ABSTRACT

Local revenue is one of the indicators of a region's independence in managing its income effectively and reducing dependence on the central government. North Sumatra Province has the highest Regional Original Revenue in Sumatra Province. This study specifically analyzes the influence of variables that may affect Regional Original Revenue, including GRDP per capita, Balancing Funds, Tax Effort, and Population. This research uses secondary data with panel data regression analysis on 33 regencies/cities in North Sumatra from 2012 to 2022. To determine the best model, the Chow Test and Hausman Test were conducted. Based on these tests, the best model selected for this study is the Fixed Effects Model (FEM). To estimate the FEM model, this study employs Absorbing Regression to eliminate individual effects. The results of this study indicate that the variables Balancing Funds, GRDP per capita, and Tax Effort have a positive and significant effect on Regional Original Revenue in North Sumatra Province for the period 2012–2022.

Keywords: Regional Original Revenue, Central Government Transfers, GRDP per Capita, Tax Effort, Population