

ABSTRACT

Central Java is the province with the third-largest population on the island of Java, with a total of 37.032 million people. Despite this, the province faces significant challenges, with a poverty rate reaching 10.98%, the second highest on the island. This indicates a welfare gap that requires particular attention to promote more inclusive economic growth. The main sources of revenue expected to drive economic growth in Central Java consist of Regional Original Income (PAD), General Allocation Funds (DAU), and Special Allocation Funds (DAK). These three components play a crucial role in providing the necessary funding for development and public services, ultimately improving community welfare and fostering regional economic development.

This study aims to analyze the impact of PAD, DAU, and DAK on economic growth in Central Java during the 2019-2023 period. The research utilizes secondary data with a panel data approach comprising 175 observations. This study utilizes secondary data with a panel data approach encompassing 175 observations. The analytical method employed is the Random Effect Model, selected based on the results of the Chow test and the Lagrange Multiplier test. The analysis was conducted using EViews 10 software.

This study examines the influence of PAD (Locally Generated Revenue), DAU (General Allocation Fund), and DAK (Special Allocation Fund) on economic growth in Central Java Province. The findings indicate that PAD and DAK exert a significant positive effect on economic growth. In contrast, DAU demonstrates a negative impact, where an increase in DAU is associated with a 14.26% decline in economic growth. Policy recommendations for the government include enhancing PAD by diversifying revenue sources, improving the efficiency of DAU allocation toward productive projects, and optimizing DAK to finance strategic initiatives that promote sustainable growth.

Keywords: *Regional Original Revenue, General Allocation Fund, Special Allocation Fund, Economic Growth, Panel Data, Random Effect Model*