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DETERMINANTS OF ECONOMIC GROWTH AND COMMUNITY WELFARE IN DISTRICTS / CITIES IN BALI PROVINCE, INDONESIA

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ABSTRACT
Community welfare is the goal of development, which can be seen from the increase in welfare from year to year and the increasingly equal distribution of income between regions. Differences in the characteristics of a region have a strong influence on the creation of non-uniform economic development patterns. This non-uniformity causes some areas to grow quickly while other areas grow slowly. This research uses path analysis techniques. The analysis results show that. Original local government revenue and capital expenditure have a positive and significant effect on economic growth, while balancing funds have no positive and insignificant effect on economic growth. Original local government revenue and balancing funds do not have a positive and insignificant effect on community welfare, while capital expenditure has a positive and significant effect on community welfare. Original local government revenue influences community welfare through economic growth, while balancing funds and capital expenditure do not influence community welfare through economic growth.

KEY WORDS
Original local government revenue, balancing funds, capital expenditure, economic growth.

Community welfare is an integral part of the economic development paradigm. Economic development is said to be successful if the level of public welfare is getting better. Community welfare is one of the goals of national economic development, which can be achieved through improving people's living standards, expanding employment opportunities and equalizing income for all people. This achievement can be realized through a series of local government efforts and policies (Arsyad, 2004). Improving people's welfare requires increased economic growth and equitable income distribution.

The reality of economic development disparities in each regency/city in Indonesia, especially Bali Province, over resources is the impact of an uneven development process. Each region usually has developed areas and underdeveloped areas. The occurrence of inequality between regions has implications for the level of community welfare between regions. Usually, the development of facilities and infrastructure is generally prioritized in urban centers or district/city capitals. Inequality between regions is evident with the level of development carried out always focused on urban centers. Adequate facilities and infrastructure in urban centers will become the centre of economic activity, as a result the spread of economic activity is uneven and has an impact on the development gap and welfare improvement between regions.

According to Badrudin (2012), community welfare is a condition that shows the state of the community's standard of living. Community welfare is a state of fulfillment of basic needs that can be seen from decent housing. Sufficient needs for clothing and food, education, and health, or a situation where a person is able to maximize their utility at a certain budget limit level and a condition where physical and spiritual needs are met (Todaro and Stephen C. Smith, 2003). According to Law No. 11/2009, social welfare is a condition that shows the fulfillment of the material, spiritual and social needs of citizens in order to live properly and be able to develop themselves. There is a close relationship between regional income, economic development and community welfare where the higher the income received by the region, the higher the opportunity to develop the regional economy (Supriati, Kristiyani, 2018).

Skoufias et.al. (2000) state that the measurement of welfare is subjective when it relates to psychological aspects, namely measured by happiness and satisfaction. Community welfare is the goal and efforts made by the government through efforts such as increasing economic growth. The success of development carried out by a country, including Indonesia, can be seen from the welfare conditions of its people (Marhaeni, 2014).

Table 1 – Human Development Index by Regency/City in Bali Province 2017-2022 (in points)

No.	Regency/City	2017	2018	2019	2020	2021	2022
1.	Jembrana	70,72	71,65	72,35	72,36	72,75	73,58
2.	Tabanan	74,86	75,45	76,16	76,17	76,45	76,75
3.	Badung	80,54	80,87	81,59	81,60	81,83	82,13
4.	Gianyar	76,09	76,61	77,14	77,36	77,70	78,39
5.	Klungkung	70,13	70,90	71,71	71,73	71,75	72,55
6.	Bangli	68,24	68,96	69,35	69,36	69,37	70,26
7.	Karangasem	65,57	66,49	67,34	67,35	67,36	68,28
8.	Buleleng	71,11	71,70	72,30	72,55	72,56	73,45
9.	Denpasar	83,01	83,30	83,68	83,93	84,03	84,37
Bali Province		74,30	74,77	75,38	75,50	75,69	76,44

Source: Bali Provincial Statistics Agency, 2023.

Based on Table 1, it can be seen that the level of community welfare in the regencies/cities in Bali Province during the period 2017-2022 has increased from year to year. The highest rank was achieved by Denpasar City where the HDI of Denpasar City was higher than the HDI of Bali Province. This shows that Denpasar City has succeeded in improving the quality of its human capital in terms of health, education and community income which are components of HDI. Meanwhile, there is an imbalance between Denpasar City and Karangasem Regency. Karangasem Regency ranked the lowest in the achievement of the quality of human capital in that period. The difference in HDI between districts/cities is certainly caused by differences in resources owned by each region.

The success of a country in improving the welfare of its people is measured by the level of economic growth achieved. Economic growth is expected to drive the economy of a region, and is expected to prosper the community. The existence of economic growth is an indication of the success of economic development. In macro analysis, economic growth achieved by a country is measured by the balance of real national income achieved by a country (Ernita and Syofyan, 2013).

Kuznet (1995) defines economic growth as a long-term increase in a country's ability to provide many types of economic goods to its population. This ability grows in accordance with technological progress and the necessary institutional and ideological adjustments (Jinghan, 2012). On the other hand, the level of economic growth is also used to evaluate whether or not the policies that have been taken in connection with the role of government in the economy are appropriate. The inequality of each region in terms of economic growth causes differences in tourism management.

Bali Province is one of the world's tourist destinations that have the potential for natural beauty and the uniqueness of the culture and social life of its people, and the tourism sector is the mainstay of the economy of Bali Province. More attention is needed to make the trend of economic growth continue to increase (Taufik, 2014). According to Sukirno (2008), economic growth means the fiscal development of the production of goods and services prevailing in a country, such as the increase and the amount of production of industrial goods, the development of infrastructure, the increase in the number of schools, the increase in the production of the service sector and the increase in the production of capital goods.

High and stable economic growth from year to year means that economic welfare is increasing, while economic growth with a negative value means that the level of welfare in a country is also decreasing. The high and low rate of economic growth in a country indicates the level of change in the economic welfare of its people (Boediono, 2013). The economic growth of a developing region must actually be followed by equity in the field of income distribution and employment opportunities. The pursuit of growth alone without income

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distribution and employment will not give true meaning to the community. Economic growth should bring prosperity to the people in the region.

Bali Province is a well-known tourism destination since 1920 (Picard, 2003). Bali Province has beautiful beaches, biodiversity and art and cultural heritage that create opportunities in the tourism sector (Tajeddini et. al., 2017). The tourism sector is the backbone by providing the highest contribution to economic growth in Bali Province, although it is known as a tourism area, but from 9 districts and cities only a few areas enjoy the results of Bali tourism. Economic growth in regencies / cities in Bali Province each year from 2017-2022 experienced fluctuations in each regency / city in Bali Province. The trend of the highest economic growth value is still dominated by Badung Regency and Denpasar City where economic growth is greater than the economic growth of Bali Province. The other 7 districts have economic growth below Bali Province.

This shows that there is a fairly high inequality of income distribution or disparity between districts / cities in Bali Province. In 2020-2021, the economic growth of each district / city in Bali Province contracted as a result of the Corona Virus Disease (Covid-19) outbreak which had a negative impact on regional economic growth. Overall, the government restricts community activities in travelling and closes access to national and foreign tourism. The economic growth of Bali Province, which relies on the tourism sector, has experienced a slump, causing a sharp decline in economic growth in regencies / cities in Bali Province. Badung Regency and Denpasar City, which once achieved the highest rank, are now inversely proportional to experience a severe contraction, where their economic growth is lower than the economic growth of Bali Province.

The success of a region in organizing regional autonomy will have a positive impact on the economy. The role of regional revenue is a very important factor because it determines the volume, strength and ability of regional finances in the context of carrying out government and regional development tasks. The role of local taxes and levies as the main source of local revenue, in addition to the balance funds obtained from the exploitation of natural resources will greatly determine the strength of the Regional Budget (APBD). Regional original revenue, hereinafter abbreviated as original local government revenue, is revenue sourced and collected by the local government itself. Original local government revenue is one of the sources of regional revenue which is also the basic capital of local governments in obtaining development funds and fulfilling regional expenditures. An important indicator of the success of regional financial capacity is reflected in the ability of a region to explore original local government revenue.

Effective programs to improve human capital and innovation are essential for the government to implement. Sources of original local government revenue consist of local taxes, local contributions, profits from regional owned enterprises (bumd), and other legal original local government revenue. The principles of regional financial management consist of responsibility, being able to fulfil financial obligations, honesty, use of results and funds, control. High original local government revenue is the goal of every region, where high original local government revenue reflects that the regional autonomy implemented is running well (Arifini and Dwi Setyadhi., 2014). In order to carry out the functions and authorities of local governments in the form of implementing fiscal authority, regions must be able to explore the potential and identify their resources.

Based on Law No.33 of 2004 concerning central and regional balance, the distribution of regional balance funds will be carried out by looking at the source of income. Original local government revenue and balancing funds have a major role as a source of development financing and are ultimately able to encourage regional economic growth. The balancing fund is a source of regional income derived from the State Budget (APBN) to support the implementation of local government authority in achieving the objectives of granting autonomy to the regions, especially the improvement of services and better community welfare (Mamuka & Elim, 2014). In general, balancing funds constitute the largest part of financing local government activities. Balancing funds consist of the General Allocation Fund (DAU), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH) sourced from taxes and natural resources. These three types of funds together with regional own-source

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revenues (original local government revenue) are the sources of regional funds used to organize government at the regional level.

Capital expenditure is a type of government financing with long-term benefits. This type of expenditure is generally defined as expenditure allocated to acquire tangible fixed assets with an economic value of more than twelve months. Then all expenditures or sacrifices of economic value in the process of realizing or procuring these tangible fixed assets by the government will also be recorded as capital expenditure realization and will be added to the value of these assets. Local governments in carrying out capital expenditures have the aim of increasing development and the regional economy. Badrudin (2012) argues that public expenditure for the provision of capital goods is carried out in the early stages because economic development creates a special need for capital goods, such as roads, ports, and electrical installations.

Capital expenditure is an important point for the government in its discourse on the welfare of the people. The need for cheap mass transportation for people who cannot afford to buy private vehicles from the private sector must certainly be pursued by the government in its realization. Capital expenditure has a purpose related to public services because looking at the types of assets commonly reported in each government report shows that this type of expenditure is intended to improve the quality of public services and better infrastructure for the community. Budgeted roads, installations, buildings, etc., are prioritized to fulfil the public interest. The benefits of the budgeted assets become an important reference in the implementation of capital expenditure. In carrying out its activities, local governments must be able to consider the achievement of minimum service standards set in accordance with statutory regulations so that local governments must priorities the allocation of expenditure for public service purposes in the preparation of the budget. Improving this priority will also improve the level of community welfare. Capital expenditure is a type of direct expenditure. The definition of direct expenditure is defined as expenditure whose budgeting is directly related to government programs and activities, budgeting is intended to carry out activities or programs that have been launched. The various items budgeted for in capital expenditure budgeting is directly related to the programs to be implemented by the government.

METHODS of RESEARCH

This research design uses a quantitative approach in the form of associative, which is research that aims to determine the relationship between two or more variables. Descriptive research presents a description of quantitative or numbers that aim to explain an empirical phenomenon using statistical analysis, with a pattern of causal relationships between variables through the path analysis method. This research uses 8 regencies and 1 city in Bali Province from 2017-2022 with a total of 54 observations. The research location was carried out in 8 regencies and 1 city in Bali Province in 2017-2022 using data released by the Central Bureau of Statistics. The data collection method used in this study is non-participant observation, which is a non-data collection technique or observation where the researcher is not directly involved and only as an independent observer (Sugiyono, 2007). The data collection method is carried out by observing, recording, studying descriptions and making observations of local revenue, balancing funds and capital expenditure on economic growth and community welfare in districts / cities in Bali Province through data obtained from the Central Bureau of Statistics of Bali Province or www.bpsbali.go.id. This study uses path analysis techniques which aim to analyze the causal relationship that occurs in multiple regression if the independent variable affects the dependent variable not only directly but also indirectly.

RESULTS and DISCUSSION

Calculating the value of e1 which shows the amount of variance in the economic growth variable that is not explained by original local government revenue, equalization funds and capital expenditure is calculated using the formula:

$$Pe_1 = \sqrt{1-R^2} = \sqrt{1-0{,}543} = \sqrt{0{,}457} = 0{,}676$$

Calculate the value of e2 which shows the amount of variance in the community welfare variable that is not explained by original local government revenue, balancing funds, capital expenditure and economic growth calculated by the formula:

$$Pe_2 = = \sqrt{1-R^2} = \sqrt{(1-0{,}909} = \sqrt{0{,}091} = 0{,}302$$

Table 1 – Path Coefficients

Regression			Standardized Regression Coefficient	Standard Error	t-test	p-value	Information
X1	→	Y1	0.300	0.069	2.184	0.034	Significant
X2	→	Y1	-0.132	0.494	-1.379	0.174	Not Significant
X3	→	Y1	0.487	0.120	3.535	0.001	Significant
X1	→	Y2	0.052	0.007	0.803	0.426	Not Significant
X2	→	Y2	-0.002	0.051	-0.053	0.958	Not Significant
X3	→	Y2	0.488	0.014	6.440	0.000	Significant
Y1	→	Y2	0.544	0.014	8.519	0.000	Significant

Source: Data processed, 2024.

In checking the model variables, there are indicators for checking, namely by calculating the coefficient of total determination, the results are as follows:

$$R^2m = 1 - (Pe1)^2(Pe2)^2 = 0{,}959$$

Where: r^2m = total coefficient of determination; e1, e2 = standardized estimation error value.

The total determination value of 0.959 means that 95.9 per cent of the variation in the level of community welfare is influenced by variations in local revenue, balancing funds, capital expenditure and economic growth, while the remaining 4.1 per cent is explained by other variables not included in the model. Based on the results of path analysis I and II, the results of the path coefficient on this research hypothesis can be described as follows.

Table 2 – Results of Direct Effect, Indirect Effect and Total Effect of Research Variables

Relationship between Variables			Direct	Indirect through Y1	Total
X1	→	Y1	0.300	-	0.300
X2	→	Y1	-0.132	-	-0.132
X3	→	Y1	0.487	-	0.487
X1	→	Y2	0.052	0.163	0.215
X2	→	Y2	-0.002	-0.071	0.00014
X3	→	Y2	0.488	0.264	0.752
Y1	→	Y2	0.544	-	0.544

Source: Data processed, 2024. Note: Description: X1 = original local government revenue, X2 = Regional Funds, X3 = Capital Expenditure, Y1 = Economic Growth, Y2 = Community Welfare.

The Effect of Original Local Government Revenue on Economic Growth

The results of the analysis show that original local government revenue has a positive and significant effect on economic growth. The positive effect indicates that if original local government revenue increases, economic growth will also increase. There is considerable inequality between the sarbagita and non sarbagita regions in the regencies/cities in bali province, where badung regency dominates the highest original local government revenue while bangli regency has the lowest original local government revenue. The disparity in income between regions is caused by low local taxes, low levies, and low profits of bumd separated regional assets. This imbalance causes disparities where there are differences in investment between regions, causing uneven infrastructure development. Original local government revenue is one of the sources of regional expenditure, if original local government revenue increases, the funds owned by the local government will be higher and

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the level of regional independence will also increase, so that the local government will take the initiative to further explore the potential of the region and make breakthroughs that make it easier for investors to invest to increase economic growth.

The relationship between local revenue and economic growth obtained, in accordance with the theory of W.W. Rostow which states that in the prerequisite phase of take-off, society prepares itself to achieve growth based on its own strength and then economic growth will occur automatically (Arsyad, 2004). The significant positive relationship in this study is in line with the theory of Peacok and Wisman which states that tax collection increases when economic growth increases, resulting in increased tax revenue which will have an impact on the level of local revenue (Mangkosoebroto, 1993).

Research by Mawarni, et al (2013) also supports the results of this study, which in their research states that local own-source revenue shows a significant positive effect on economic growth. So it can be said that original local government revenue has a significant positive effect on economic growth. This research is in line with the research of Maryati (2010) which states that original local government revenue has a significant positive effect on economic growth partially and simultaneously. Pujiati, 2008 where original local government revenue has a positive and significant effect on economic growth. Setiyawati (2007), also has similar results where his research states that, where local revenue has a significant positive effect on economic growth. This is due to the results of the collection of taxes and levies used to develop and grow the regional economy so that the community will also feel the impact for the sustainability of regional development.

The Effect of Balancing Funds on Economic Growth

The results of the analysis show that equalization funds have no positive and insignificant effect on economic growth. The negative effect shows that there is a contraction in economic growth where the Covid-19 pandemic phenomenon that hit the district / city economy in Bali Province until its economic growth reached -9.33 per cent in 2020 and -2.47 per cent in 2021 made the results of this study different from previous studies. During this period, all economic growth activities were hampered, because infrastructure was not running according to plan and the utilization of equalization funds was less effective. Considering that Bali Province, which is a world tourism destination, which depends on the tourism sector, is experiencing a downturn, prohibiting access in and out of domestic and foreign guests, no export and import activities, and decreasing investor interest in investing, which causes no rotation of economic growth in regencies / cities in Bali Province. This resulted in an imbalance between the sarbagita and non sarbagita areas (north Bali and south Bali) where Buleleng Regency had the largest amount of equalization funds and Badung Regency had the smallest amount of equalization funds. Unstable economic growth causes the government to implement its work program using a priority scale program.

The negative and insignificant relationship in this study is in line with the views of Maryati (2010) and Setiyawati (2007) who state that DAU (a component of equalization funds) has a negative effect on economic growth. Research by Irvan (2016), also supports the results of this study which states that equalization funds have a negative and insignificant effect on the economic growth of districts/cities in Bali Province. It is expected that with an increase in the balance fund, a region must also be able to increase other regional revenues because the balance fund is given to the regions for regional autonomy in regional development efforts and the funds obtained by the regions are used for regional interests in order to improve the welfare of the community. The results of this study are also supported by research conducted by Azzumar (2011), which states that the balance fund has a negative and insignificant effect on economic growth. This is in accordance with previous research conducted by Fany (2010) and Ulfi (2011) where the results showed that equalization funds did not significantly affect economic growth.

The Effect of Capital Expenditure on Economic Growth

The results of the analysis show that capital expenditure has a positive and significant effect on economic growth. The positive effect indicates that the higher the allocation of capital expenditure for development, the higher the impact on regional economic growth. There is considerable disparity between regions in the regencies/cities of Bali Province, where Gianyar Regency has the highest capital expenditure while Jembrana Regency has the lowest. The disparity in capital expenditure between regions is caused by the low purchase of land, equipment and machinery, buildings and structures, roads networks and irrigation and fixed assets. Todaro (2006) says there are three main factors or components in economic growth. Firstly, capital accumulation which includes all forms and types of new investment invested in land, physical equipment and human resources. Second, population growth, which in the next few years automatically brings about labour force growth. Third, technological progress. Fixed assets owned as a result of capital expenditure are a major prerequisite in providing public services by local governments. To increase fixed assets, local governments allocate funds in the form of capital expenditure budgets in the APBD. The allocation of capital expenditure is based on regional needs for facilities and infrastructure, both for the smooth implementation of government tasks and for public facilities.

Capital expenditure has a positive and significant effect on economic growth in regencies and cities in Bali Province. This means that any increase in capital expenditure will increase economic growth. Capital expenditure is one of the important indicators in advancing the economy of a region, especially in carrying out development to support the welfare of the community. The significant effect of capital expenditure on economic growth also shows that the allocation of capital expenditure is appropriate. The results of this study are the same as research conducted by Fajri and Arini (2016) which found that capital expenditure has a positive and significant effect on economic growth. According to him, the capital expenditure policy in the form of purchasing goods and services, was able to encourage an increase in production demand in the economy. Capital expenditure is significant to economic growth, this is because the portion of capital expenditure is still relatively large when compared to the total expenditure of districts / cities in Bali Province. With the available government capital expenditure, it has been allocated appropriately to investment projects that have a large multiplier impact on economic growth.

The Effect of Original Local Government Revenue on Community Welfare

The results of the analysis show that original local government revenue has no positive and insignificant effect on community welfare. The negative effect indicates that if original local government revenue increases, then community welfare will decrease. Where original local government revenue sourced from tax and levy revenues is used to build and improve infrastructure related to public needs such as improving supporting facilities for education, health and public facilities, an increase in local revenue will have a good impact on community welfare. Efforts that can be made by the government to increase tax revenue from year to year include continuing to socialize the regulations and obligations of the community as taxpayers to be obedient in paying taxes. As it is known that in principle taxes are from the people by the people for the people.

This research contradicts the theory of fiscal federalism which explains how decentralization relates to the economy, public services, and public welfare. The form of government according to the theory of fiscal federalism is a structure of levels of government, each of which has its own sources of revenue and responsibilities. Fiscal federalism itself is a set of guiding principles applied in a country or region to design the finances of national and sub-national levels of government. The existence of increased local revenue means that the local government's dependence on funds from the central government (general allocation fund) is getting lower so that the increase in original local government revenue will help fund the needs of organizing activities that can improve people's welfare.

This research is also supported by Mahendra and Suastika's research (2017) which also obtained the same results, where original local government revenue had no positive and insignificant effect on community welfare. This is due to the lack of public infrastructure that must be implemented and needs to be considered by the local government to the community, especially regarding the components as a measuring tool for community welfare. In addition, the high local taxes and levies that go into local own-source revenues can burden the community and are not optimal, which causes community welfare to decline. Because local revenue is allocated for community welfare through financing free education, medical treatment and other benefits.

The Effect of Balance Fund on Community Welfare

The results of the analysis show that the balancing fund has a non-positive and insignificant effect on community welfare. The negative effect shows that there is an imbalance in the allocation of policy making that is not right on target, where the balancing funds should only be used for development programs or projects such as public service infrastructure, because if the balancing funds are not allocated on target such as to pay the salaries of officials then this will cause no effect on community welfare.

This research is in line with agency theory, which states that the relationship between principal and agent is based on and acts on behalf of the principal and is useful for the principal's interests and for his actions the agent gets a certain reward. In relation to the balancing funds through the relationship between the central government and local governments in the distribution of balancing funds and also the relationship between the community proxied by the central government (principal) and local governments (agent). The central government delegates authority to local governments in managing their own local households. Therefore, as a consequence of this delegation of authority, the central government distributes balancing funds whose purpose is to assist local governments, both in funding the daily needs of government and in providing better public services to the community. Basically, the relationship between the central government and local governments in the distribution of equalization funds is reflected in agency theory, where in this case the central government seeks to overcome disparities between regions by distributing funds to assist local governments in providing better public services to the community.

The results of this study are supported by research conducted by Mega and Sutrisna (2018), Harahap (2011), which states that the equalization fund variable has a negative and insignificant relationship with community welfare. According to Swandewi (2016), the negative and insignificant effect of balancing funds on community welfare is not in accordance with the objectives of fiscal autonomy which want to minimize the inequality that occurs between the central government and local governments. This means that an increase in the provision of equalization funds can increase the human development index, which is an indicator of human welfare research. Jayastra (2015) the relationship between balance funds and community welfare, namely to support the implementation of regional autonomy and the implementation of regional development to create a prosperous society, requires sources of financing. Regional development financing comes from original local government revenue, balancing funds and other legal regional revenues.

The Effect of Capital Expenditure on Community Welfare

The results of the analysis show that capital expenditure has a positive and significant effect on community welfare. The positive effect indicates that if capital expenditure increases, community welfare will also increase. This occurs because government capital expenditure is generally allocated to build facilities and infrastructure which are then expected to increase the intensity of economic activity. Capital expenditure has a positive and significant effect on community welfare in regencies and cities in Bali Province. The capital expenditure variable is significant to community welfare, this illustrates that the capital expenditure budget continues to increase and can improve community welfare in Indonesia. The significance of capital expenditure is due to its accurate and efficient allocation so that its productivity is high. As part of the Government's direct expenditure, capital expenditure should be used for infrastructure development that is conducive to encouraging the growth of private investment; it should also priorities economic development infrastructure that can be enjoyed by the community so that it affects the welfare of the community. The results of this study are supported by research conducted by Sumiyati (2009) which states that capital expenditure has a positive and significant effect on community welfare.

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According to Halim (2004), capital expenditure is expenditure whose benefits exceed one fiscal year and will increase regional assets or wealth and will have the consequence of increasing routine expenditure such as maintenance costs, meaning that capital expenditure has specific characteristics that indicate various considerations in its allocation. In the context of regional financial management, the allocation of capital expenditure is closely related to other regional autonomy. Local governments offer investment facilities, facilitate the business licensing process and build various infrastructures that support the regional economy. The role of the government in terms of developing regional potential should always provide direction and regional development planning, where the government acts as a provider of public goods and services that cannot be provided by the private sector. The government must make maximum efforts in running the government by allocating the budget as effectively and efficiently as possible to achieve the government's goal of improving people's welfare. Therefore, real and structured efforts are needed from local governments, so as to create local budgets that are oriented towards the public interest.

The Effect of Economic Growth on Community Welfare

The results of the analysis show that economic growth has a positive and significant effect on community welfare. The positive effect shows that the higher the economic growth, the higher the growth of output per capita and the increase in people's purchasing power. The high purchasing power of the community will improve welfare, because community purchasing power is one of the indicators in the human development index. This happens because regional economic growth is the increase in community income that occurs in the area, namely the increase in all value added that occurs in the area. The increase in income is measured in real value, meaning that it is expressed in constant prices.

According to Adam Smith, a state is obliged to provide security for all its citizens from all kinds of situations, one of which is an unstable situation, both socially and politically, which will make it difficult to realize prosperity. In addition, the state must also encourage and create economic prosperity for all citizens. Adam Smith's thinking confirms that development is not solely oriented towards high economic growth, but is simultaneously oriented towards the creation of social conditions. This means that the economic and social dimensions are the two main dimensions that can be used as entry points to measure development. This research is in accordance with Rostow's theory of economic development which divides the process of economic development into 5 stages of development, namely traditional society, the prerequisite stage for take-off, the take-off stage, the stage towards maturity, and the stage of high consumption period (Arsyad, 2010; 62). Rostow stated that as a prerequisite for take-off, a country must be able to develop its agriculture, industry and trade so as to create sustainable economic growth, if economic growth is high then people's attention is no longer on production issues but can focus more on issues related to consumption and community welfare.

The results of this study are in accordance with the results of research conducted by Utami and Indrajaya (2019), Herni Wijayanti and Darsana (2015) and Rosita and Sutrisna (2018) that economic growth has a positive and significant relationship to community welfare. The positive and significant relationship between economic growth variables and community welfare obtained in this study is in accordance with Setyowati (2012) that there is a positive and significant relationship in the effect of economic growth on community welfare. This indicates that the increase in economic growth is seen from the amount of GRDP. The higher the level of GRDP, the opportunity for people to obtain more proper education and health will increase or with the creation of an increase in economic growth in a region, the community has the opportunity to allocate their income in the education and health sectors. In this study, an increase in the level of economic growth has an impact on improving the welfare felt by the community through an increasing HDI value in districts / cities in Bali Province.

The Effect of Local Revenue on Community Welfare through Economic Growth

The results of the analysis show that original local government revenue has an effect on community welfare through economic growth. It means that if original local government revenue increases, community welfare will also increase through economic growth. This happens because local own-source revenue is the main source of local revenue derived from local taxes, local levies, BUMD results and other legitimate local own-source revenue.

An increase in local revenue will increase economic growth. In the era of regional autonomy where the government system was still centralized, it had a negative impact on regional development. This can be seen from the obstruction of regional freedom in developing all the potential possessed by the region and another detrimental impact is the high level of dependence of local governments on the central government. This is due to the large share and intervention given by the central government to the running of government in each region and now after regional autonomy, the government system is no longer in the form of centralization but has changed to decentralization. This means that the region has the authority to develop all the potential possessed by the region. In its implementation, the region must be more independent in managing various forms of revenue and expenditure. To be able to run its government, the local government is expected to optimize local revenue. An increase in local revenue can increase economic growth, so that economic growth acts as an intervening variable from the relationship between local revenue and community welfare.

The Effect of Balancing Funds on Community Welfare through Economic Growth

The results of the analysis show that equalization funds have no effect on community welfare through economic growth. This means that if the balancing funds increase, the welfare of the community does not increase through economic growth. This happens because equalization funds are expected to be able to assist regional financing in order to organize regional development in various fields, including education, health, sanitation, economy and various other supporting infrastructure. Regional development must also pay attention to aspects of sustainability so that it has implications for a sustainable increase in per capita income. As Kuncoro (2003) states, it is necessary to maintain development sustainability in the longer term so that development is not only a goal but also an instrumental process tool to reduce poverty, absorb labour, and reduce income distribution inequality.

According to Todaro, there are three main factors or components in economic growth, including physical and capital equipment or human resources, capital accumulation, and population growth (Amin, Pujiati, 2012). With decentralization, a large region is divided into several small parts that are integrated and move efficiently. Prawisetoto in Amin and Pujiati (2012) explains that fiscal decentralization is a division of decisions in the fiscal sector which includes aspects of revenue and expenditure aspects. Fiscal decentralization is related to the provision of public goods and services as the duties and functions of local governments. So, from the expenditure side, the implication of fiscal decentralization on economic growth from the balance fund is the revenue side that can affect economic growth, which will be collected into capital which is then used for development spending to increase economic growth. Economic growth is not an intervening variable in the relationship between balancing funds and community welfare.

The Effect of Capital Expenditure on Community Welfare through Economic Growth

The results of the analysis show that capital expenditure has an effect on community welfare through economic growth. This means that if capital expenditure increases, community welfare does not increase through economic growth. This happens because the allocation of the capital expenditure budget is not on target for economic infrastructure that will be able to become a trigger / catalyst for economic growth. In a region, the source of regional revenue can be divided into two, namely revenue originating from the region itself and also findings originating from central government transfers. This source of income is used by the region to finance all administrative activities needed by the region in order to improve welfare. Various efforts have been made by the government in improving welfare, including through improving regional infrastructure development. Regional infrastructure development can be in the form of construction of educational facilities, health facilities, road repairs and so on.

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Capital expenditure is an expenditure that benefits more than one fiscal year and can increase government assets which further increase maintenance costs (Mardiasmo, 2009). Capital expenditure consists of land expenditure, equipment and machinery expenditure, building and building expenditure, road, irrigation and network expenditure and other fixed asset expenditure. Fixed assets owned as a result of capital expenditure are the main prerequisite in providing public services by local governments. To increase fixed assets, local governments allocate funds in the form of capital expenditure budgets in the APBD.

Rostow and Musgrave (1996) explain that one element of economic growth is capital formation in the form of machinery, roads and other infrastructure. The availability of good infrastructure through regional development can trigger the creation of efficiency in various sectors and increase community productivity so that there can be an increase in welfare growth can always improve the infrastructure in the region.

CONCLUSION and SUGGESTIONS

Regional original revenue (original local government revenue) has a positive and significant effect; balancing funds have no positive and insignificant effect, while capital expenditure has a positive and significant effect on economic growth. If original local government revenue increases, economic growth will also increase. The increase in balancing funds causes a decrease in economic growth. If capital expenditure increases, economic growth will also increase. Regional original revenue (original local government revenue) and equalization funds have no positive and insignificant effect on community welfare, while capital expenditure and economic growth have a positive and significant effect on community welfare. If original local government revenue increases, community welfare will decrease. An increase in balancing funds causes a decrease in community welfare. Any increase in capital expenditure will increase community welfare. If economic growth increases, it will increase the number and quality of public services to improve community welfare. Local revenue has an effect on community welfare through economic growth, while equalization funds and capital expenditure have no effect on community welfare through economic growth.

In connection with the disparity in regional original revenue (original local government revenue) consisting of taxes, local levies, bumd profits, it is recommended that local governments should encourage investment to be more equitable, by intensifying efforts to collect local taxes, local levies, bumd profits outside Southern Bali such as infrastructure development (roads, public facilities, water) exploring the potential of the region to increase original local government revenue and by creating an effective and efficient administration of collecting local taxes and levies in order to improve the welfare of the community, where the government must be able to attract investors to invest so as to increase regional taxes.

The authority of local governments to utilize or allocate their balancing funds should be maximized by local governments for activities or areas that are priorities for each region. Differences in the allocation of balancing funds that differ from one region to another are readjusted to the needs or fiscal gaps that exist in the regions. Local governments also do not have to rely on balancing fund transfers as a form of local government independence in financing their local expenditures, to prevent inefficiencies in local government budgets. The existence of fiscal decentralization can increase efficiency and reduce inequality between regions and accelerate economic growth.

The government is expected to allocate its revenue properly and make efficiency in capital expenditure in terms of development, both in infrastructure, facilities and infrastructure in the socio-economic, health and education sectors so that it can directly have an impact on the welfare of the community.

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