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DESCRIPTIVE OF QUANTITATIVE DATA | SUPPLEMENTARY

The Impact of Local Revenue Growth and SME Credit Financing on GDP Expansion in Palu City, 2011-2022

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Abstract: Local Original Revenue is part of the financial resources of local governments and has a major contribution to increasing Gross Domestic Product (GDP). This means that the higher the PAD obtained from the local government, the higher the value of the region's GDP. Efforts to increase PAD continue to increase and are balanced by its very dynamic growth compared to the amount of other banking loans. The purpose of this study was to see the effect of PAD development (X1), SME Credit Financing (X2) on the growth of Palu City GDP (Y). The type of data used in this study is secondary data obtained from the official website of the DJPK of the Ministry of Finance and the Central Bureau of Statistics. The research approach used is a quantitative approach to answer the hypothesis. The results of this study indicate that there is a significant effect between SME credit financing and PAD development. Then in this case, the growth of SMEs is measured by the total output obtained. As with the testing of the second hypothesis, it also results in the statement that there is a growth in SME GDP that has a close relationship with economic growth.

Keywords: SME Credit, GDP.

1. INTRODUCTION

Palu City is one of 13 autonomous regions organized by the government to carry out short-term and long-term development. In order to become a government leader and make the development, not only the support of the central government, but it requires various allocations of national resources with the aim of realizing Indonesian citizens with justice, prosperity, spiritual as well as material through increasing the standard of living, intelligent thinking, as well as the welfare of the community. Local government as a facilitator of regional development should make an effort to unite sources of funds from citizens through taxes and levies with caution so as not to burden the community to carry out development, especially regional development. Regional Regulation of Palu City 9 Year 2011 provides regulations on various licenses, including; a) Remuneration for providing construction permits; b) Route Permit Fees, (PERDA, 2011); c) For Palu City, regional royalties are a potential center to be increased because this source of income was able to contribute up to 59.05%, in PAD in 2011.

An important factor in carrying out the wheels of the economy of a region is, for example, an increase in local revenue which is used to finance various types of local government spending. Regional Original Revenue is obtained by exploring all the potential of the region to support the running of the economy and improve the welfare of the community. In order to realize a region that has a strong economy and can grow and be sustainable, local governments must understand and have the ability to develop various superior and productive sectors and have the potential as a source of Regional Original Revenue (PAD). This statement is evident from the state of regional finances available so far with the proportion between PAD compared to central assistance appearing inequality if > 50% of all districts / cities in Indonesia have Regional Original Revenue (PAD) quite a bit in spending their



respective regional budget needs (Kuncoro, 1995). Indonesia's economic growth coincided with the recovery of the world economy after the global crisis of 2008-2009. In 2012 the Indonesian economy grew by 6.2%, making Indonesia the second best in Asia. However, SME entrepreneurs have several problems faced by SMEs originating from their businesses. Minister of Finance Regulation No. 135/PMK.05/2008 related to government facilities has been amended through Minister of Finance Regulation No. 10/PMK.05/2009. Furthermore, the distribution of Microcredit to the development of SMEs in each year there is growth. Based on this description, this study has the aim of finding out the effect of Local Original Revenue and Credit Financing on economic growth in Palu City. Therefore, the researcher raised the title "The Effect of the Development of Original Local Revenue (PAD) and Credit Financing on the Increase in Gross Regional Domestic Product (GDP) of Palu City".

2. LITERATURE REVIEW

2.1. Gross Regional Domestic Product

In general, the development of GDP has another meaning, namely the developing economic aspects which are the cause of the increasing production of goods, services, and the welfare of the community has increased. The stage of increase in output per capita produced through Gross Regional Domestic Product per capita (GDP) means the total added points obtained by all business units in a certain area, or called the total value of all final goods and services obtained by all economic units in a region.

2.2. Local Revenue

Based on Law Number 23 of 2014 related to Regional Government, if regional own-source revenue is income obtained by the region which is appointed based on regional regulations in accordance with statutory regulations. As for the sources of PAD, first, local taxes are mandatory contributions to the regions owed by individuals or bodies that are compelling based on the law. Second, the results of the management of separated regional assets which are regional revenues with the origin of the management of separated assets include profits in equity participation in regionally owned companies, profit shares on state-owned equity participation. Based on Law No. 25 of 1999 related to financial balance between the central and regional governments, if according to the principle of regional acquisition can be grouped into:

- a) Regional Original Revenue, including from taxes, local levies, profits of regionally owned companies, results of the management of regional assets and other original revenues.
- b) Balance funds between the central government and local governments
- c) Regional loans,
- d) Other valid local revenues.

Suparmoko (2002) argues that Regional Original Revenue is detailed as follows: taxes, local levies, profits of regionally-owned companies and the results of regionally-owned management, and other local revenue. The indicators imposed on the research conducted are business capital, sales turnover, business profits, labor, and business branches.

2.3. Financing

Financing generally refers to the provision of money or bills that agree to be equated with money, based on an agreement between a bank and another party. The party receiving the financing is required to return the money or bill after a certain period of time, usually through rewards or profit



sharing (Batool, 2013). Hendry said that financing is a collaboration between institutions and customers, which means that institutions become capital holders (shahibul maal) and customers have a function to produce business. Financing is mentioned in Banking Law No. 7 of 1992 and revised into Banking Law No. 10 of 1998, namely the provision of funds or bills that are equated with it. Then, Muhammad explained that financing in a broad sense is financing or spending, namely funding that is disbursed to provide support for planned investments, even though it is carried out independently or through other parties (Haller, 2012). M. Syafi'i Antonio provides an explanation if financing becomes a bank's main task, namely providing funding facilities to fulfill the needs of several parties who need unit deficits. In financing activities, Islamic banks carry out procurement purchases of various goods needed by consumers. Then resell the goods mentioned to consumers at different / other prices but still in agreement. The purchase price and different selling prices are carried out from the Islamic bank, then known as margin / profit. The concept of financing in Islamic banks has no real difference with the concept of credit in conventional banks, the difference that can be seen from the credit provided by conventional banks compared to the costs originating from Islamic banks is seen in the results of profit as expected. Conventional banks profit is obtained through interest as opposed to Islamic banks with a form of reward / profit sharing (Berg, 2009).

2.4. SME

SMEs are independent and productive business units run by individuals/business entities from any side of the economy. In principle, the distinction between micro, small and medium-sized enterprises, medium-sized enterprises and large enterprises is often based on the score of initial assets (excluding land and buildings), average annual sales, and total permanent employees. However, the definition of SMEs based on these three measurement tools is different in each country. Therefore, it is difficult to find a comparison of the importance and role of SMEs in each country (Tambunan, 2012).

2.5. Credit

Credit in Banking Law Number 10 of 1998 is defined as the provision of money or securities that are equated with it based on a contract or loan and borrowing agreement between a bank and another party that requires the borrower to repay the debt after a certain period of time.

2.6. Previous research

Siregar (2023) As one of the regions whose PAD potential is still increasing, the blooming of Gorontalo Province from North Sulawesi Province is an effort to accelerate progress. The economic growth of Gorontalo Province during 2017-2019 experienced fluctuations with stable economic growth conditions during 2017-2019 but experienced a slowdown in 2020 of -0.20. The decline in economic growth in 2020 is due to the spread of COVID-19. Anwar (2018) The development of gross regional domestic product that the Economic Growth / GDP of Papua Province has fluctuated every year, namely the ups and downs of Economic Growth as a result of various factors. So we can see if the average Economic Growth itself in 2011-2015 in the Regency / City of Papua Province is precisely in Mimika Regency with a score of 53,343,800 or -0.08 even though the Regency is basically a fairly prosperous and fortunate Regency whose people / HR are skilled in utilizing the potential of the area they have.

Oktafis (2018) The state of GDP of East Java Province in the research range displays data experiencing a significant increase, namely GDP in 2012 displays worth 1,124,299 (billion rupiah) an increase in the number 1,195,144 (billion rupiah) in 2013. In 2014, there was an increase of 1,267,863 (billion rupiah) and in 2015 there was an increase of 1,340,541 (billion rupiah) and in 2016 there was an increase of 1,420,951 (billion rupiah) (BPS East Java). An indication of the increase



in GDP in East Java Province is signaled by the effect of one of them Regional Original Revenue (PAD). Suryono (2010) GDP is increasing on the basis of current prices or based on constant 2000 prices in that period there is often an increase. In 2006, Central Java's GDP growth at constant prices amounted to 5.33%, increased to 5.59% in 2007, and in 2008 fell to 5.46%. Wulantari (2021) The probability value of the PAD variable displays a significant score with a coefficient of 76.57231, which means that PAD has a positive and significant influence. The results show that if there is an increase in PAD of 1 million, so that GDP will increase by 76.59 million. This indicates that PAD of 1 million has an important role in increasing West Java GDP.

3. RESEARCH DESIGN AND METHOD

This research utilizes quantitative methods. This research was carried out using data collection techniques to provide a description and present the events that occurred in the field. In this case, the literature survey is carried out through searching and studying books, journals, articles, and websites that have been carried out previous research using the documentation method and problem references. This research focuses on the effect of PAD development and credit financing on GDP. The survey involved secondary data collection. Secondary data was obtained from various indirect references. The data collection method in the research that has been carried out uses multiple regression analysis, which is an analytical tool used to obtain estimates of changes in the score of certain variables if other variables change. Multiple linear regression analysis in the research that has been carried out to find out whether there is a relationship between variables X1 (PAD), X2 (Credit Financing), and Y (GDP). The formula used is :

$$GDP = a + PAD + Credit Financing$$

4. RESULT AND DISCUSSION

The classical assumption test treatment is carried out in order to get a good regression model as well as the data obtained must be normally distributed and free of multicollinearity, heteroscedasticity, normality and autocorrelation.

Table 1. Multicollinearity Test

Variable	Coefficient	Uncentered	Centered
	Variance	VIF	VIF
C	5.03E+13	9.924083	NA
X1	1.17E+09	13.34807	1.346177
X2	35698.17	4.116310	1.346177

Based on table 1 It is known that the VIF score of the Independent Variable is <10.00 so it can be concluded that the multicollinearity test assumption has been met or passes the multicollinearity test.

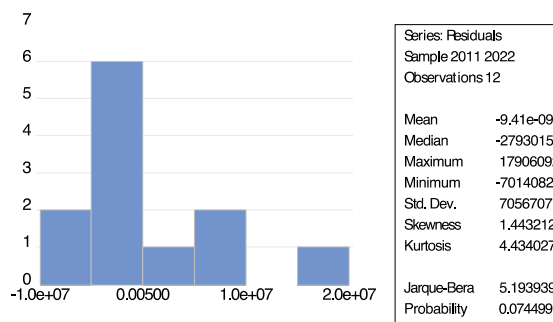


Figure 1. Normality Test

It is known that the Jarque-Bera probability score is 0.074499 (>0.05), so it can be concluded that the data is normally distributed (Passed Normality). The resulting Obs*R-Squared probability score is 0.2451 (>0.05), so it can be concluded that the heteroscedasticity test assumption has been met or the data passes heteroscedasticity (See Table 2).

Table 2. Heteroscedasticity Test

F-Statistic	1.509472	Prob. F (5,6)	0.3130
Obs*R-Squared	6.685311	Prob. Chi-Square (5)	0.2451
Scaled explained SS	6.456808	Prob. Chi-Square	0.2643

The resulting Probability Obs*R-Squared score is 0.6290 (>0.05), so we can conclude that the autocorrelation test assumption has been met or the data has passed the autocorrelation test.

Table 3. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test: Null Hypothesis: No Serial Correlation at up to 2 lags			
F-Statistic	0.293050	Prob. F(2,7)	0.7547
Obs* R-squared	0.927117	Prob. Chi-Square (2)	0.6290

Table 4. Multiple Regression Test

Dependent Variable: Y Method: Least Squares Date: 07/11/24 Time: 22:36 Included Observations: 12				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	43280240	7094662.	6.100394	0.0002
X1	-88152.58	34172.64	-2.579624	0.0297
X2	-61.80841	188.9396	-0.327133	0.7510
R-Squared	0.532572	Mean dependent var		21927556
Adjusted R-Squared	0.428699	S.D dependent var		10321545
S.E. of Regression	7801483.	Akaike info criterion		34.78984
Sum Squared resid	5.48E+14	Schwarz criterion		34.91107
Log Likelihood	-205.7391	Hanna-Quinn criter.		34.74496
F-Statistic	5.127150	Durbin-Watson stat		1.7211461
Prob (F-Statistic)	0.032637			

$$43280240 - 88152.58 (X1) - 61.80841 (X2)$$

- The constant value is obtained at 43280240 so that it means that the independent variable increases, the dependent variable also increases by 43280240.
- The regression coefficient value of the PAD variable (X1) is negative (-) amounting to -88152.58, so it means that if the PAD variable (X1) increases, the GDP variable (Y) will decrease by -88152.58.
- The regression coefficient value of the Credit Financing variable (X2) is negative (-) amounting to -61.80841, so it can mean that if the Credit Financing variable (X2) increases, the GDP variable (Y) will decrease by -61.80841.

Analysis of T test results (Hypothesis Test)

- The PAD variable (X1) has a t-statistic score of -2.579624 with a prob. (significance) score of 0.0297 (<0.05) so that it can be concluded that the PAD variable (X1) has a significant effect on the GDP variable (Y).

- b. The Credit Financing variable (X2) has a t-statistic score of -0.327133 with a prob. (significant) score of 0.7510 (>0.05), it can be concluded that the Credit Financing variable (X2) has no significant effect on the GDP variable (Y).

Analysis of F Test Results (Simultaneous)

It is known that the F-statistic score is 5.127150 with a prob. score (F-statistic) worth 5.127150. 0.032637 (<0.05), it can be concluded that the independent variable (X) has a significant effect simultaneously on the dependent variable (Y).

Analysis of Determination Coefficient Test Results

The resulting Adjusted R-Square score is 0.428699 so that it can be concluded that the contribution of the effect of independent variables to the dependent variable simultaneously (together) is 42.6%, then the remaining 57.4% is the influence of other variables outside the study.

5. CONCLUSION

The purpose of the research carried out is to find out how the effect of the independent variables of PAD and Credit Financing on the dependent variable of GRDP in Palu City for the past 12 years, namely 2011 to 2022. From the data analysis, the following conclusions were obtained: PAD has an effect on GRDP in Palu City and Credit Financing has no effect on GRDP in Palu City in 12 years, namely in 2011-2022.

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