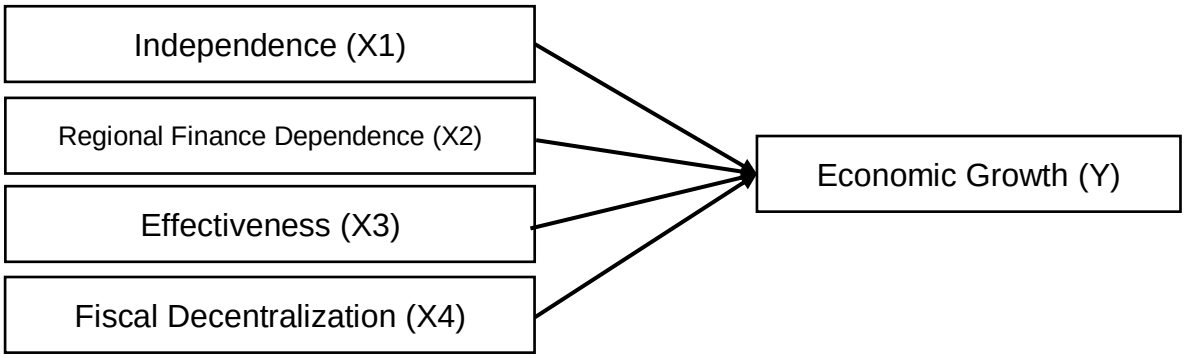
Economic growth is the occurrence of an increase or change in national income (national production) in a certain year, without regard to population growth and other aspects. Economic growth in a macro sense is an increase in the value of real Gross Domestic Product (GDP) or an increase in national income. According to Mankiw in Suci and Asmara (2014), GDP is often considered the best measure of economic performance whose purpose is to summarize economic activity in a certain value of money over a certain period of time.

2.6. Regional Financial Capabilities

Another important criterion to determine the real capacity of a region in managing and managing its household is the ability of the region in the financial sector. In other words, the financial factor is an important factor in regulating the level of regional capacity in implementing regional autonomy. In Government Regulation Number 105 of 2000, it is stated that regional finances are regional rights and obligations in the context of administering regional government which can be valued in money, including all other assets related to the rights and obligations of the region within the framework of the APBD.

III. CONCEPTUAL FRAMEWORK

3.1. Conceptual Framework



3.2. Hypothesis

Related to the statements earlier, the following hypothesis are formulated:

1. Independence affects positively towards Economic Growth in North Toraja District
2. Regional Finance Dependence affects positively towards Economic Growth in North Toraja District
3. Effectiveness affects positively towards Economic Growth in North Toraja District
4. Degree of Fiscal Decentralization affects positively towards Economic Growth in North Toraja District
5. Independence, Regional Finance Dependence, Effectiveness, and Degree of Fiscal Decentralization together affects positively towards Economic Growth in North Toraja District

IV. RESEARCH METHOD

4.1. Research Design

In this research, the method used by the researcher is a quantitative descriptive method. This research seeks to calculate, describe and analyze the financial performance of the Regional Government of North Toraja District and its influence on economic growth. The variables used in this research are financial ratios consisting of the ratio of regional independence, the ratio of regional financial capabilities, the ratio of effectiveness, and the degree of fiscal decentralization.

4.2. Research Time and Location

This research was done in the Regional Finance and Asset Management Agency (BPKAD) of North Toraja District. This research was done for six months, from March until September 2021.

4.3. Data Types and Sources

4.3.1. Data Types

The data types used in this research is:

1. Quantitative Data, that is data obtained in the form of numeric symbols or number symbols.
2. Qualitative Data, that is data or information obtained in the form of verbal sentences not in the form of symbols or numbers.

4.3.2. Data Sources

The data sources in this research is:

1. Primary data, which is data that is sourced from the results of observations and interviews with government leaders and employees and is obtained directly.
2. Secondary data, which is data sourced from organizational documentation and written reports that are made periodically obtained from existing sources.

4.4. Data Gathering Method

4.4.1. Library Research

Library or literary research is citing several book opinions from various references and researching some literature related to the writing of this proposal to complement the data obtained in the field and to obtain a theoretical framework that will be used as reference material.

4.4.2. Field Research

Field research includes direct observation of the object of research with the aim of describing all the facts that occur in the object of research so that problems can be solved.

4.5. Operational Definition and Variable Measurement

4.5.1. Dependent Variable

The dependent variable in this research is the Economic Growth (Y) variable. Economic Growth Variable (Y) describes the development of activities in the economy which causes the goods and services produced in society to increase.

Economic growth as measured by the comparison of Gross Regional Domestic Product (GRDP) based on the production method at constant prices can be formulated as follows:

$$\text{Yit} = \frac{PDRBit - PDRBit - 1}{PDRBit - 1} x\ 100\%$$

Information:

Y	: Economic Growth
PDRBit	: Gross Regional Domestic Product Year i
PDRBit – 1	: Gross Regional Domestic Product Year i - 1

4.5.2. Independent Variable

1. Independence Ratio (X1)

The level of regional financial independence is a measure that shows the financial capacity of the regional government in self-financing government activities, development, and services to the community, as measured by the ratio of Regional Original Income (PAD) to the amount of central government assistance and loans. The following is a formula for measuring the level of regional financial independence:

$$\text{Kemandirian Keuangan Daerah} = \frac{\text{Pendapatan Asli Daerah (PAD)}}{\text{Dana Perimbangan}}$$

2. Regional Finance Dependence Ratio (X2)

The ratio of the level of regional financial dependence is a ratio calculated by comparing the amount of transfer income received by regional revenues with total regional revenues. The higher this ratio, the greater the level of dependence of the regional government on central and/or provincial government revenues. This ratio is formulated as follows:

$$\text{Ketergantungan Keuangan Daerah} = \frac{\text{Pendapatan Asli Daerah}}{\text{Total Penerimaan APBD Tanpa Subsidi}}$$

3. Regional Original Income (PAD) Ratio (X3)

The effectiveness ratio describes the ability of the local government to realize the planned local revenue compared to the target set based on the real potential of the area. The measurement of the effectiveness of regional income variables uses an equation that is calculated as follows:

$$\text{Efektivitas pendapatan daerah} = \frac{\text{Realisasi Pendapatan Asli Daerah (PAD)}}{\text{Target Pendapatan Asli Daerah (PAD)}}$$

4. Fiscal Decentralization Degree (X4)

The level of Fiscal Decentralization is a measure to show the level of authority and responsibility given by the central government to local governments to carry out development. The level of fiscal decentralization in this research is measured by using the ratio of PAD to total regional revenues. The following is a formula for measuring the level of Fiscal Decentralization:

$$\text{Derajat Desentralisasi Fiskal} = \frac{\text{Pendapatan Asli Daerah (PAD)}}{\text{Total Penerimaan Daerah}}$$

4.6. Data Analysis Technique

4.6.1. Research Instrument Test

1. Normality Test

The normality test aims to test whether in the regression model, the confounding or residual variables have a normal distribution.

2. Multicollinearity Test

According to Ghozali (2011: 105-106) multicollinearity test aims to test whether the regression model found a correlation between independent variables.

3. Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another observation

4. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 previously.

1.6.2. Regression Analysis

1. Multiple Linear Regression

The multiple regression model formulated in this research involves independent variables, such as regional financial independence, regional financial dependence, effectiveness of regional revenues, and the degree of fiscal decentralization, while the dependent variable is economic growth. Based on these research variables, the equation model formulated is as follows (Sumadrjoko, 2019):

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$

Information :

$\beta 0$	= Constant Value
$\beta 1$, $\beta 2$, $\beta 3$ dan $\beta 4$	= Regression Coefficient
X1	= Independence
X2	= Financial Capability
X3	= Effectiveness
X4	= Fiscal Decentralization Degree
Y	= Economic Growth
ε	= Mistake Toleration Limit

2. Correlation Coefficient

Analysis of the correlation coefficient (R) is used to explain the strength and direction of the relationship between the independent variable and the dependent variable. The author uses correlation analysis to measure the strength of the association (relationship) between the independent variable and the dependent variable.

3. Determination Coefficient

The coefficient of determination test (R2) is essentially used to measure how far the model's ability to explain the dependent variable is. To measure the contribution of variation X1, X2 to variation Y used the test of the coefficient of multiple determination (R2), the value of R2 has a range from 0 to 1 ($0 \leq R2 \leq 1$). The greater the value of R2 (closer to 1), the better the regression results. The formula for finding the coefficient of determination with 2 independent variables is as follows:

$$R^2 = \frac{(ryx_1)^2 + (ryx_2)^2 - 2.(ryx_1).(ryx_2).(rx_1x_2)}{1 - (rx_1x_2)^2}$$

Information:

R^2	= Determination Coefficient
ryx1	= Simple Coefficient between X1 and Y
ryx2	= Simple Coefficient between X2 and Y
rx1x2	= Simple Coefficient between X1 and X2

4.7. Hypothesis Test

1. Partial Test (t test)

The t test is used to test the independent variables on the related variables partially or separately. The hypotheses used are:

a. If the value of T count > T table then the independent variable (X) has an effect on the dependent variable (Y).

b. If the value of T count < T table, then the independent variable (X) has no effect on the dependent variable (Y).

Meanwhile, to find out whether it has a significant effect on the dependent variable, it can be done by testing as follows:

a. If the value of Sig. < 0.05 then the independent variable (X) has a significant effect on the dependent variable (Y).

b. If the value of Sig. > 0.5 then the independent variable (X) has no significant effect on the dependent variable (Y).

2. Simultaneous Test (f test)

The F statistical test basically shows whether all independent variables or independent variables included in the model have an effect together on the dependent variable or the dependent variable. By using the SPSS 22 for windows method, a variable will have a significant effect if the f count of the variable is greater than the f table value.

a. If f count < f table, it can be concluded that the independent variable has an effect on the dependent variable or the hypothesis is accepted.

b. If f count > f table then the independent variable has no effect on the dependent variable or the hypothesis is rejected.

Meanwhile, to know the significancy, the following hypothesis are used:

a. If F sig. < 0.5, then Ho is rejected, meaning that the independent variable simultaneously affects the dependent variable.

b. If F sig. > 0.5, then Ho is accepted, meaning that the independent variable simultaneously does not affect the dependent variable.

V. RESEARCH RESULTS

5.1. Regional Finance Independence (X1)

Table 1. Regional Original Income (PAD) and Balancing Fund of North Toraja District Year 2010-2020

Year	Independency (%)	Percentage (%)
2011	3,92	-
2012	3,95	0,76
2013	3,90	(1,26)
2014	4,53	16,15
2015	4,34	(4,19)
2016	5,15	18,66
2017	6,00	16,50
2018	8,00	33,33
2019	6,79	(15,12)
2020	6,04	(11,04)

Source: Primary Data (2021)

Based on these data, it can be seen that independence fluctuates every year. In 2011 the independence obtained was 3.92 and in 2012 it increased by 0.76% to 3.95. In 2013 it decreased by 01.26% to 3.90, and in 2014 it increased by 16.15% to 4.53. In 2015 it decreased by 4.19% to 4.34, and in 2016 it increased by 18.66% to 5.15. In 2017 it increased by 16.50% to 6.00, and in 2018 it increased by 33.33% to 8.00. In 2019 it decreased by 115.12% to 6.79, and in 2020 it decreased again by 11.04% to 6.04.

5.2. Financial Dependence

Table 2. Financial Ability Growth Percentage of North Toraja District from 2010 to 2020

Year	Regional Finance Dependency (%)	Percentage (%)
2011	3,1	-
2012	3,45	11,29
2013	3,34	(2,93)
2014	3,72	11,29
2015	4,49	20,66
2016	4,20	(6,46)
2017	4,76	13,18
2018	4,09	(13,96)
2019	4,86	18,67
2020	6,30	29,63

Source: Primary Data (2021)

Based on these data, it can be seen that the regional financial dependence ratio fluctuates every year. In 2011 the regional financial dependence ratio obtained was 3.1%, and in 2012 it increased by 11.29% to 3.45%. In 2013 the regional financial dependence ratio decreased by 2.93% to 3.34%, and in 2014 it increased by 11.29% to 3.72%. In 2015 it decreased by 20.66% to 4.49%, and in 2016 it decreased again by 6.46% to 4.20%. In 2017 it increased by 13.18% to 4.76%, and in 2018 it decreased by 13.96% to 4.09%. In 2019 it increased by 18.67% to 4.86%, and in 2020 it increased by 29.63% to 6.30%.

5.3. Effectiveness

Table 3. Percentage of Finance Effectiveness Growth of North Toraja District Year 2010-2020

Year	Regional Income Effectiveness (Rp)	Percentage (%)
2011	114,76	-
2012	118,42	3,19
2013	97,50	(17,66)
2014	100,00	2,56
2015	86,23	(13,77)
2016	79,23	(8,12)
2017	66,00	(16,70)
2018	72,10	9,24
2019	92,28	27,99
2020	71,99	(21,99)

Source: Primary Data (2021)

Based on these data, it can be seen that the effectiveness ratio fluctuates every year. In 2011 the effectiveness ratio obtained was 114.76, and in 2012 it increased by 3.19% to 118.42. In 2013 the effectiveness ratio decreased by 17.66% to 97.50, and in 2014 it increased by 2.56% to 100.00. In 2015 it decreased by 13.77% to 86.23, and in 2016 it decreased again by 8.12% to 79.23. In 2017 it decreased by 16.70% to 66.00, and in 2018 it increased by 9.24% to 72.10. In 2019 it increased by 27.99% to 92.28, and in 2020 it decreased by 21.99% to 71.99.

5.4. Fiscal Decentralization

Table 4. Percentage of Fiscal Decentralization Growth of North Toraja District Finance Year 2010-2020

Year	Fiscal Decentralization Degree (%)	Percentage (%)
2011	2,98	-
2012	3,28	10,07
2013	3,19	(2,74)
2014	3,54	10,97
2015	4,27	20,62
2016	3,99	(6,56)
2017	5	25,31
2018	3,96	(20,8)
2019	4,64	17,17
2020	5,36	15,52

Source: Primary Data (2021)

Based on these data, it can be seen that the effectiveness ratio fluctuates every year. In 2011 the decentralization ratio obtained was 2.98, and in 2012 it increased by 10.07% to 3.28. In 2013 it decreased by 2.74% to 3.19, and in 2014 it increased by 10.97% to 3.54. In 2015 it increased by 20.62% to 4.27, and in 2016 it decreased by 6.56% to 3.99. In 2017 it increased by 25.31% to 5.00, and in 2018 it decreased by 20.8% to 3.96. In 2019 it increased by 17.17% to 4.64, and in 2020 it increased by 15.52% to 5.36.

5.5. Economic Growth

Table 5. Percentage of GDRP Growth of North Toraja District Year 2010 to 2020

Year	GDRP (in Billion Rupiah)	Percentage (%)
2011	2,964,996	-
2012	3,564,31	8,47
2013	4,248,57	7,54
2014	5,031,5	7,64
2015	5,886,77	7,76
2016	6,788,21	8,01
2017	7,720,94	8,22
2018	8,696,5	8,07
2019	9,596,35	7,56
2020	9,721,43	0,17

Source: Primary Data (2021)

Based on these data, it can be seen that GRDP fluctuates every year. In 2011 the GRDP obtained was Rp. 2,964,996 and in 2012 increased by 8.477% to Rp. 3,546.31. In 2013 it decreased by 7.54% to Rp. 4,248.57, and in 2014 it increased by 7.64% to Rp. 5,031.5. In 2015 it increased by 7.76% to 5,886.77 and in 2016 it decreased by 8.01% to Rp. 6,788.21. In 2017 there was an increase of 8.22% to Rp. 7,720.94, and in 2018 it decreased by 8.07% to Rp. 8,696.5. In 2019 there was an increase of 7.56% to Rp. 9,596.35, and in 2020 it increased by 0.17% to Rp. 9,721.43.

5.6. Regression Test

5.6.1. Multiple Linear Regression

Table 6. Coefficients[a]

Coefficients[a]											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-4931.372	3737.645		-1.319	.244					
	Independence	1003.445	203.835	.570	4.923	.004	.877	.910	.401	.497	2.013
	Capability	921.042	646.018	.385	1.426	.213	.852	.538	.116	.091	10.963
	Effectiveness	1.490	20.972	.011	.071	.946	-.805	.032	.006	.284	3.520
	Decentralization	523.514	953.818	.169	.549	.607	.874	.238	.045	.070	14.288
a. Dependent Variable: Growth											

From Table 6 above, the following equation of multiple linear regression could be formulated:

$Y = -4931.372 + 1003.445\,X_1 + 921.042\,X_2 + 1.490\,X_3 + 523.514\,X_4 + \varepsilon$

a. Constant value = -4931.372, it means that if the variables of independence (X1), financial caability (X2), effectiveness (X3), and fiscal decentralization (X4) are 0, then economic growth is -4932,372.

b. B1 Coefficient Value = 1003.445, it means that if the independence variable increases by one unit, then economic growth will increase by 100,344,5%. The coefficient is positive, meaning that there is a positive relationship between independence (X1) and economic growth (Y). Increasing independence will increase economic growth in the North Toraja District government.

c. B2 Coefficient Value = 921.042, it means that if the financial capability variable increases by one unit, then economic growth will increase by 92,104.2%. The coefficient is positive, meaning that there is a positive relationship between financial ability (X2) and economic growth (Y). Increased financial capacity will increase economic growth in the government of North Toraja District.

d. B3 Coefficient Value = 1.490, it means that if the effectiveness variable increases by one unit, then economic growth will increase by 149%. The coefficient is positive, meaning that there is a positive relationship between effectiveness (X3) and economic growth (Y). Increased effectiveness will increase economic growth in the government of North Toraja District.

e. B4 Coefficient Value = 523.514, it means that if the fiscal decentralization variable increases by one unit, then economic growth will increase by 52,351.4%. The coefficient is positive, meaning that there is a positive relationship between fiscal decentralization (X4) and economic growth (Y). Increasing fiscal decentralization will increase economic growth in the North Toraja District government.

5.7. Hypothesis Test

1. Partial Test (t test)

As seen from table 6, it could be concluded that partially between independent and dependent variables is as follows:

1) Independence Effect towards Economic Growth

The results of the t-test can be seen that the regression coefficient of the Independence variable (X1) t-count is 4.923 with a t-table of 2.446, the significance of the independence variable (X1) on the related variable, that is economic growth (Y) is 0.004 or less than the alpha value of 0.05. In conclusion, the value of t-count (4.923) > t-table (2.446) and a significance of 0.004 < 0.05 means that the independence variable (X1) has a significant effect on economic growth (Y) or H1 is accepted.

2) Financial Capability Effect towards Economic Growth

The results of the t test can be seen that the regression coefficient value of the financial ability variable (X2) t-count is 1.426 with t-table of 2.446, the significance of the variable (X2) to the related variable, that is economic growth (Y) is 0.213 or greater than the alpha value of 0.05. In conclusion, the value of t-count (1.426) < t-table (2.446) and a significance of 0.213 > 0.05 means that the financial capability variable (X2) has no significant effect on economic growth (Y) or H2 is rejected.

3) Effectiveness Effect towards Economic Growth

The results of the t test can be seen that the regression coefficient value of the effectiveness variable (X3) t-count is 0.071 with a t-table of 2.446, the significance of the effectiveness variable (X3) on the related variable, that is economic growth (Y) is 0.946 or greater than the alpha value of 0.05. In conclusion, the value of t-count (0.071) < t-table (2.446) and significance of 0.946 > 0.05 means that the effectiveness variable (X3) has no

significant effect on economic growth (Y) or H3 is rejected.

4) Fiscal Decentralization Effect towards Economic Growth

The results of the t-test can be seen that the regression coefficient value of the fiscal decentralization variable (X4) t-count is 0.549 with t-table of 2.446, the significance of the fiscal decentralization variable (X4) on the related variable, that is economic growth (Y) is 0.607 or greater than the alpha value of 0, 05. In conclusion, the value of t-count (0.549) < t-table (2.446) and the significance of 0.607 > 0.05 means that the decentralization variable (X4) has no significant effect on economic growth (Y) or H4 is rejected.

2. Simultaneous Test (f test)

Table 7. Anova[a]

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53289086.823	4	13322271.706	36.349	.001[b]
	Residual	1832549.617	5	366509.923		
	Total	55121636.441	9			
a. Dependent Variable: Growth						
b. Predictors: (Constant), Decentralization, Independence, Effectiveness, Capability						

Source: SPSS 22 for windows

Based on the table, the obtained F-count is 36,349. While F-table (α=0.05, df1=4: df2=5) is 5.19 or F-count > F-table, and has a significant number of 0.001 < 0.05, meaning H5 is accepted. Therefore, it can be concluded that simultaneously, independence, financial ability, effectiveness, fiscal decentralization, have a significant effect on the economic growth of the North Toraja District government.

VI. DISCUSSION

6.1. Financial Independence Effect Towards Economic Growth

In this research, it is known that the t-test results, the regression coefficient value of the Independence variable (X1), t-count is 4.923 with a t-table of 2.447, which means that there is a positive influence of financial independence on economic growth. Furthermore, in this research it is also known that the independence variable (X1) has a significance value of 0.000 < 0.05 so it can be concluded that it has a significant effect on Economic Growth (Y).

From the description of the data results, it can be concluded that the Independence variable (X1) has a positive and significant effect on Economic Growth (Y). This shows that the higher the level of regional financial independence, the implications for increasing economic growth.

This research is in accordance with Suci (2013)'s research which shows that regional financial independence has a significant positive effect on economic growth while the Balanced Fund ratio has a significant negative effect on economic growth.

6.2. Regional Financial Dependence Effect Towards Economic Growth

In this research, it is known that the results of the t-test of the regression coefficient of the Regional Financial Dependency variable (X2) t-count is 1.426 with a t-table of 2.447 which means that there is no effect on the Economic Growth variable (Y). Furthermore, in this research it is also known that the Regional Financial Dependence variable (X2) has a significance value of 0.213 > 0.05, so it can be concluded that the effect is not significant on Economic Growth (Y). From the description of the data results, it can be explained that the Regional Financial Dependence variable (X2) has no effect on Economic Growth (Y).

6.3. Effectiveness Effect Towards Economic Growth

In this research, it is known that the results of the t-test the regression coefficient value of the Effectiveness variable (X3) t-count is 0.071 with a t-table of 2.447 which means that there is no effect on Economic Growth (Y). Furthermore, in this research it is also known that the Effectiveness variable (X3) has a significance value of 0.946 > 0.05 so it can be concluded that the effect is not significant on Economic Growth (Y). From the description of the data results, it can be explained that the Effectiveness variable (X3) has no effect on Economic Growth (Y).

6.4. Fiscal Decentralization Effect Towards Economic Growth

In this research, it is known that the t-test results for the regression coefficient of the Fiscal Decentralization variable (X4) t-count is 0.549 with a t-table of 2.447 which means that there is no effect on Economic Growth (Y). Furthermore, in this research it is also known that the Effectiveness variable (X4) has a

significance value of 0.607 > 0.05 so it can be concluded that the effect is not significant on Economic Growth (Y). From the description of the data results, it can be explained that the variable Fiscal Decentralization (X4) has no effect on Economic Growth (Y).

6.5. Financial Independence, Regional Financial Dependence, Effectiveness, and Fiscal Decentralization Effect Towards Economic Growth

In this research, it is known that the results of the F test of the regression coefficient value of the variables of Independence (X1), Regional Financial Dependence (X2), Effectiveness (X3) and Fiscal Decentralization (X4) F-count are 36.349 with F-table of 4.53 which can be interpreted that there is a positive influence to Economic Growth (Y). Furthermore, in this research it is also known that the variables of Independence (X1), Regional Financial Dependence (X2), Effectiveness (X3) and Fiscal Decentralization (X4) have a significance value of 0.001 < 0.05 so it can be concluded that they have a significant effect on Economic Growth (Y).

From the description of the data results, it can be explained that the variables of Independence (X1), Regional Financial Dependence (X2), Effectiveness (X3) and Fiscal Decentralization (X4) together have a positive and significant effect on Economic Growth (Y). This shows that the higher the level of Independence (X1), Regional Financial Dependence (X2), Effectiveness (X3) and Fiscal Decentralization (X4), will have implications for an increase in economic growth (Y).

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