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The Influence of Gross Regional Domestic Income, Population Size, Inflation, and Investment on East Java Province's Local Income

Zetyra Dara Pramitha[1]*, Kiky Asmara[2]
Fakultas Ekonomi dan Bisnis, UPN Veteran Jawa Timur
Corresponding Author: Zetyra Dara Pramitha
19011010098@student.upnjatim.ac.id

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ABSTRACT

This research aims to analyze the phenomenon of Local Income through the influence of Gross Regional Domestic Product, Population Size, Inflation, and Investment in the East Java Province. The data used in this study are secondary data from the years 2009 to 2022 sourced from the Central Statistics Agency of East Java Province. The research method employed is a quantitative method and processed using SPSS 25. The results of the analysis reveal that there is a significant simultaneous influence between the independent variables, namely Gross Regional Domestic Product (X1), Population Size (X2), Inflation (X3), Domestic Investment (X4), and Foreign Investment (X5), on the dependent variable, which is Local Income (Y), in the East Java Province. However, when examined individually, the Gross Regional Domestic Product variable has a positive and significant effect, Population Size has a negative and insignificant effect, inflation has a positive but insignificant effect, Domestic Investment variable has a positive but insignificant effect, and the Foreign Investment (FDI) variable has a negative and insignificant effect on Local Income in the East Java Province from 2009 to 2022.

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INTRODUCTION

Since the implementation of regional autonomy in 2001, the pattern of the relationship between the central government and local governments, which was previously centralized, has shifted to a decentralized pattern. Based on Law No. 32 of 2004, regional autonomy is the right, authority, and obligation of autonomous regions to independently manage and administer government affairs and local community interests in accordance with the laws and regulations. On the other hand, decentralization refers to the delegation of authority from the central government to autonomous local governments to govern and manage governance within the framework of the Unitary State of the Republic of Indonesia (NKRI). One of the goals of regional autonomy is to empower local regions in managing and administering all aspects of local governance, including natural and human resources.

The main characteristic of a region capable of implementing autonomy is its financial capability, which means the region must have the authority and capacity to trace financial resources, manage and utilize its own finances sufficiently to support its governance. Local governments must enhance their Local Own-Source Revenue (PAD) by optimizing existing potential without violating norms (Halim.Abdul, 2001).

Local Own-Source Revenue (PAD) is the income obtained by a region from sources within its own territory, collected based on local regulations in accordance with prevailing laws and regulations. PAD is the income obtained by a region, collected based on local regulations in accordance with prevailing laws and regulations. PAD, as a source of local revenue, needs to be continually increased in order to bear a portion of the necessary expenditure for governance and developmental activities, which increase every year. This ensures that the wide, tangible, and responsible autonomy of the region can be implemented (Rori Chindy Febry et al., 2016).

Economic growth, as one of the tools to understand the development and economic structure of a region, is believed to still be a crucial indicator in determining the direction of development, as depicted by the changes in Gross Regional Domestic Product. The Gross Regional Domestic Product (GRDP) can be described as the total value of goods and services generated within a country within a given year. These products and services are not only created by businesses owned by the country's residents but also by individuals from other countries who are living within that nation (Sukirno, 2003).

The size of the population plays a pivotal role as an indicator in a nation. Adam Smith, a pioneer among classical economists, went so far as to view population size as a prospective input that could serve as a production factor, contributing to the augmentation of both household and firm production. The larger the population, the more labor force can be utilized. Due to the

continuous growth of the population, many strategies need to be devised to address the increasing population numbers (Makdalena F Asmuruf et al., 2015). The income of a region can be derived from the economic activities of its population, such as taxation, fees, and so on. The presence of a population has a positive impact on boosting the economic activities of a region and increasing its local income (Murib et al., n.d.) .

Inflation is a condition that describes the weakening purchasing power accompanied by the declining real value of a country's currency. Stable inflation leads to an improvement in the welfare of the society, whereas unstable inflation will have a negative impact on the economic conditions of a region. The Influence of Inflation on Local Own-Source Revenue (PAD) based on Ackley (Iswandono, 2019) Inflation refers to a continuous increase in the prices of goods and services in general (not just a single type of goods and not temporary). The economic activities of the population lead to overall economic turbulence due to excessive demand for goods and services, which is usually referred to as inflation. The presence of inflation in a region indicates economic turbulence. If this inflation is left unchecked, it will have an impact on the economy. Inflation below 10% and inflation exceeding 25% can lead to high prices of goods and negatively affect the exchange rate of the currency, causing the value of the currency to decline.

Investment is a crucial element in building and developing a region. For instance, the government as a public sector organization, aiming to strategize the development of its region towards prosperity, should prioritize investment policies. Investment policies strengthen the input component of the economic process, particularly for investments in the region (Bastian, 2018).

Capital expenditure is one of the factors contributing to the increase in Local Own-Source Revenue (PAD). (Kusnandar. Viva Budy, 2021) In their research, they mentioned that even though Local Own-Source Revenue (PAD) constitutes a small proportion of the overall revenue, it has a significant impact on capital expenditures. This explains that PAD is an important income source allocated for infrastructure development. Apart from infrastructure factors, the economic activities in a region are greatly influenced by the investment climate within that region. The vibrancy or sluggishness of economic activities in the area can be observed by the magnitude of incoming capital flows, which will stimulate the economic momentum in that region.

THEORETICAL REVIEW

The definition of Local Own-Source Revenue (PAD) based on Law No. 33 of 2004 concerning the financial balance between the central and regional governments, Article 1 Section 18. According to this law, the definition of PAD

is "revenue obtained by a region collected based on local regulations in accordance with prevailing laws and regulations." Local Own-Source Revenue (PAD) refers to the earnings of a region originating from local taxes, the allocation of wealth management outcomes from distinct local assets, and other lawful sources of local income. These funds are utilized to support the realization of regional autonomy, serving as an expression of the decentralization principle(Rahman, 2005) Indicates that Local Own-Source Revenue (PAD) constitutes the financial gains of a specific area obtained through local taxes, the allocation of wealth management outcomes from distinct local assets, and other lawful sources of local income. This revenue is employed to secure financial support for the execution of regional autonomy, representing the decentralization principle.

H1: The Influence of Gross Regional Domestic Product (GRDP) on Local Own-source Revenue

(Santosa & Retno Puji Rahayu, 2018) says that with an increasing Gross Regional Domestic Product (GRDP), there will be an additional inflow of regional income to finance local government development programs. Subsequently, this can lead to a drive for improving local government services to the community, ultimately enhancing the productivity of the population. When the productivity of the community is high, individual incomes also increase, bolstering their ability to pay various fees imposed by the local government. From a macro perspective, one can analogize that the greater the obtained GRDP, the higher the potential for the region to generate local income. Thus, the growth in projected GRDP signifies a push for an increased acquisition of Local Own-Source Revenue (PAD), which will be used to fund regional development.

H2: The Influence of Population Size on Local Own-source Revenue

According to (Faqih, 2010), A large population, when accompanied by adequate quality of its people, can be a driving force for economic growth. Conversely, a large population, when coupled with low quality, renders the population merely a burden on national development. Meanwhile, according to Malthus and Ricardo, the risk of rapid population increase is propelled by the fact that many poor countries have unproductive individuals due to the difficulty in finding employment. This viewpoint is supported by research conducted by (Hakib dkk., 2020; Jaya. dkk., 2014) In Denpasar, the population size has a negative and significant effect. However, this contradicts the research conducted by Hakib and Arifin (2020), which stated that the population size does not affect local own-source revenue.

H3: The Influence of Inflation on Local Own-source Revenue

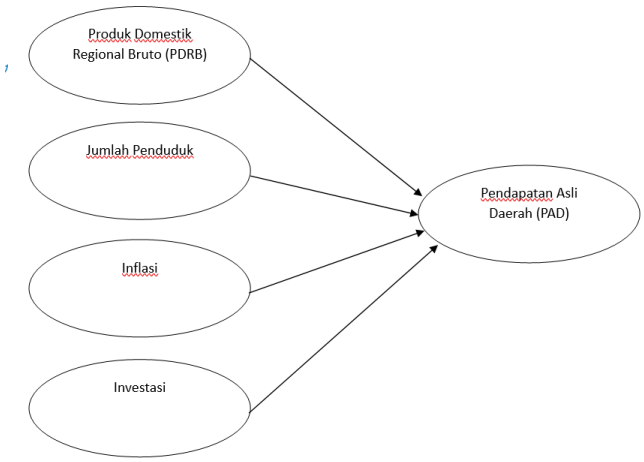
Inflation, according to Nopirin (2018b), can be defined as the continuous process of rising prices of goods. Inflation's increase essentially elevates worker wages, as inflation becomes one of the determining factors for wage size. This rise in wages will lead to Local Own-Source Revenue (PAD) increase.

According to Halim (2004), inflation can enhance PAD receipts, as their determination is based on sales turnover, such as hotel and restaurant taxes.

H4: The Influence of Investment on Local Own-source Revenue

According to Mankiw (2007), investment is one of the means by which a government can target the economy and improve the long-term quality of life for its citizens. In this study, investment is represented by Foreign Direct Investment (FDI) and Domestic Direct Investment (DDI). Both of these have the same goal, which is to contribute to driving the regional economy. Increasing investment in a region is expected to enhance Local Own-Source Revenue (PAD). Foreign Direct Investment (FDI) and Domestic Direct Investment (DDI) exhibit a positive correlation with PAD. When FDI and DDI increase, it can lead to an increase in Local Own-Source Revenue (PAD), and conversely as well.

Increased investment activities can stimulate government revenue through local taxes and fees. Furthermore, the presence of investment activities is expected to absorb the existing workforce in the region. If the local workforce possesses skills and abilities, they can generate goods and services to meet their own needs. This, in turn, can contribute to Local Own-Source Revenue (PAD).



METHODOLOGY

This research is a quantitative study. The utilization of quantitative research involves a scientific method to investigate a population or a sample. Several data collection techniques using research instruments and statistical data analysis are employed to test prepared hypotheses (Sugiyono, 2015). The data provided to support this study are secondary data obtained from the Central Statistics Agency of East Java and the library of Bank Indonesia. The data used are in the form of time series data. The factors considered for sample selection are as follows:

1. Realization of GRDP 2009-2022

2. Population of East Java 2009-2022

3. Realization of Domestic and Foreign Investment 2009-2022

4. Inflation Rate 2009-2022

RESULTS

Normality Test

According to Ghozali (2018), the normality test aims to determine whether, in a regression model, the disturbance or residual variable follows a normal distribution. To ascertain whether a dataset is normally distributed or not, normality testing can be conducted using the one-sample Kolmogorov-Smirnov test on the equation's residuals. The testing criterion is that if the probability value is > 0.05, then the data is normally distributed; if the probability value is < 0.05, then the data is not normally distributed.

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	0.2

Based on the table above, it is shown that the Kolmogorov-Smirnov normality test yields a value of 0.200, indicating that the research data is normally distributed.

Multicollinearity Test

According to (Ghozali, 2018) The multicollinearity test aims to examine whether there is correlation among independent variables in a regression model. The results of the multicollinearity test are based on tolerance values and Variance Inflation Factor (VIF). A regression model is considered free from multicollinearity when the VIF value is < 10 and has a tolerance value > 0.10. The following table shows the results of the multicollinearity testing:

	Tolerance	VIF
PDRB	.046	21.697
JP	.056	17.748
INFL	.474	2.110
PMDN	.096	10.414
PMA	.446	2.243

Based on the SPSS output in the table above, it can be stated that the tolerance value for Gross Regional Domestic Product (GRDP) is 0.046, Population (POP) is 0.056, Inflation (INFL) is 0.474, Domestic Direct Investment (DDI) is 0.410, and Foreign Direct Investment (FDI) is 0.446. The results of these calculations indicate that all independent variables have tolerance values greater than 0.10, which means there is no correlation among the independent variables. Therefore, in this regression model, the situation is good.

Meanwhile, the VIF (Variance Inflation Factor) values for Gross Regional Domestic Product (GRDP) are 21.697, Population (POP) is 17.748, Inflation (INFL) is 2.110, Domestic Direct Investment (DDI) is 10.414, and Foreign Direct Investment (FDI) is 2.243. These values indicate that GRDP, Population, and DDI have VIF values <10, implying that in this regression model, there is no multicollinearity and the model meets the assumption of data normality. However, Inflation and FDI have values >10, suggesting the presence of multicollinearity issues in the study. Multicollinearity still produces BLUE (Best Linear Unbiased Estimator) estimators, as the properties of BLUE estimators are not contingent on the assumption of no correlation among independent variables (AGUS TRI BASUKI, 2016). However, multicollinearity complicates the process of obtaining estimators with small standard errors. Typically, multicollinearity issues arise when there are few observations. In this case, limitations in choices occur, and one must still resort to using the regression model for analysis, even if the model encounters multicollinearity problems.

Autocorrelation Test

(Ghozali, 2018) The autocorrelation test aims to examine whether there is a correlation between the disturbance errors in a linear regression model between period t and the previous period t-1. Autocorrelation testing in this study utilizes the Durbin-Watson (DW) test by comparing the calculated DW value to the critical DW values. If 0 < DW < 4 - du, then the linear regression model is considered free from positive or negative autocorrelation, indicating that the model's equation is not affected by autocorrelation. Here are the results from the SPSS output:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.987[a]	.974	.958	977811453636.364	1.669

Based on table in the autocorrelation test, it can be observed that the DW (Durbin-Watson) value is 1.669. This value will be compared with the critical values from the Durbin-Watson table, specifically the d Statistic: Significance Points for dl and du at the 0.05 level of significance. Using a significance level of 5%, a sample size of 14 (n), and 5 independent variables (k=5), the Durbin-Watson table yields the following values: the lower limit (dl) is 0.5052 and the upper limit (du) is 2.2959. The DW value is 1.669. By considering the decision-making basis of 4-du < d < 4–dl, it is not possible to make a definitive decision based solely on the results of the Durbin-Watson test regarding the regression model.

To further ascertain the presence of autocorrelation in the regression model, the Runs Test is employed. The Runs Test is used to assess whether there is a significant correlation among residuals. If there is no correlation

among residuals, it can be inferred that the residuals are random. The hypotheses for the Runs Test are as follows:

Null Hypothesis (Ho): Value of Sig > 0.05, indicating no autocorrelation symptoms.
Alternative Hypothesis (Ha): Value of Sig < 0.05, indicating the presence of autocorrelation symptoms.
The results of the Runs Test for this study are as follows:

Runs Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	.781

From table, it can be concluded that the Asymp. Sig. (2-tailed) value is above the 5% confidence level, confirming that the null hypothesis (Ho) is met. This indicates that the data used does not exhibit autocorrelation symptoms. It can be inferred that there is no issue of autocorrelation among the independent variables, hence the regression model is suitable for use.

Heteroskedasticity Test

The heteroskedasticity test aims to examine whether there is inequality in the residuals from one observation to another in a regression model. If the residuals remain consistent across observations, this condition is called homoskedasticity. If the variance is not constant or changes, it is referred to as heteroskedasticity (Ghozali, 2018). The method used to identify the presence of heteroskedasticity is through the Glejser test. The decision-making criteria for the Glejser test are as follows:

1. If the Sig. value > 0.05, then there is no heteroskedasticity.
2. If the Sig. value < 0.05, then there is heteroskedasticity.

The results of the test are obtained as follows:

	t	sig
(Constant)	1.727	.122
PDRB	1.355	.212
JP	-1.711	.125
INFL	-1.033	.332
PMDN	-.199	.847
PMA	1.449	.185

Based on the Glejser test conducted from table, it is evident that the significance values for all independent variables are above 0.05. Therefore, it can be concluded that the regression model for the sukuk variable exhibits heteroskedasticity.

Multiple Linear Regression Test

Data processing was carried out using SPSS version 25, with multiple regression as the data analysis method. Meanwhile, to understand the relationships among more than two independent variables affecting a dependent variable, one can refer to the multiple linear regression method.

Coefficients[a]		
	B	Std. Error
(Constant)	45073779962172.440	31670726337688.870
PDRB	19668788.503	4819140.991
JP	-1488329.618	933558.718
INFL	33696520264.447	192885477295.198
PMDN	74591007.476	43448981.403
PMA	-593852236.914	501476142.635

From the above analysis, the multiple linear regression equation can be obtained as follows:

PE = 45073779962172.440 + 19668788.503 PDRB + (-1488329.618 JP) + 33696520264.447 INFL + 74591007.476 PMDN + (--593852236.914) + e

The multiple linear regression equation implies:

i. Constant (β0): Y = 45073779962172.440 indicates that when PDRB (X1), Population (X2), Inflation (X3), PMDN (X4), and PMA (X5) are constant, the GDP (Y) is 45073779962172.440 units.
ii. Regression coefficient of X1 (β1): Y = 19668788.503 shows that PDRB (X1) has a positive influence. This means that a 1% increase in PDRB leads to a 19668788.503% increase in GDP (Y), assuming X2, X3, X4, and X5 are constant.
iii. Regression coefficient of X2 (β2): Y = -1488329.618 indicates that Population (X2) has a negative influence. This implies that a 1-person increase in Population leads to a -1488329.618% decrease in GDP (Y), assuming X1, X3, X4, and X5 are constant.
iv. Regression coefficient of X3 (β3): Y = 33696520264.447 suggests that Inflation (X3) has a positive influence. This means that a 1% increase in Inflation leads to a 33696520264.447% increase in GDP (Y), assuming X1, X2, X4, and X5 are constant.
v. Regression coefficient of X4 (β4): Y = 74591007.476 indicates that PMDN (X4) has a positive influence. This implies that a 1% increase in PMDN leads to a 74591007.476% increase in GDP (Y), assuming X1, X2, X3, and X5 are constant.

vi. Regression coefficient of X5 (β5): Y = -593852236.914 shows that PMA (X5) has a negative influence. This means that a 1% increase in PMA leads to a -593852236.914% decrease in GDP (Y), assuming X1, X2, X3, and X4 are constant.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) is used to calculate how much capability the model has in explaining the variation in the dependent variable. The value of the coefficient of determination ranges between 0 and 1 (0 < R^2 < 1). A small R^2 value indicates that the independent variables have limited ability to explain the variation in the dependent variable. A value reaching one means that the dependent variable provides all the necessary information to account for the variation in the dependent variable (Ghozali, 2018).

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.987[a]	.974	.958	977811453636.364	1.669

The R^2 value, or coefficient of determination, of 0.987 means that from all observations, the variables Gross Regional Domestic Product (X1), Population (X2), Inflation (X3), Domestic Direct Investment (X4), and Foreign Direct Investment (X5) are capable of explaining 98.7% of the variation in the dependent variable GDP (Y). The remaining 1.3% (obtained from 100% - 98.7%) is influenced by other factors not captured by the model or the instrument.

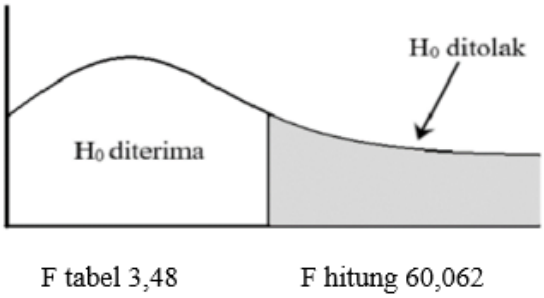
F-Statistic Test

The F-statistic test assesses the precision of the sample regression function in estimating true values. Should the F significance value be less than 0.05, the regression model is deemed effective in predicting the independent variable. Furthermore, the F-statistic test gauges whether all independent variables incorporated in the model jointly impact the dependent variable. The significance level of the F-statistic test is set at 0.05. (Ghozali, 2018). The criteria for hypothesis testing using the F-statistic are as follows: if the F significance value is less than 0.05, the alternative hypothesis is embraced, signifying that all independent variables collectively and significantly impact the dependent variable (Ghozali, 2018).

ANOVA[a]			
Model		F	Sig.
1	Regression	60.062	<,001[b]

In the ANOVA table, the calculated F value is 3.48 with a significance level of 0.001. Meanwhile, the tabulated F value (α = 0.05) for degrees of freedom (df1) 5 (number of independent variables, k) and df2 14 (n-k) yields an

F table value of 3.48. From these results, it is evident that the calculated F value of 60.062 is greater than the tabulated F value of 3.48, as confirmed by the F-test distribution curve shown below:



Based on the hypothesis, it can be interpreted that H0 is rejected and H1 is accepted, indicating that there is a significant influence among the independent variables, namely Gross Regional Domestic Product (X1), Population (X2), Inflation (X3), Domestic Direct Investment (X4), and Foreign Direct Investment (X5), on the dependent variable, which is GDP in the East Java Province.

Partial T-Test

The partial or t-test is performed to illustrate the magnitude of influence exerted by a single independent variable on the dependent variable, with the assumption that the other 61 independent variables remain constant. In other words, it aims to ascertain whether each included independent variable in the model has a discernible impact on the dependent variable. The criteria for drawing conclusions from the test results are as follows: if the probability value (sig)-t is below 0.05., then the independent variable is considered to have an effect on the dependent variable. Conversely, if the probability value (sig)-t is greater than 0.05, then there is no significant influence between the independent variables and the dependent variable.
Here is the procedure for the t-test:

	t	sig
(Constant)	1.423	.192
PDRB	4.081	.004
JP	-1.594	.150
INFL	.175	.866
PMDN	1.717	.124
PMA	-1.184	.270

Based on Table, the results of the t-statistic test are as follows:

i. The effect of Gross Regional Domestic Product (PDRB) on Local Own Source Revenue (PAD) yielded a t-value of 4.081, while the tabulated t-

value (α = 0.05) with degrees of freedom (df1) 5 (number of independent variables, k) and df2 14 (n-k-1) resulted in a tabulated t-value of 2.306. With a significance level of 0.004, which is smaller than 0.005, it can be concluded that PDRB partially influences PAD.

ii. The effect of Population on Local Own Source Revenue (PAD) resulted in a t-value of -1.594, while the tabulated t-value (α = 0.05) with degrees of freedom (df1) 5 (number of independent variables, k) and df2 14 (n-k-1) yielded a tabulated t-value of 2.306. With a significance level of 0.150, which is larger than 0.005, it can be concluded that Population does not have a partial effect on PAD.

iii. The effect of Inflation on Local Own Source Revenue (PAD) yielded a t-value of 0.175, while the tabulated t-value (α = 0.05) with degrees of freedom (df1) 5 (number of independent variables, k) and df2 14 (n-k-1) resulted in a tabulated t-value of 2.306. With a significance level of 0.866, which is larger than 0.005, it can be concluded that Inflation does not have a partial effect on PAD.

iv. The effect of Domestic Direct Investment (PMDN) on Local Own Source Revenue (PAD) yielded a t-value of 1.717, while the tabulated t-value (α = 0.05) with degrees of freedom (df1) 5 (number of independent variables, k) and df2 14 (n-k-1) resulted in a tabulated t-value of 2.306. With a significance level of 0.124, which is larger than 0.005, it can be concluded that PMDN does not have a partial effect on PAD.

v. The effect of Foreign Direct Investment (PMA) on Local Own Source Revenue (PAD) yielded a t-value of -1.184, while the tabulated t-value (α = 0.05) with degrees of freedom (df1) 5 (number of independent variables, k) and df2 14 (n-k-1) resulted in a tabulated t-value of 2.306. With a significance level of 0.270, which is larger than 0.005, it can be concluded that PMA does not have a partial effect on PAD.

DISCUSSION

From the conducted analysis, it is evident that the Gross Regional Domestic Product (PDRB) variable has a positive and significant impact on Local Own Source Revenue in East Java Province from 2009 to 2022. This outcome aligns with the hypothesis. In other words, as the Gross Regional Domestic Product increases, the realization of Local Own Source Revenue received by East Java Province also increases. This can be observed from the results of the Multiple Linear Regression calculations, which indicate that PDRB has a positive coefficient (B) value of 19668788.503. This is further supported by the t-test results, showing a significance level below 0.05 (0.04) and a calculated t-value of 4.081, which is greater than the critical t-value of 2.306.

This outcome can be explained by the fact that regions with increased activity in consumption or production can influence their own local revenue.

High consumer spending indicates economic stability, which can impact a region's economy. This is also supported by the growing number of businesses being established in East Java Province, adhering to tax regulations, which allows the government to collect taxes and fees.

The findings of this research are consistent with the studies conducted by (D Priyono & HR Handayani, 2021) and (Theodora Ririn et al., 2014) which demonstrate that Gross Regional Domestic Product (PDRB) has a positive influence on Local Own Source Revenue (PAD).

The results of the analysis indicate that the variable Population has a negative and insignificant impact on Local Own Source Revenue (PAD) in East Java Province from 2009 to 2022. This outcome is contrary to the hypothesis. In other words, as the Population increases, there will be a decrease in the realization of Local Own Source Revenue received by East Java Province. This can be observed from the results of the Multiple Linear Regression calculations, which show that Population has a negative coefficient (B) value of -1488329.618. This is also evident from the t-test results, which indicate a significance level above 0.05 (0.150) and a calculated t-value of 1.594, which is smaller than the critical t-value of 2.306.

These results suggest that an increase in population will lead to an increased demand for consumer goods. A large population can become a burden if its structure, distribution, and quality are not effectively managed, leading to a situation where a significant portion of the population is of working age, resulting in a larger workforce compared to the number of non-working and unemployed individuals. As the population increases, Local Own Source Revenue (PAD) is likely to decline.

The findings of this research are consistent with the study conducted oleh (Adriani Evi & Handayani, 2008), which states that the population has a negative and insignificant impact on Local Own Source Revenue (PAD) in Merangin Regency.

The results of the analysis indicate that the Inflation variable has a positive but insignificant impact on Local Own Source Revenue (PAD) in East Java Province from 2009 to 2022. This outcome aligns with the hypothesis. In other words, as Inflation increases, there will be an increase in the realization of Local Own Source Revenue received by East Java Province, albeit not significantly. This can be observed from the results of the Multiple Linear Regression calculations, which show that Inflation has a positive coefficient (B) value of 33696520264.447. This is also evident from the t-test results, which indicate a significance level above 0.05 (0.866) and a calculated t-value of 0.175, which is smaller than the critical t-value of 2.306.

This is attributed to the relatively mild inflation in East Java Province. Mild inflation doesn't significantly disrupt the economic condition, as the prices of various products experience only a general increase. The increases in mild inflation are usually below 10% per year (Ningsih MM & Waspada I, 2018).

(Natasya & Putu Mahardika Adi Saputra, 2023) stating that mild inflation can actually stimulate the economic process. This occurs because inflation can encourage businesses to enhance their productivity. With the occurring price increases, entrepreneurs can gain more profits. Furthermore, the increase in production will have a positive impact on creating new job opportunities. Looking at the inflation that has taken place in East Java for the past fourteen years, it can be categorized as mild inflation, which is below ten percent. However, the insignificant impact of inflation on Local Own Source Revenue (PAD) indicates that when inflation keeps rising, the community will continue to pay local taxes because local taxes are mandatory, even if people's income decreases due to the rise in the prices of goods and services. Nonetheless, this doesn't affect the Local Own Source Revenue of East Java Province. This demonstrates that regardless of the extent of inflation, it won't influence the amount of Local Own Source Revenue.Penelitian ini serupa dengan hasil penelitian yang dilakukan oleh Dewi Ernita (2021), yang menyatakan bahwa inflasi berpengaruh positif dan tidak signifikan terhadap pendapatan asli daerah Kabupaten Kerinci.

From the analysis conducted, it is found that the variable PMDN Investment has a positive yet insignificant impact on Local Own Source Revenue (PAD) in East Java Province from 2009 to 2022. This result is contrary to the hypothesis. This means that the larger the PMDN Investment, the increase in the realization of Local Own Source Revenue received by East Java Province, although not significantly. This can be seen from the Multiple Linear Regression calculations, indicating that PMDN Investment has a negative coefficient (B) of 74591007.476. The significance level obtained from the t-test is greater than 0.05, specifically 0.124, and the calculated t-value is 1.717, which is smaller than the tabulated t-value of 2.306.

The positive yet insignificant impact of PMDN Investment on Local Own Source Revenue in East Java Province can be attributed to the fact that the growth of PMDN Investment consistently surpasses the National Growth. This suggests that East Java has a conducive investment climate, allowing domestic investments to thrive. Furthermore, certain locations in East Java, such as Surabaya and Gresik, possess appealing attributes that attract individuals and businesses to invest in the region.

On the other hand, the analysis reveals that the variable PMA Investment has a negative and insignificant impact on Local Own Source Revenue in East

Java Province from 2009 to 2022, contrary to the hypothesis. This implies that the larger the PMA Investment, the decrease in the realization of Local Own Source Revenue received by East Java Province. This is evident from the Multiple Linear Regression calculations, which show a negative coefficient (B) of -593852236.914 for PMA Investment. The significance level obtained from the t-test is greater than 0.05, specifically 0.270, and the calculated t-value is 1.184, which is smaller than the tabulated t-value of 2.306.

Foreign direct investment, as a component of capital inflow into a country, is considered a relatively stable flow of capital with low risk compared to other capital flows like portfolio investment or foreign debt. Therefore, the foreign direct investment present in East Java Province does not significantly affect the Local Own Source Revenue. This is due to factors like liquidity, stock prices, and fluctuations, leading to a reduced output.

The non-effect of PMA on increasing Local Own Source Revenue suggests potential issues with transparency within bureaucracy and inadequate monitoring of taxation related to foreign investment. It is possible that many PMA investments in East Java Province do not meet licensing requirements, resulting in limited impact on the increase of Local Own Source Revenue. This study aligns with the findings of (Sagita R, 2013), which concluded that Foreign Investment has a negative and insignificant impact on local revenue in Indonesia.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results and discussion of the data as previously outlined, the following conclusions can be drawn:

1. Gross Regional Domestic Product (PDRB) has a positive and significant impact on the Local Own Source Revenue (PAD) of East Java Province from 2009 to 2022. This is also supported by the increasing establishment of businesses in East Java Province that dutifully pay taxes, allowing the government to collect taxes and levies.
2. Gross Regional Domestic Product (PDRB) has a negative and insignificant impact on the Local Own Source Revenue (PAD) of East Java Province from 2009 to 2022. This is due to the fact that a large population can become a burden if its structure, distribution, and quality are not well-balanced. It leads to a situation where the population working effectively is burdened by the higher proportion of individuals in the productive age group compared to the non-productive and unemployed population.

3. Inflation has a positive yet insignificant impact on the Local Own Source Revenue (PAD) of East Java Province from 2009 to 2022. This is attributed to the mild inflation in East Java (below 10%). Mild inflation can actually stimulate the economic process. It encourages business entities to enhance their productivity.
4. Investment in Domestic Direct Investment (PMDN) has a positive yet insignificant impact on the Local Own Source Revenue (PAD) of East Java Province from 2009 to 2022. This is because the growth of PMDN consistently surpasses the national growth, indicating a conducive investment climate in East Java. As a result, domestic investment can be effectively realized.
5. Foreign Direct Investment (PMA) has a negative and insignificant impact on the Local Own Source Revenue (PAD) of East Java Province from 2009 to 2022. PMA does not contribute to the increase in PAD. This outcome suggests potential issues in transparency within bureaucracy and insufficient monitoring of taxation related to foreign investments. It's possible that many PMA investments in East Java Province do not meet licensing requirements, resulting in limited revenue absorption from taxes and levies, thus not significantly impacting the increase of Local Own Source Revenue in East Java Province.

FURTHER STUDY

The author acknowledges that there are several aspects of the research that need improvement. The following are notes that should be considered as valuable insights for both the government and future researchers conducting similar studies:

1. The East Java Provincial Government should make more efforts to enhance Local Own Source Revenue (PAD) by focusing on both intensification and expansion, as well as improving public services.
2. It is advisable for the government to diversify its investments, especially those that can directly contribute to the increase in local revenue.
3. The community should prioritize adherence to tax and local levy payments, as this will reciprocate positive benefits to society and contribute to regional development.
4. Future researchers are encouraged to employ more diverse methodologies in their studies, aiming to provide even better research outcomes.

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