International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

The Effect Of Fiscal Decentralisation Policy Implementation On Economic Development And Human Development Index On The Island Of Sumatra (2017-2023)

R. Handayani*, L. Tahia
Universitas Muhammadiyah Sumatera Utara, Indonesia
ritahandayani@umsu.ac.id

ABSTRACT

This study aims to conduct an analysis of the Fiscal Decentralisation policy on the economic development of the island of Sumatra in 2017-2023. To estimate the economic development model between the Fiscal Decentralisation variables on the General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), Village Fund (DD) and Gross Regional Domestic Revenue (GRDP) per capita on the Human Development Index (HDI) of Sumatra Island in 2017-2022. Using time series and cross section data estimation methods within 7 years with common effect models (CEM), fixed effect models (FEM), and random effect models (REM). The estimation method used is Panel Data with the OLS model (Panel Ordinary Least Squares). The results of this study Testing the model using the chow test shows that the FEM model is more appropriate to use than the PLS model. Furthermore, the Hausman test shows that the FEM model is more appropriate to use compared to the REM model. Based on the validity test of the effect at a significance (α) of 0.05 based on the F statistical test, the DAU, DAK, DBH, DD, and PDRBKAP variables simultaneously have a significant effect on the human development index on the island of Sumatra in 2017-2023. The results of the determinant coefficient test (R2) show the magnitude of the R-square value of 0.936 or 93.69%, meaning that 93.69% of the variation in the Human Development Index variable is able to explain the DAU, DAK, DBH, DD, and GRDP KAP on the island of Sumatra, and the rest is explained by other variables that are not included in this research model.

Keyword *: Fiscal decentralisation, General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, Village Fund, Gross Regional Domestic Income per capita and Human Development Index*

INTRODUCTION

Fiscal decentralisation can be defined as the delegation of government authority and responsibility *(public functions)* from the government to regions *(subordinates*) or semi-independent organisations of vertical agencies or to the private sector. Article 3 of Government Regulation Number 25 Year 2000 states that the authority of the province as an autonomous region includes authority in the field of government that is cross-municipal / city and authority in certain other government fields, *Livack and Seddon, 1999* .(1) Fiscal decentralisation policy is a consequence of the political decision of decentralisation or the politics of regional autonomy taken by the government. The distribution of budgets from higher levels of government to lower levels of government with the aim of supporting government functions or tasks and public services in accordance with the amount of authority in the field of government delegated. There has been a significant and sustained increase in the amount allocated to the regions from all types of balancing funds, namely the General Allocation Fund (DAU) has a large role because the value provided is very high. The Revenue Sharing Fund (DBH), and Special Allocation Fund (DAK) are the smallest

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

funds distributed by the central government to all provinces in Indonesia, from the data table below.

Table 1. 1 Realization of Balancing Fund Revenue of All Provinces in Indonesia

Year	DBH	DAU	DAK	Total Fund	Balance
2019	34.326.791.971	58.691.805.994	66.244.328.451	159.262.926.416	
2020	36.217.448.355	53.313.673.855	60.669.496.563	157.504.902.691	
2021	32.443.354.278	67.973.780.481	74.738.449.422	167.851.300.263	
2022	748.326,05	378.000,00	20.436,26	816.232,19	

Source: Indonesian Central Bureau of Statistics (BPS)

Sumatra Island is the second largest contributor of economic activity after Java Island, for the Indonesian economy. Despite being affected by the Covid 19 Pandemic, the economy in Sumatra and Indonesia in general has begun to recover. Of the five richest provinces in Indonesia, three are on the island of Sumatra, namely Aceh, Riau and South Sumatra provinces. The main products of Sumatra Island are palm oil, tobacco, petroleum, tin, bauxite, coal and natural gas. Most of these products are processed by foreign companies. Economic growth in a broad view signifies how economic activity can create changes in the social structure of society that can create additional income and public welfare. Economic growth is a long-term increase in a country's ability to provide more and more types of economic goods to its people, this ability develops following technological advances and the institutional and ideological adjustments it requires. High and sustainable economic growth is a must in improving welfare and sustaining economic development.

Table 1. 2 GRDP Rate by Province in Sumatera Island

Province	Growth Rate of Gross Regional Domestic Product at Constant 2010 Prices by Province (Percent)			
	2020	2021	2022	2023
Aceh	-0.37	2.79	4.21	4,23
North Sumatra	-1.07	2.61	4.73	5,01
West Sumatra	-1.61	3.29	4.36	4,62
Riau	-1.13	3.36	4.55	4,21
Jambi	-0.51	3.69	5.13	4,66

International Journal of Economic, Technology and Social Sciences
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

South Sumatra	-0.11	3.58	5.23	5,08
Bengkulu	-0.02	3.27	4.31	4,26
Lampung	-1.66	2.77	4.28	4,55
Kep. Bangka Belitung	-2.29	5.05	4.40	4,38
Riau Islands	-3.80	3.43	5.09	5,20

Source: BPS Indonesia

In running the economy, local governments need capital, which is obtained from the economic potential of the region as well as transfers from the central government. Economic growth is hampered if the fulfilment of local government capital only relies on transfers from the central government as a form of delegation of financial management to the regions. The great expectation of the implementation of fiscal decentralisation is to provide benefits such as improved public services, high economic growth, poverty alleviation, better macroeconomic management and good governance systems, *Kumorotomo, 2008* . (2) Fiscal decentralisation is one of the mechanisms for transferring funds from the state budget in relation to state financial policy, namely to achieve *fiscal sustainability* and provide a stimulus to community economic activity, so that the fiscal decentralisation policy is expected to create an equal distribution of financial capacity between regions commensurate with the amount of authority of government affairs submitted to autonomous regions.

LITERATURE REVIEW

Philosophy of Fiscal Decentralization and Regional Autonomy

The delegation of some authority over the sources of state revenue to the government in the region, it is expected that the regions will be able to carry out routine tasks, public services and increase productive *investment (capital investment)* in the region, *Khusaini (2006)*(2) . Decentralisation can be used as a tool to mobilise support for national development policies by informing local communities to mobilise participation, both in planning and implementing development in the regions. *Oentarto S.M (2004)*(3) , limits the definition of decentralisation as a policy of delegating authority from the government to subordinate government units. Politically, decentralisation is a policy of power sharing between the central government and local governments. It implies the extent to which power and authority are distributed to government institutions according to the size or geographical area of a country. In addition, decentralisation also means the creation of regions smaller than the state and the creation of institutions, both autonomous and administrative, in these regions. *Djaenuri (2000), Rosmery (2013)*(3) , divides the form of fiscal decentralisation policy, 1) *Centralisation of fiscal power*, where the central government is very dominant in determining or making decisions regarding expenditure, revenue, loans and management of regional assets. 2) *Decentralisation of fiscal power*, where the central government in this case delegates greater authority to the regions to make policies in regional financial

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

management with regard to expenditure, revenue, borrowing and asset management (regional wealth management). According to *Sidik, 2002*(4) , Fiscal decentralisation is one of the main components of decentralisation. If local governments are to perform their functions effectively, and are to be given the freedom to make decisions on the provision of services in the public sector, they must be supported by adequate financial resources, both from local own-source revenues (PAD) including *surcharges of taxes,* revenue sharing of *taxes* and non-taxes (loans, and subsidies/assistance from the central government).

The implementation of fiscal decentralisation is based on the goal of achieving regional independence, especially in supporting the implementation of regional development and growth as well as excellent service to the community, *Azimi (2020)*(5) . Achieving this aspect of independence, the regions will be able to develop their potential in an optimal capacity. This regional independence will have a positive impact on reducing the burden of dependence on the State Budget (APBN), especially through the Transfer to Regions and Village Funds (TKDD) component. Regions are expected to be able to allocate this source of funds to productive sectors so as to encourage increased investment in the region and also to sectors that have an impact on improving public services and can increase public contributions to Regional Original Revenue (PAD), *Urip and Indahyani (2017)* . (6) TKDD is one component of State Expenditure that has a very important role as an instrument of fiscal policy in strengthening the implementation of fiscal decentralisation to accelerate regional development with the main objective of improving the quality of *public service delivery* and *social welfare*. In the structure of State Expenditure in the State Budget (APBN), TKDD consists of two major parts, namely Transfers to Regions (TKD) allocated to provinces, districts and cities, and Village Funds given to villages.

Relevance to Research Objectives

Hasibuan LS 2021, estimates and proves how the variables of regional transfers (TKD), special allocation funds (DOK), and village funds (DD) affect the Poverty Level in the provinces receiving special autonomy funds (Papua, West Papua, and Aceh), where the three provinces are provinces with very high poverty rates. Partially, the independent variables are TKD has a negative and insignificant effect and DD has a negative and significant effect on the Poverty Level, while DOK has a positive and significant effect .(7) *Meri Marya 2024*, analysed the impact of fiscal decentralisation on economic growth and poverty rate in West Sumatra Province. Using panel regression method, it was found that fiscal decentralisation has a significant influence on economic growth in West Sumatra Province. In addition, it was found that the poverty rate is also affected by fiscal decentralisation, although the impact is not as great as the effect on economic growth. These findings have important implications for government policies related to public financial management and poverty alleviation at the local level .(8)

Handayani. R 2024, examines empirical evidence of the impact of fiscal decentralisation and analyses the implications of Fiscal Decentralisation on Indonesia's macroeconomic conditions after the division of the North Sumatra Province and towards Indonesia free from the Income Middle Trap in 2045. The results of this study explain that

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

the development of fiscal centralisation policies on economic growth, Human Development Index, and Poverty Level implies a causal relationship between economic growth and Human Development Index in 33 districts / cities in North Sumatra . (1)*Azwar 2022*, examined the efficiency of regional expenditure on health functions, the impact of fiscal decentralisation on the efficiency of public services in the health sector and the implications of efficiency on the level of public welfare in South Sulawesi Province. The results found that the realisation and utilisation of aggregate health function expenditure was relatively inefficient using the DEA method. From the DGMM results, it was found that fiscal decentralisation in the form of policies on Regional Original Revenue had a negative and significant impact on the efficiency of health function spending, while fiscal decentralisation policies in the form of Balance Funds, also had a negative but insignificant effect .(9)

1. **Research Analysis Framework.**

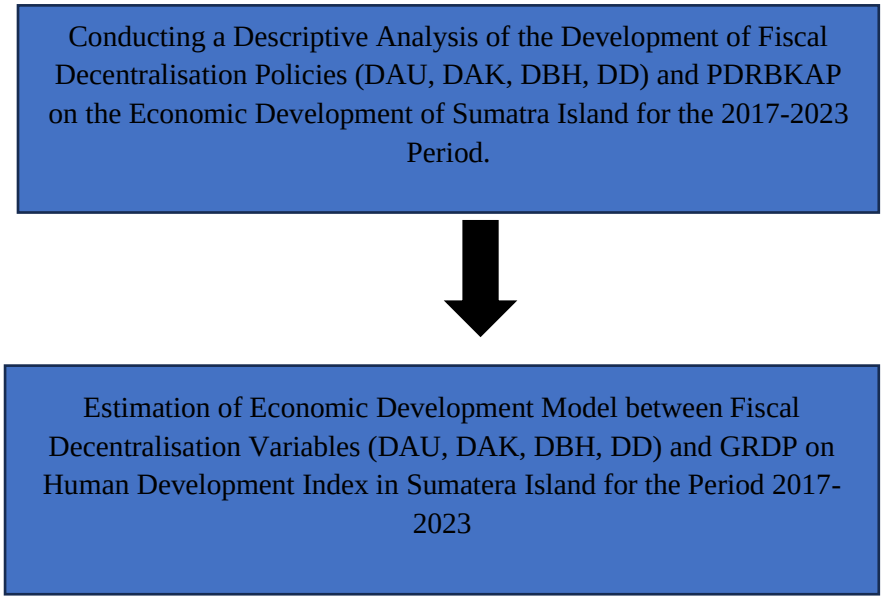


Figure 1 Research Analysis Framework

2. **Conceptual Framework of Estimation Model**

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

Figure 2 Conceptual Model Chart

In this model, the variables of General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, Village Fund, and GRDP per capita are independent variables that directly affect the growth of Human Development Index (HDI).

Hypothesis

Based on the research objectives, theoretical basis and previous studies, there is an influence of general allocation funds (DAU), special allocation funds (DAK), revenue sharing funds (DBH), village fund allocations (ADD), and GRDP per capita on the Human Development index (HDI) in Sumatra Island for the 2017-2023 period.

METHODOLOGY, DATA AND ANALYSIS

Estimation Method

The estimation method in this study is to estimate all observed variables using *time series* data and *cross section* data in for a period of 7 years (from 2017 to 2023). There are three types of models produced in the Panel Data Model, namely the *common effect* model (CEM), the *fixed effect* model (FEM), and the *random effect* model (REM). The estimation method used in the Panel Data Model is Panel OLS (Panel *Ordinary Least Squares*), with the estimation model:

Estimation Model

The estimation model in this study is a panel data regression model that combines *time series data (t)* with *cross section data (i)* has a general form of Econometric model using panel data shown by the notation *"it"* as follows (*Mudjarat Kuncoro):*

$$HDI_{(it)\,0+} = \beta\beta_{\,1} DAU_{it} + \beta_{\,2} DAK_{it} + \beta_{\,3} DBH_{it} + \beta_{\,4} DD + \beta_{\,5} PDRBKAP + \alpha_{it} + \mu_{(it)} \quad (1)$$

Where:

HDI	= Human Development Index (Percent)
DAU	= General Allocation Fund (Thousand Rupiah)
DAK	= Special Allocation Fund (Thousand Rupiah)
DBH	= Revenue Sharing Fund (Thousand Rupiah)
DD	= Village Fund (Thousand Rupiah)
PDRBKAP	= Gross Regional Domestic Product per capita (thousand Rupiah)
$\beta 0$	= Intercept (Constant)
$\beta 1$	= Regression coefficient
i	= *Cross Section* Data
t	= *Time Series* Data
α	= unobserved factor, indicates the inter-cross section value
μ	= Disturbance error

RESULTS, ANALYSIS, AND DISCUSSION

Analysis Results Econometrics

Before estimating panel data, which includes *common effect, fixed effect* and *random effect*, the first step is to determine which estimation model is suitable and hypothesis testing is carried out, namely the *Chow* test, *Hausman* test and *Langrange Multiplier* (LM) test. *The*

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

Langrange Multiplier test is carried out with a note if after the Chow test the right model is used, namely fixed effect and after the Hausman test the model used is random effect. However, if in the *Chow* test and *Hausman* test the right model to use is *fixed effect* then there is no need to do the LM test. The following is a static test of panel data estimation:

Chow Test Model

This test is carried out with the aim of seeing the right model used between *common effect* and *fixed effect*. With the following test results:

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	23.566674	(9,45)	0.0000
Cross-section Chi-square	104.568172	9	0.0000

Source: Eviews 12 (processed)

Figure 3. Chow Test Estimation Results

In the table above, it is known that the probability of F is 0.0000 <0.05, so it can be concluded that the H0 hypothesis is rejected so that it can be concluded that the *Fixed Effect* method is better to use. Furthermore, to compare the *fixed effect* and *random effect, the Hausman* test is used. What needs to be considered is the comparison with the *Chi-Square Table*, if the *Hausman statistic* is greater than the *Chi-Square Table* then H1 is accepted.
If the *Hausman statistic* is smaller than the chi square table then H0 is accepted.
H0: *Random Effect* Model
H1: *Fixed Effect* Model

Hausman Test Model

The Hausman test is conducted with the aim of seeing which model is appropriate to use between *fixed effect* and *random effect*. With the following regression results:

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	33.050919	5	0.0000

Source: Eviews 12 (processed)

Figure 4. Hausman Test Estimation Results

The regression results of *fixed effect* vs *random effect* above obtained *cross section probability* on *random effect* is 0.0000, meaning it rejects Ho. So, it can be concluded that the most appropriate method is *fixed effect.* After testing the feasibility of the model with the *Chow* test and *the Hausman test,* the conclusion is that a good model to use is *fixed effect* model. That way there is no need to do the *Langrange Multiplier* (LM) test.

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

Dependent Variable: IPM
Method: Panel Least Squares
Date: 08/23/23 Time: 15:06
Sample: 2017 2022
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	59.58883	1.579411	37.72850	0.0000
DAU	-2.34E-13	2.45E-13	-0.953611	0.3454
DAK	1.50E-14	2.40E-13	0.062408	0.9505
DBH	6.68E-13	4.69E-13	1.423664	0.1614
DD	1.64E-09	4.40E-10	3.731779	0.0005
PDRBKAP	0.000215	4.07E-05	5.271085	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.952152	Mean dependent var	71.68917
Adjusted R-squared	0.937266	S.D. dependent var	1.703905
S.E. of regression	0.426773	Akaike info criterion	1.347191
Sum squared resid	8.196103	Schwarz criterion	1.870777
Log likelihood	-25.41574	Hannan-Quinn criter.	1.551995
F-statistic	63.96260	Durbin-Watson stat	1.135664
Prob(F-statistic)	0.000000		

Source: Eviews 12 (processed)

Figure 5. Fixed Effect Results (FEM*)*

Based on the results of the *Chow Test* and *Hausman Test*, the best model in this study is the *fixed effect* FEM model.

Classical Assumption Test Results on Model

The selected model is FEM, therefore the classical assumption test must be carried out. The desired classical assumption tests are multicollinearity and heteroscedasticity.

Multicolleniality Test

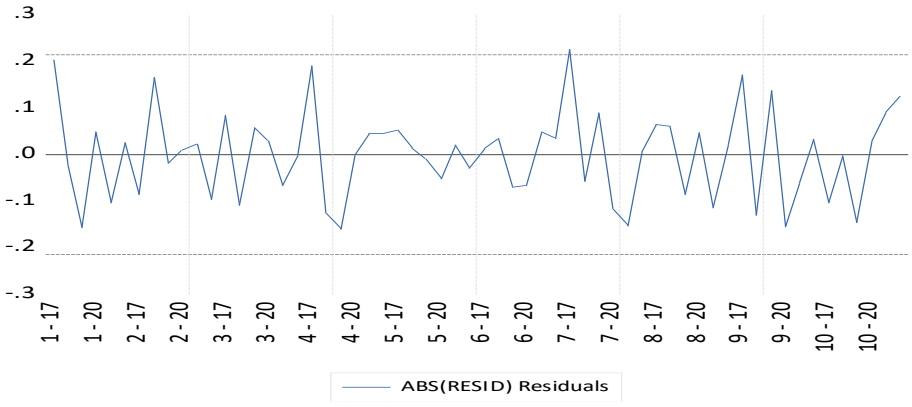
	DAU	DAK	DBH	DD	PDRBKAP
DAU	1.000000	0.702214	0.043475	0.655415	-0.299537
DAK	0.702214	1.000000	0.325237	0.651739	-0.029752
DBH	0.043475	0.325237	1.000000	0.101643	0.459646
DD	0.655415	0.651739	0.101643	1.000000	-0.401575
PDRB...	-0.299537	-0.029752	0.459646	-0.401575	1.000000

Source: eviews 12 (processed)

Figure 6. Multicolleniality test

The correlation coefficient of DAU and DAK is 0.702214 < 0.85, DAU and DBH is 0.655415 < 0.85, and DAU and DD is 0.655415 < 0.85, DAU and PDRBKAP is -0.299537 and DAK and DBH is 0.325237. So it can be concluded that it is free of multicolleniality.

Heteroscedasticity Test



Source: Eviews 12 (processed)

Figure 7. Heteroscedasticity Test Results

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

From the abs (recid), resinduals graph (blue colour) it can be seen that it does not cross the boundaries (500 and -500), meaning that the residual variance is the same. Therefore, there are no symptoms of Heteroscedasticity or pass the heteroscedasticity test.

Panel Data Regression Equation

IPM = 59.58 - 2.34DAU + 1.49DAK + 6.68DBH +1.64DD +0.001PDRBKAP

We can explain that the

1) A constant of 59.5 means that without the variables of general allocation funds, special allocation funds, revenue sharing funds, village funds and district gross domestic product, the Human Development Index variable will increase by 59.58 per cent.
2) The regression coefficient for the general allocation fund variable is 2.34, meaning that every 1 per cent increase in the general allocation fund variable will affect the increase in the Human Development Index by 2.34, assuming other variables are considered constant.
3) The regression coefficient for the special allocation fund variable is 1.49, meaning that every 1 per cent increase in the special allocation fund variable will affect the increase in the Human Development Index by 1.49 per cent, assuming other variables are considered constant.
4) The regression coefficient for the profit-sharing fund variable is 6.68, meaning that every 1 per cent increase in the profit-sharing fund variable will affect the increase in the Human Development Index by 6.68 per cent, assuming other variables are considered constant.
5) The regression coefficient for the village fund variable is 1.64, meaning that every 1 per cent increase in the village fund variable will affect the increase in the Human Development Index by 1.64 per cent, assuming other variables are considered constant.
6) The regression coefficient for the gross domestic regional income per capita variable is 0.001, meaning that every 1 per cent increase in the gross domestic regional income per capita variable will affect the increase in the Human Development Index by 1 per cent, assuming other variables are considered constant.

From the results of the above research, it turns out that the revenue-sharing fund variable has the largest regression coefficient. it can be concluded that the revenue-sharing fund has the greatest influence on the Human Development Index on the island of Sumatra for the period 2017-2023.

***Hypothesis Test* Results**

Results of t test (partial)

The effect of the independent variable on the dependent variable partially is as follows:

a. The results of the t test on the general allocation fund variable obtained the t value of 0.961853 < t table which is 2.001717 and sig value 0.3543 > 0.05, then Ha is rejected and H0 is accepted, meaning that the general allocation fund variable has no effect on the human development index.
b. The results of the t test on the special allocation fund variable obtained a calculated t value of 0.072429 < t table, namely 2.001717 and a sig value of 0.9426> 0.05, then Ha is rejected and H0 is accepted, meaning that the special allocation fund variable has no effect on the human development index.

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

c. The results of the t test on the profitsharing fund variable obtained the t value of 1.376021 < t table which is 2.001717 and sig value 0.1756 > 0.05, then Ha is rejected and H0 is accepted, meaning that the profitsharing fund variable has no effect on the human development index.
d. The results of the t test on the village fund variable obtained the t value of 3.712778 > t table, namely 2.001717 and sig value 0, 0006 <0.05, then Ha is accepted and H0 is rejected, meaning that the village fund variable affects the human development index.
e. The t test results on the gross domestic product per capita variable obtained the t value of 5.237511> t table, namely 2.001717 and the sig value of 0.0000> 0.05, then Ha is accepted and H0 is rejected, meaning that the gross domestic product per capita variable affects the human development index.

From the results of the above research partially, it turns out that the village fund variable and the gross domestic product per capita variable have an influence on the human development index on the island of Sumatra for the period 2017-2023. The partial t test results for each variable are shown in the figure below:

Dependent Variable: IPM
Method: Panel Least Squares
Date: 08/24/23 Time: 09:45
Sample: 2017 2022
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	59.64343	1.578943	37.77428	0.0000
DAU	-2.30E-13	2.46E-13	-0.935916	0.3543
DAK	1.74E-14	2.41E-13	0.072429	0.9426
DBH	6.46E-13	4.69E-13	1.376021	0.1756
DD	1.64E-09	4.42E-10	3.712778	0.0006
PDRBKAP	0.000214	4.08E-05	5.237511	0.0000

Source: Eviews 12 (processed)

Figure 8. t - Test Results

F test (simultaneous)

The calculated F value is 63.63697> F table which is 2.386069 and the sig value is 0.000000 <0.05, then H0 is rejected and Ha is accepted, meaning that the variables of general allocation funds, special allocation funds, revenue sharing funds, village funds and gross domestic product per capita together have an effect on the Human Development Index on the island of Sumatra for the period 2017-2023. The results of the F test simultaneously can be seen in the figure below:

R-squared	0.951919
Adjusted R-squared	0.936960
S.E. of regression	0.427812
Sum squared resid	8.236026
Log likelihood	-25.56151
F-statistic	63.63697
Prob(F-statistic)	0.000000

Source: Eviews 12 (processed)

Figure 9. F - Test Results

Test Coefficient of Determination (R^2)

The *adjusted R-square* value is 0.936960 or 93.6960% . The coefficient of determination shows that the independent variables consisting of general allocation funds, special allocation funds, revenue sharing funds, village funds and gross domestic product per capita are able to explain the Human Development Index variable by 93.6960% while the remaining 6.304% is explained by other variables not included in this research model.

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

R-squared	0.951919
Adjusted R-squared	0.936960
S.E. of regression	0.427812
Sum squared resid	8.236026
Log likelihood	-25.56151
F-statistic	63.63697
Prob(F-statistic)	0.000000

Source: Eviews 12 (processed)

Figure 10. Determination Test Results

CONCLUSION

Based on the results of this research on the Analysis of Fiscal Decentralisation Policy towards Economic Development of Sumatera Island, it can be concluded as follows:

Model testing using the *chow test* shows that the FEM model is more appropriate to use than the PLS model. Furthermore, the *Hausman test* shows that the FEM model is more appropriate to use compared to the REM model. Therefore, this study decided to use the FEM model because the FEM model is more appropriate than the PLS and REM models.

Based on the independent variable test, partially the general allocation fund, special allocation fund and revenue sharing fund have no effect on the Human Development Index. Meanwhile, the variables of village funds and gross domestic product per capita affect the Human Development Index on the island of Sumatra in 2017-2023.Based on the validity te st, the *F statistical* test (F test) the variables of general allocation funds, special allocation funds and revenue sharing funds, village funds and gross domestic product per capita simultaneously have a significant effect on the human development index on the island of Sumatra in 2017-2023. The results of the determinant coefficient test show the magnitude of the *R-square* value of 0.936 or 93.69 per cent, meaning that 93.69 per cent of the variation in the Human Development Index variable is able to explain the general allocation fund, special allocation fund, revenue sharing fund, village fund and gross domestic product per capita on the island of Sumatra, and the remaining 6.304 per cent is explained by other variables that are not included in this research model.

REFRENCE

Handayani R. Implications of General Allocation Fund, Special Allocation Fund and Revenue Sharing Fund on Economic Growth and Human Development Index after Expansion .... J AKMAMI (Accounting Manaj... [Internet]. 2024;5(1):17-25. Available from: https://jurnal.ceredindonesia.or.id/index.php/akmami/article/view/1006

ANALYSIS OF FISCAL DECENTRALISATION POLICIES ON THE ECONOMIC.

Elsye R. Fiscal Desantralisation. 2013;1-90.

Sidik M, Sc M, Understanding I, Decentralisation K. AS IMPLEMENTATION OF FISCAL DESENTRALISATION (Between Theory and Application in Indonesia). Semin "A Year of Implementation of Autonomous Drh Policy in Indones. 2002;

Azimi A. Comparative Analysis of Efficiency, Effectiveness and Fiscal Capability in the Era of Regional Autonomy in Regency / City of West Kalimantan Province. J Keuang dan Perbank Syariah. 2020;1(1):92-109.

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 5 Number 2 page148-159 2024

Urip TP, Indahyani R. Flypaper effect analysis of regional financial management in Jayapura City. J Manaj and Business. 2017;1(2):9-21.

Hasibuan LS, Hariani P, Pratiwi AS. Poverty Development Post Fiscal Decentralisation Policy In Otsus Fund Receiving Province In Indonesia (Case Study: Province Of Papua, West Papua, And Aceh). Int J Econ Technol Soc Sci. 2021;2(2):562-74.

Marya M, Handra H. The Effect of Fiscal Decentralisation on Economic Growth and Poverty Level in West Sumatra Province. Sci J Reflect Econ Accounting, Manag Bus. 2024;7(2):409-18.

Azwar A. Dynamic Analysis of the Impact of Fiscal Decentralisation on Health and Welfare Expenditure Efficiency: A Case Study of Districts/Cities in South Sulawesi. Info Artha. 2022;6(1):49-62.

.