

## Analysis of Special Allocation Funds on Economic Growth in North Sulawesi Province

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### Abstract

As many other nations, Indonesia has been widely impacted by the Covid 19 Pandemic which not only affected the wellbeing of the people but also it has seeped into the nation's financial policies. The aim of this writing is to examine how Special Allocation Fund in health and agriculture affects overall economic performance of Sulawesi Utara Province of which extensive research needs to be undertaken. This research utilizes Multiple Linear Regression analysis method on time series data throughout 2012 – 2020 fiscal period. The data sources for this research are Sulawesi Utara Accounting Department Office and Sulawesi Utara Central Bureau of Statistics. Our research suggests that the Special Allocation Funds in health has significant and positive impact on the economic growth whereas Special Allocation Funds in agriculture sector has less impact on the overall economic growth. However, the composite impact of both Special Allocation Funds in economic performance of Sulawesi Utara Province is noticeable.

**Keywords:** DAK for Health Sector, DAK for Agriculture, Economic Growth, Indonesia

### 1. Introduction

The Economic Growth of Indonesia in the first quarter of 2020 experienced a decline, which effects were widely felt across the region. The Covid 19 pandemic which started at the end of December 2019 has been shown to have an impact on world's economy since the beginning of 2020, impact that extended to Indonesia (Maksum et al., 2021; Saleh et al., 2021; Seppa et al., 2021; Zacharias, Rahawarin, et al., 2021; Zam et al., 2021). This has caused Indonesia's economic growth to go into slump and thus the economy of North Sulawesi experienced a decline.

The discovery of a Covid-19 vaccine is a new hope for the whole world to rise from economic downturn. The Indonesian government responded quickly with a gradual national vaccine program for the entire community. The hope is to prevent the second wave of Covid-19 and provide a great opportunity for the business climate to bounce back (Arfan et al., 2021; Mislia et al., 2021; Mulyana et al., 2021; Reynilda et al., 2021; Tamsah et al., 2021; Yusriadi et al., 2020; Zacharias, Yusriadi, et al., 2021). The North Sulawesi government has set a total target of 389,497 vaccine recipients in North Sulawesi, consisting of 3 categories of vaccine recipients, namely: 21,782 health human resources, 194,979 public officers and 172,736 elderly people. The following is data on the Special Allocation Fund for Health and Agriculture:

**Table 1.** Special Allocation Fund for Health and Agriculture Sector North Sulawesi Province

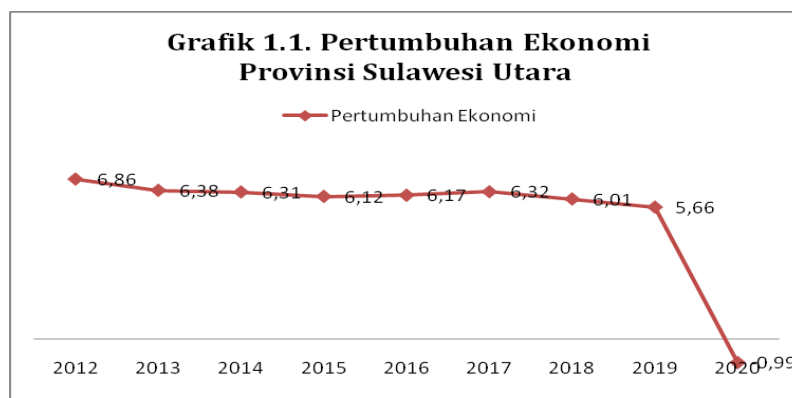
Year	Dak Health	Dak Agriculture
2012	4,122,640,000	7,132,280,000
2013	4,488,360,000	19,322,380,000
2014	6,397,720,000	15,317,150,000

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2015	5,830,960,000	18,911,700,000
2016	37,174,311,000	10,183,257,000
2017	39,932,606,227	17,244,0008,000
2018	26,347,416,000	42,802,642,000
2019	116,118,319,000	45,121,229,000
2020	74,226,939,724	7,394,902,000

Source: North Sulawesi Province Accounting Field 2021

Table 1 shows that there was an increase in the Special Allocation Fund for the Health and Agriculture Sector in 2019 simultaneously, but in 2020 there was a large decrease. This is due to the impact of Covid 19 throughout Indonesia, which at that point was becoming a global problem and affecting the economy of North Sulawesi Province.



Source: BPS Province of North Sulawesi 2021

In Graph 1, it is shown how the impact of Covid 19 can affect the economic growth of North Sulawesi Province to decline significantly, to the point that the Economic Growth in North Sulawesi Province fell by -0.99 percent. As shown in table 1, the Special Allocation Fund for Health and Agriculture also decreased significantly in 2020. Covid 19 also had an impact on the Balancing Fund, Special Allocation Fund in particular, which impacted the Economic Growth, particularly in the Province of North Sulawesi. On the other hand, table 1 shows that in 2017 there was an increase in the Special Allocation Fund for Health and Agriculture, which correlates with graph 1 that shows an increase in North Sulawesi's economic growth. This correlation has been confirmed in previous research (Kusuma et al., 2021; Misnawati et al., 2021; Rasyid et al., 2021), Special Allocation Funds, and Capital Expenditures on Economic Growth and Poverty Levels (Case Study in Tegal City), which shows that special allocation funds have a positive effect on economic growth, which is the same with the General Allocation Fund. This confirms the same thing from table 1 and graph 1, if the DAK decreases then economic growth can also be negatively affected. This effect is especially amplified by Covid 19 pandemic, which has impacted the world, not just Indonesia or North Sulawesi. Similarly, it also suggests that the Special and General Allocation Fund has a positive effect on economic growth.

## 2. Method

In this study the impact of the Special Allocation Fund on economic growth in North Sulawesi using the Multiple Linear Regression analysis method. Where in this study, researchers will use statistical analysis tools in data processing such as the Eviews 8.0 analysis tool

### 3. Result

#### Multiple Linear Regression Analysis Research Results

Dependent Variable: Y\_PE  
Method: Least Squares  
Date: 11/29/21 Time: 17:30  
Samples: 2012 2020  
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistics	Prob.
DAK_KES	1.615707	0.318663	5.932158	0.0065
DAK_PERT	1.182547	0.615023	1.213769	0.1729
C	0.173722	2.316481	0.819083	0.0040
R-squared	0.697329	Mean dependent var		0.595624
Adjusted R-squared	0.329773	SD dependent var		0.595027
SE of regression	0.487134	Akaike info criterion		1.660645
Sum squared resid	1.423795	Schwarz criterion		1.726386
Likelihood logs	-4.472901	Hannan-Quinn Criter.		1.518775
F-statistics	8.968124	Durbin-Watson stat		2.593398
Prob(F-statistic)	0.001014			

From the regression results, both the DAK Health variable and the DAK Agriculture have a positive and significant effect on economic growth in North Sulawesi Province.

- The value of Constanta C is 0.173722, meaning that if the DAK for Health and DAK for Agriculture are considered constant or the Economic Growth of North Sulawesi Province will increase by 0.173722.
- Coefficient Value of X1 (Health DAK of 1.615707, which means that if the DAK for Health increases by 1, then Economic Growth will increase by 1.615707, assuming the other variables are constant (constant).
- Coefficient Value of X2 (Agricultural DAK of 1.182547, which means that if the Agricultural DAK increases by 1, then Economic Growth will increase by 1.182547, assuming other variables remain (Constant)

#### Coefficient of Determination

From the results of data processing shows that the coefficient of determination (Adj. R<sup>2</sup>) is 0.697329 (69.73%). This illustrates that the independent variables in this case DAK Health and DAK agriculture have a good role on the dependent variable (Economic Growth) of 88.87%. While the remaining 30.27% is the presence of other variables that are not included in this research model.

#### Partially (T<sub>Test</sub>)

The results of the t-test in the results table of multiple regression analysis with the views application indicate a significant level of the Health DAK Variable on economic growth.

- The DAK Health variable (X1) has a tstatistic value of 5.932158. At the significant level = 0.05 percent (%), the ttable value is 1.860. Absolute value  $t_{\text{statistic}} > t_{\text{table}}$  ( $5.932158 > 1.860$ ), meaning that H<sub>0</sub> is rejected. It shows that the DAK Health variable has a significant and positive correlation with economic growth in North Sulawesi Province.
- Agricultural DAK variable (X2) has a  $t_{\text{statistic}}$  value of 1.213769. At the significant level = 0.05 percent (%), the  $t_{\text{table}}$  value is 1.860. Absolute Value  $t_{\text{statistic}} < t_{\text{table}}$  ( $1.213769 < 1.860$ ), it means that H<sub>0</sub> is accepted. Shows that the Agricultural DAK Variable has no effect on economic growth in North Sulawesi Province.

#### Simultaneously (F<sub>Test</sub>)

When viewed from the regression results, this study shows that Simultaneously or  $F_{test}$ , DAK Health and DAK Agriculture show a significant effect on Economic Growth in North Sulawesi. Based on the F test shows the probability value of the F statistic of  $0.001378 < 0.05$  indicates that the DAK Health and Agriculture DAK variables together have an effect.

#### 4. Discussion

##### **The Effect of the Special Allocation Fund for Health on Economic Growth in North Sulawesi Province**

Based on the results of the analysis, the DAK in the health sector has a positive and significant impact on the economic growth of North Sulawesi Province. The findings of this study are in line with research conducted (Ansar et al., 2019; Asfar et al., 2021; Nikmawati et al., 2021; Prakoso et al., 2021; Yusriadi et al., 2020) which found that spending in the health sector has a significant effect on economic growth in Indonesia. The size of the budget issued by the government in the health sector is influenced by the public's interest in receiving health services from the government. Likewise with the results of research conducted (Hasbi et al., 2019; Sahabuddin et al., 2019; Zacharias, Yusriadi, et al., 2021) which found that DAK in the health sector has a significant effect on economic growth. Spending on health will improve the quality of life and improve the quality of human resources.

However, in the second quarter of 2020 until 2021, the North Sulawesi Province's economic growth declined, this was due to the global problem faced, namely Covid 19, which also had an impact on the Special Allocation Fund for the Health Sector. This can be seen in table 4.2, where in 2020 there was a significant decline that also affected Economic Growth in North Sulawesi. Where in 2019 the Special Allocation Fund for Health is 116,118,319,000 IDR, while in 2020 it was 74,226,939,724 IDR, this data shows a significant decrease.

##### **The Effect of the Special Allocation Fund for Agriculture on Economic Growth in North Sulawesi Province**

Based on the results of the analysis, the DAK in the Agriculture sector has a positive but not significant effect on the economic growth of North Sulawesi Province. This shows that in North Sulawesi Province the Special Allocation Fund for Agriculture does not have a positive effect, so in other words it does not provide the maximum contribution. This can be influenced by other factors, because North Sulawesi Province is very famous for good agricultural products, but the results of this current study do not illustrate that the Special Allocation Fund obtained does not affect the economic growth of North Sulawesi Province. However, in the second quarter of 2020 until 2021, the North Sulawesi Province's economic growth decreased, this was due to the global problem faced, namely Covid 19, which also had an impact on the Special Allocation Fund for the Agriculture Sector. This can be seen in table 4.2, where in 2020 there was a significant decline that also affected Economic Growth in North Sulawesi. Where in 2019 the Special Allocation Fund for Agriculture is IDR. where in 2020 there was a significant decline that also affected Economic Growth in North Sulawesi. Where in 2019 the Special Allocation Fund for Agriculture is IDR. where in 2020 there was a significant decline that also affected Economic Growth in North Sulawesi. Where in 2019 the Special Allocation Fund for Agriculture is IDR.45,121,229,000, while in 2020 it was IDR. 7,394,902,000, from this data shows a significant decrease. This has an impact on the decline in Economic Growth in North Sulawesi Province by -0.99%, where in 2019 Economic growth in North Sulawesi Province was 5.66%. This certainly shows or provides an illustration of the influence of this Special Allocation Fund which can affect economic growth, both in the agricultural sector and the health sector or other fields contained in the special allocation fund.

The results of this study are also showing similar results with the Regional Fiscal Study of North Sulawesi Province where the realization of central government transfer revenues in the first quarter of 2021 to the regional government of North Sulawesi Province has reached IDR 2,304 billion, or 16.8

percent of the target. Compared to the same period last year, the realization in this reporting period experienced a significant decline of -3 percent. The realization of the transfer income mostly came from transfers (Ahmad et al., 2021; Ilyas et al., 2021; Nasriani et al., 2021; Sabrang et al., 2021; Tamsah et al., 2021).

General Allocation Fund (DAU) which has reached 25 percent of the total DAU ceiling. DAU is a balancing fund that is allocated to increase the distribution of regional financial capacity as a form of fiscal decentralization. With the flexibility of local governments in allocating fiscal decentralization, local governments should be able to increase the effectiveness and efficiency of regional spending to stimulate the regional economy.

## 5. Conclusion

Based on the results of research and discussion that have been described in the previous chapter, the following conclusions can be drawn:

- a. The Special Allocation Fund for Health has a positive and significant impact on Economic Growth in North Sulawesi Province.
- b. The Special Allocation Fund for Agriculture has an effect, but not as significant, on Economic Growth in North Sulawesi Province.

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