Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

The Impact of Local Revenue, Capital Expenditure, Transfer Funds and The Open Unemployment Rate on Local Economic Growth in The Province of West Nusa Tenggara

Intan Paraswari Saputri [1*], M. Firmansyah [2], and Ahmad Zaenal Wafik [3]
[*1-3]Universitas Mataram. Jl. Majapahit No.62, Gomong Kecamatan Selaparang, Kota Mataram 83115, Nusa Tenggara Barat, Indonesia

[*]intanparaswari@gmail.com

Submitted: 23/03/2026; Fixed: 29/03/2026; Approved: 31/03/2026

Abstract

This study aims to analyse the impact of local revenue (PAD), capital expenditure, transfer funds, and the open unemployment rate (TPT) on the economic growth rate of regencies and cities in West Nusa Tenggara Province for the period 2020–2024. This study employs a quantitative approach using secondary data in the form of panel data obtained from the Central Statistics Agency (BPS). The analysis method used is panel data regression with the aid of the Eviews application; the best model selected is the Fixed Effects Model (FEM). Simultaneously, PAD, capital expenditure, transfer funds, and TPT have a significant effect on the economic growth rate. Partially, PAD and transfer funds have a positive but insignificant effect on the economic growth rate, whilst capital expenditure and TPT have a negative and significant effect on the economic growth rate.

Key Word: Local Revenue, Capital Expenditure, Transfer Funds, Open Unemployment

INTRODUCTION

Economic growth in a region can be defined as an improvement in economic performance, measured by the growth rate of the Regional Gross Domestic Product (RGDP) at constant prices. The RGDP growth rate reflects an increase in per capita output over the long term, indicating changes and developments in economic activity within a region. The emphasis on the term ‘process’ suggests that economic growth is dynamic and constantly evolving over time. Measurements of economic growth indicators are usually carried out over a specific period, such as annually, to reflect the economic development of a region. Analysis of this aspect is crucial for evaluating the effectiveness of economic policies implemented by the government to stimulate economic activity and improve public welfare (Gita Srihidayati & Suhaeni, 2022).

Regional economic growth is one of the key indicators for measuring the extent to which a region has succeeded in its development efforts. This is because economic growth demonstrates how effectively the local government manages and utilises the various economic potentials available in the region (Nurmala et al., 2025).

Gross Regional Domestic Product (GRDP) is the total value added generated by all businesses operating within a region. GRDP reflects the total value of final goods and services produced by various economic sectors in that region over a specific period. The extent of a region’s economic growth indicates that economic activity in that region is proceeding smoothly and efficiently. The indicator typically used to measure a region’s economic growth rate is usually assessed through the increase in the GRDP at constant prices, which depicts real growth unaffected by price changes or inflation (Romhadhoni et al., 2019).

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

Table 1. Growth Rate Data

District/Municipal Area	ECONOMIC GROWTH RATE (%)				
	2020	**2021**	**2022**	**2023**	**2024**
West Lombok	-7,03%	3,40%	3,46%	5,03%	3,02%
Central Lombok	-6,67%	4,03%	3,55%	5,77%	3,34%
East Lombok	-3,12%	3,12%	3,18%	4,31%	4,20%
Sumbawa	-4,18%	1,87%	3,21%	3,61%	3,12%
Dompu	-3,21%	1,68%	2,95%	3,17%	3,62%
Bima	-3,53%	1,79%	2,83%	3,93%	2,82%
West Sumbawa	28,79%	-0,33%	24,14%	-10,37%	12,01%
North Lombok	-7,46%	1,38%	3,49%	5,10%	4,28%
Mataram City	-5,52%	3,27%	3,53%	4,51%	4,12%
Bima City	-4,95%	2,08%	2,70%	5,16%	4,04%

Source: Central Statistics Agency of West Nusa Tenggara 2020–2024

Based on the data above, overall, districts and cities in West Nusa Tenggara Province experienced a significant decline in economic growth in 2020, partly due to the impact of the COVID-19 pandemic, which led to a decline in economic activity, tourism, investment and trade. This is evident from the negative growth in almost all regions, such as West Lombok (-7.03%), East Lombok (-3.12%), Dompu (-3.21%), and Mataram City (-5.52%). To maintain and accelerate this economic growth, it is necessary to strengthen regional fiscal and non-fiscal capacities, particularly through increasing Local Own-Source Revenue (PAD), optimising the use of transfer funds, and allocating capital expenditure in a targeted and productive manner. Furthermore, efforts to accelerate economic growth must also be supported by a reduction in the open unemployment rate (TPT), as the lower the unemployment rate, the greater the potential for increased regional productivity and output, which ultimately drives sustainable economic growth.

This initiative is important because an increase in local revenue and the effective use of transfer funds play a significant role in driving economic growth through increased capital expenditure at the local level (Rahayu T S & Jaeni, 2025). Furthermore, research conducted by (Rahayu, 2022) shows that the open unemployment rate affects economic growth at both national and local levels.

Tabel 2. Data PAD

District/Municipal Area	Local Government Revenue (billion)				
	2020	**2021**	**2022**	**2023**	**2024**
West Lombok	219,04	294,90	268,80	341,54	380,64
Central Lombok	206,42	163,08	238,79	262,57	315,85
East Lombok	328,11	386,85	332,86	386,04	547,94
Sumbawa	181,31	202,86	172,42	179,88	257,27
Dompu	110,69	125,82	124,95	112,76	110,94
Bima	131,59	141,71	121,15	154,64	178,76
West Sumbawa	119,96	141,79	123,13	134,59	100,66
North Lombok	103,45	87,40	146,44	206,02	253,69
Mataram City	363,17	392,56	431,29	474,85	458,24
Bima City	47,28	46,99	49,56	51,45	73,57

Source: NTB Provincial Government Financial Statistics Book 2020–2024

Overall, local government revenue (PAD) in the regencies and cities of West Nusa Tenggara Province showed an increase during the 2020–2024 period, although the rate of growth varied across regions. Mataram City recorded the highest PAD value and the most significant growth, rising from Rp363.17 billion in 2020 to Rp458.24 billion in 2024, reflecting strong local fiscal performance. Central Lombok also showed a steady increase, indicating sustainable economic development. However, overall, the increase in PAD across most

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

regencies and cities in NTB illustrates progress in the management of local resources and the effectiveness of regional fiscal policies in supporting regional economic self-reliance.

Table 3. Capital Expenditure

District/Municipal Area	Capital expenditure (billion)				
	2020	**2021**	**2022**	**2023**	**2024**
West Lombok	356,38	204,51	247,00	183,96	158,52
Central Lombok	282,55	225,85	385,17	236,11	275,38
East Lombok	283,38	406,73	611,97	330,21	330,13
Sumbawa	214,27	184,39	219,47	262,76	186,21
Dompu	133,18	137,60	204,86	159,02	99,76
Bima	256,02	261,58	246,04	240,40	217,20
West Sumbawa	118,63	146,87	203,85	562,75	331,36
North Lombok	127,93	134,50	181,79	189,72	170,62
Mataram City	209,07	185,55	174,01	281,98	253,73
Bima City	165,72	138,38	153,81	147,48	115,49

Sumber: Buku Statistik Keuangan Pemerintah Daerah Provinsi NTB 2020-2024

Table 3 above shows that, regarding capital expenditure data for regencies and municipalities in West Nusa Tenggara Province (NTB) for the period 2020–2024, most areas have seen an increase in capital expenditure allocations year on year, although the magnitude of the increase varies across regions. East Lombok Regency has the highest capital expenditure, amounting to Rp330.13 billion in 2024, which demonstrates the local government's commitment to strengthening infrastructure and public facilities.

Based on the above description of capital expenditure allocation, it is important to examine how transfer funds from the central government influence local governments' ability to finance such capital expenditure. It can be said that the growth in capital expenditure resulting from increased local revenue (PAD) opens up opportunities for local governments to more easily access and utilise transfer funds as an additional source of funding. Research (Fitriyah et al., 2025) indicates that the receipt of transfer funds provided by the central government has a positive and significant influence on local capital expenditure; that is, the larger the amount of transfer funds received by a region, the larger the allocation for capital expenditure.

Tabel 4. Transfer Fund Data

District/Municipal Area	Transfer Funds (billion)				
	2020	**2021**	**2022**	**2023**	**2024**
West Lombok	1305,93	1280,22	1385,69	1375,45	1472,23
Central Lombok	1697,80	1736,08	1854,87	1883,16	2104,01
East Lombok	1964,56	2091,90	2340,32	2362,05	2605,63
Sumbawa	1317,18	1319,44	1424,51	1740,28	1653,61
Dompu	824,17	853,96	996,29	983,79	1002,77
Bima	1493,03	1504,33	1562,08	1659,20	1711,44
West Sumbawa	743,10	858,13	1299,73	1605,36	1088,44
North Lombok	674,48	696,76	715,96	777,31	744,60
Mataram City	891,18	894,88	960,94	1093,00	1059,44
Bima City	608,93	629,39	707,33	688,47	660,65

Source: NTB Provincial Government Financial Statistics Book 2020–2024

From Table 4, which shows data on transfer funds to regencies and municipalities in

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

West Nusa Tenggara Province for the period 2020–2024, it can be concluded that, on average, all regions experienced an increase in the amount of transfer funds from the central government, albeit at varying rates of growth. East Lombok Regency received the highest amount of transfer funds, amounting to approximately Rp2,605.63 billion in 2024, demonstrating the central government's significant role in supporting development in that region.

In line with research (Anthony & Rohman, 2024), optimising the management of local revenue and transfer funds strengthens local governments' capacity to make productive investments through capital expenditure, thereby driving growth in the Regional Gross Domestic Product (RGDP) as the primary indicator of regional economic growth.

Increased capital expenditure also has a knock-on effect on labour market dynamics through the creation of new job opportunities across various economic sectors. As local government investment in infrastructure and economic facilities increases, the demand for labour also rises, leading to more efficient labour absorption. This situation has the potential to reduce the open unemployment rate, as a greater proportion of the working-age population is absorbed into economic activity.

Table 5. Open Unemployment Rate Data

District/Municipal Area	TPT (%)				
	2020	2021	2022	2023	2024
West Lombok	4,58%	3,32%	4,16%	3,12%	2,75%
Central Lombok	3,74%	2,33%	3,02%	2,78%	2,55%
East Lombok	4,17%	2,79%	1,51%	2,47%	2,53%
Sumbawa	4,01%	3,39%	2,11%	2,79%	2,67%
Dompu	3,28%	3,02%	2,50%	2,36%	2,70%
Bima	2,89%	1,58%	2,28%	2,15%	2,19%
West Sumbawa	5,50%	5,52%	4,56%	3,54%	3,10%
North Lombok	3,01%	1,75%	0,38%	1,40%	1,85%
Mataram City	6,83%	5,19%	6,03%	4,78%	4,85%
Bima City	4,42%	3,56%	3,73%	3,57%	3,27%

Source: Central Statistics Agency of West Nusa Tenggara 2024

The data on the Open Unemployment Rate (OUR) in West Nusa Tenggara Province for the period 2020–2024 shown above indicates a fairly consistent decline across most regencies and cities. North Lombok Regency recorded the most significant decrease, from 3.01% in 2020 to 0.38% in 2022, before experiencing a slight increase to 1.85% in 2024. Mataram City, as an urban area, has the highest unemployment rate, although it has improved from 6.83% in 2020 to 4.85% in 2024. According to (Rizki & Indonesia, 2016), unemployment has a significant impact on economic growth in Indonesia. These findings reveal that an increase in economic growth can actually be followed by a rise in the unemployment rate.

Arthur Okun stated that there is a close relationship between economic growth and unemployment, which came to be known as Okun's Law. Okun explained that when the economy experiences an increase in output or economic growth, the unemployment rate tends to fall because increased production requires additional labour, and vice versa. In line with research (Widyawati et al., 2025), it was shown that the open unemployment rate had a negative and significant effect on regional economic growth during 2017–2024, and that rising unemployment tended to reduce economic growth.

Based on this background, regional economic growth reflects the government's ability to manage available fiscal resources effectively. In West Nusa Tenggara Province, variations in economic growth rates across districts and cities during the 2020–2024 period are thought to be influenced by the effectiveness of the management of Local Own-Source Revenue (PAD), capital expenditure and transfer funds as the main instruments for strengthening regional fiscal capacity.

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

Furthermore, labour market aspects—particularly the open unemployment rate (OUR)—are also a key factor, as high unemployment rates indicate the local economy's limited capacity to generate added value and create employment opportunities, thereby potentially hindering economic growth. However, the extent of the influence of local revenue (PAD), capital expenditure, transfer funds, and the UER on economic growth rates at the regency/city level in West Nusa Tenggara Province has, to date, not been supported by clear empirical evidence.

Therefore, research is required to analyse the relationship and the extent of the influence of local revenue, capital expenditure and transfer funds on the rate of economic growth in West Nusa Tenggara Province for the period 2020–2024, both individually and collectively.

RESEARCH METHODS

This study employs an associative quantitative approach, which aims to identify the relationship between two or more variables using numerical data analysed statistically. This study employs an associative quantitative approach, which aims to identify the relationship between two or more variables using numerical data analysed statistically, and the analysis was conducted using Eviews 12. In this study, descriptive quantitative analysis was used to examine the relationship between the variables of local revenue, capital expenditure, transfer funds, and the open unemployment rate on economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024.

This study will examine whether the economic growth of regencies and cities in the province of West Nusa Tenggara is influenced by local revenue, capital expenditure, transfer funds and the open unemployment rate, both partially and simultaneously. Regional economic growth is inextricably linked to the role of fiscal policy implemented by local governments, particularly through the instruments of local revenue (PAD), transfer funds, and capital expenditure (Putra & Hidayat, 2016).

Meanwhile, the open unemployment rate reflects the level of labour utilisation in economic activity. A high open unemployment rate indicates low labour absorption, which can hinder increases in production and household income. This situation has the potential to dampen regional economic growth. Open unemployment affects economic growth; according to research conducted by Rizki & Indonesia (2016), open unemployment has a significant impact on economic growth in Indonesia, meaning that an increase in economic growth leads to a corresponding rise in unemployment rates. This is because not all members of the public benefit from the rise in economic growth.

Formulation of hypotheses:
A hypothesis is a provisional statement or conjecture regarding a research question or phenomenon to be investigated. Based on the background and research question established previously, the hypotheses can be formulated as follows:
H1: Local Government Revenue (PAD) has a positive and significant effect on economic growth.
H2 : Capital expenditure has a positive and significant effect on economic growth.
H3 : Transfer funds have a positive and significant effect on economic growth.
H4 : TPT has a negative and significant effect on economic growth
H5 : PAD, capital expenditure, transfer funds and TPT have a simultaneous effect on economic growth.

RESULTS AND DISCUSSION

This study will present the results of the analysis, beginning with a test of classical assumptions to ensure the validity of the model. This is followed by a panel data regression analysis, which includes tests to determine the best model using the Chow test, the Hausman test and the Lagrange multiplier test. The analysis will then proceed to hypothesis testing, including the t-test to assess the significance of individual parameters, the F-test to test for simultaneous significance, and the measurement of the coefficient of

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

determination (R^2) to determine the extent to which the model explains the variation in the dependent variable.

a. Chow's test

Table 6. Chow's test

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

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.760431	(9,36)	0.0145
Cross-section Chi-square	26.239615	9	0.0019

Based on the above Chow test, a cross-sectional chi-square value of 0.0019 < 0.05 was obtained; therefore, the FEM model was selected, and the analysis proceeded to the Hausman test.

b. Hausman test

Table 7. Hausman test

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	16.446491	4	0.0025

From the results above, a random cross-section value of 0.0025 < 0.05 was obtained; it can therefore be concluded that the selected model is the FEM (Fixed Effects Model), making this the appropriate model for the study. Having conducted the Chow test and the Hausman test, the selected model is the FEM (Fixed Effects Model); consequently, there is no need to proceed to the LM test.

Test of Classical Assumptions

According to research (Aditiya et al., 2023), classical assumption tests are statistical requirements that must be met in multiple linear regression analysis using the Ordinary Least Squares (OLS) method. Testing these requirements is important to ensure that the resulting regression model is the best possible model, in terms of estimation accuracy, absence of bias, and consistency. In panel data regression, the classical assumptions that must be met are the multicollinearity test and the heteroscedasticity test (Aditiya et al., 2023).

a. Multicollinearity Test

A multicollinearity test was conducted to detect whether there were correlations between the independent variables in the regression model. A regression model is considered free from multicollinearity if the Variance Inflation Factor (VIF) is less than 10. Testing for multicollinearity is a mandatory step that must be carried out for every selected model (Aditiya et al., 2023).

Table 8. Multicollinearity Test

VIF method (Variance Inflation Factors)

Variance Inflation Factors
Date: 02/19/26 Time: 15:11
Sample: 2020 2024
Included observations: 50

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	3848.304	6124.389	NA
LOG(PAD)	21.10800	3226.402	1.262776

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

LOG(BM)	15.77980	2496.494	1.639903
LOG(DT)	88.17757	7056.187	1.833839
LOG(TPT)	8.853234	17.94284	1.171570

The results above show that the centred VIF values for all independent variables are < 10. The centred VIF value for PAD is 1.262776 < 10. The centred VIF value for BM is 1.639903, which is less than 10. The centred VIF value for DT is 1.833839, which is less than 10. The centred VIF value for TPT is 1.171570, which is less than 10. It can therefore be concluded that the data used passes the multicollinearity test.

b. Heteroscedasticity Test

Heteroscedasticity occurs when the variance of the residuals is not constant, which can lead to inefficient parameter estimates and biased standard errors, thereby affecting the results of statistical inference. In practice, this test is conducted by testing the null hypothesis that the residual variances are homogeneous; if the probability value (p-value) of the test is less than the significance level $\alpha = 0.05$, it can be concluded that the regression model exhibits heteroscedasticity—H0 is rejected—meaning it requires treatment such as data transformation or the use of a more robust estimation method, conversely, if the p-value is greater than 0.05, H0 is accepted, meaning the data used is not affected by heteroscedasticity (Aditiya et al., 2023).

Tabel 9. Heteroscedasticity Test
Uji Glacier

Dependent Variable: ABS_RES Method: Panel Least Squares Date: 02/19/26 Time: 15:15
Sample: 2020 2024
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-19.34211	25.85994	-0.747957	0.4593
LOG(PAD)	2.305355	1.915210	1.203709	0.2366
LOG(BM)	1.197139	1.655936	0.722938	0.4744
LOG(DT)	-1.864811	3.914460	-0.476390	0.6367
LOG(TPT)	1.254616	1.240349	1.011502	0.3185

Based on the results of the test, the probability values for all dependent variables were greater than 0.05. The Prob value for PAD is 0.2366 > 0.05. The Prob value for BM is 0.4744 > 0.05. The Prob value for DT is 0.6367. The Prob value for TPT is 0.3185 > 0.05. It can therefore be concluded that the data used is free from heteroscedasticity.

Analysis of the Results of the Fixed-Effects Regression Model

The results of the model selection test indicate that the Fixed Effects model is the best model for panel data regression, having been selected following the Chow and Hausman tests. The following table presents the results of the analysis of how Local Government Revenue (PAD), Capital Expenditure, Transfer Funds and the open unemployment rate influence economic growth, using the Fixed Effects model:

Table 10. Regression Results Using FEM

Dependent Variable: Y Method: Panel Least Squares Date: 02/19/26 Time: 15:17 Sample: 2020 2024
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	80.69025	62.03470	1.300728	0.2016

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

LOG(PAD)	3.071408	4.594344	0.668519	0.5081
LOG(BM)	-11.83101	3.972380	-2.978318	0.0052
LOG(DT)	2.521928	9.390291	0.268568	0.7898
LOG(TPT)	-7.404405	2.975438	-2.488509	0.0176

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.442711	Mean dependent var	2.664800
Adjusted R-squared	0.241468	S.D. dependent var	6.435784
S.E. of regression	5.605163	Akaike info criterion	6.516749
Sum squared resid	1131.043	Schwarz criterion	7.052116
Log likelihood	-148.9187	Hannan-Quinn criter.	6.720620
F-statistic	2.199884	Durbin-Watson stat	3.252907
Prob(F-statistic)	0.031033		

From the regression equation above, the following formula is obtained: Y = 80.69025 + 3.071408*x1 + -11.83101*x2 + 2.521928*x3 + -7.404405*x4 + εit. From the regression equation for the panel data above, the following explanation can be provided:

a. A constant value of 80.69025 means that if the variables PAD, capital expenditure, transfer funds and the open unemployment rate are all equal to 0, growth increases by 80.69025%.
b. The PAD coefficient (X_1) of 3.071408 indicates that every increase in PAD of 1 billion rupiah will boost economic growth by 3.071408%, assuming all other variables remain constant (ceteris paribus). This suggests that increased local fiscal autonomy through PAD makes a positive contribution to economic growth.
c. The capital expenditure coefficient (X_2) of -11.83101 indicates that every 1 billion rupiah increase in capital expenditure actually reduces economic growth by 11.83101%, assuming all other variables remain constant. This result may suggest that capital expenditure is not yet fully effective or has not yet had a short-term impact on economic growth.
d. The Transfer Fund coefficient (X_3) of 2.521928 indicates that every 1 billion rupiah increase in the Transfer Fund will boost economic growth by 2.521928%, assuming all other variables remain constant. This suggests that fiscal support from the central government is capable of stimulating regional economic activity.
e. The coefficient for the open unemployment rate (X_4) of -7.404405 indicates that a 1% increase in the open unemployment rate will reduce economic growth by 7.404405%, assuming all other variables remain constant. This finding is consistent with macroeconomic theory, particularly Okun's Law, which states that there is a negative relationship between unemployment and economic growth.

Test of the Coefficient of Determination (R^2)

The coefficient of determination (R^2) is a statistical measure that indicates the ability of the independent variable to explain the variation in the dependent variable within a regression model. The value of R^2 ranges from 0 to 1, where the closer it is to 1, the greater the ability of the independent variables to explain the variation in the dependent variable. An R^2 value close to 0 indicates very limited explanatory power. In panel data regression studies, R^2 is used to assess the accuracy of the regression model (Fadillah et al., 2025).

Table 11. Coefficient of Determination (R^2)

R-squared	0.442711	Mean dependent var	2.664800
Adjusted R-squared	0.241468	S.D. dependent var	6.435784
S.E. of regression	5.605163	Akaike info criterion	6.516749
Sum squared resid	1131.043	Schwarz criterion	7.052116
Log likelihood	-148.9187	Hannan-Quinn criter.	6.720620
F-statistic	2.199884	Durbin-Watson stat	3.252907

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

Prob(F-statistic)	0.031033

The results obtained from testing the Fixed Effects Model in the table above yield an Adjusted R^2 value of 0.241468 (24 per cent). This indicates that Local Government Revenue, Capital Expenditure, Transfer Funds and the Open Unemployment Rate account for 24 per cent of the variation in Economic Growth. The remainder is influenced by other variables or factors.

F-Test

The F-test, or simultaneous test, is used to determine whether the independent variables collectively have a significant effect on the dependent variable. The decision is based on the probability value of the F-statistic: if this value is less than 0.05, the null hypothesis (H0) stating that there is no simultaneous effect is rejected, meaning that there is a significant simultaneous effect.

Table 12. F-test

F-statistic	2.199884
Prob(F-statistic)	0.031033

Based on the table above, the F-statistic is 2.199884 with a probability of 0.031033 < 0.05; therefore, H0 is rejected and H1 is accepted. This means that, taken together, the independent variables (X1–X4) have a significant effect on the dependent variable (Y).

T-Test

The t-test is used to test the significance of the effect of each independent variable on the dependent variable. The criterion is as follows: if the Prob. value is less than 0.05, the effect is considered significant; however, if the Prob. value is greater than 0.05, the effect is considered insignificant.

Table 13. T-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	80.69025	62.03470	1.300728	0.2016
LOG(PAD)	3.071408	4.594344	0.668519	0.5081
LOG(BM)	-11.83101	3.972380	-2.978318	0.0052
LOG(DT)	2.521928	9.390291	0.268568	0.7898
LOG(TPT)	-7.404405	2.975438	-2.488509	0.0176

the calculated t-value and probability value for each independent variable. In this study, a one-tailed hypothesis test was used with a significance level of 0.05 (5%), employing a critical t-value of 1.679 and a degrees of freedom (df) of 45. Formula for the critical F-value:

Df = (n – k)
n = number of observations
k = number of parameters (including the constant), so Df = (50 – 5) = 45

Interpretation:

1. H1
   From the table above, it can be seen that the PAD variable (X1) has a t-statistic of 0.668519 < 1.679, with a probability value of 0.5081 > 0.05, indicating that H0 is accepted and H1 is rejected. Therefore, the conclusion is that the PAD variable does not have a significant effect on economic growth.
2. H2
   From the table above, it can be seen that the Capital Expenditure variable (X2) has a t-statistic value of 2.978318 > 1.679, with a probability value of 0.0052 < 0.05, indicating that H1 is accepted; therefore, the conclusion is that the Capital Expenditure variable has a significant effect on economic growth. However, as the coefficient is negative, the effect is negative, meaning that an increase in Capital Expenditure during the study period is

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

actually followed by a decline in economic growth.

3. H3
   The Transfer Funds variable (X3) has a statistical value of 0.268568 < 1.679 with a probability value of 0.7898 > 0.05, indicating a positive direction; this implies that H0 is accepted and H1 is rejected. Therefore, the conclusion is that the Transfer Funds variable does not have a significant effect on economic growth.
4. H4
   The open unemployment rate variable (X4) has a statistical value of 2.488509 > 1.679 with a probability value of 0.0176 < 0.05, which means that H1 is accepted and H0 is rejected. Thus, the Open Unemployment Rate has a significant negative effect on economic growth, meaning that the higher the open unemployment rate, the lower the economic growth.

The Impact of Local Revenue on Economic Growth in the Regencies and Cities of West Nusa Tenggara Province, 2020–2024

The partial results of the study for the PAD variable suggest that PAD does not have a significant effect on economic growth. This can be seen from the regression results, which show a probability value of 0.5081, indicating that the relationship between PAD and economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024 has a positive influence of 3.071408%.

The insignificant contribution of local revenue to economic growth is due to the fact that, structurally, the composition of local revenue for regencies and cities in West Nusa Tenggara (NTB) for the period 2020–2024 remains dominated by local taxes that are heavily reliant on the trade, services, hospitality and tourism sectors. For example, in West Lombok Regency and Mataram City, tax revenue from hotels and restaurants constitutes one of the main sources of local revenue, which is highly sensitive to fluctuations in tourist numbers. In the wake of the COVID-19 pandemic, although economic activity has begun to recover, driven by the return of tourists to popular destinations such as Senggigi, Mandalika, and Gili Trawangan, this recovery has been gradual and uneven across the region. Several regencies, such as East Lombok and North Lombok, still face the constraints of a narrow tax base, as well as a lack of efforts to intensify and expand local tax collection.

In line with research conducted by (Berliani, 2025), which found that although local revenue has a strong correlation with economic growth, the local revenue variable in Bandung City is not statistically significant when considered in isolation, yet it has a positive impact on economic growth; this is because Bandung City's local revenue composition remains dominated by consumption-based local taxes, such as taxes on restaurants, hotels and entertainment. During the COVID-19 pandemic, these sectors experienced a sharp contraction, leading to a significant decline in the potential for local revenue.

The Impact of Capital Expenditure on Economic Growth in the Regencies and Municipalities of West Nusa Tenggara Province, 2020–2024

The partial research findings for the capital expenditure variable indicate that, with a probability of 0.0052, it has a significant effect on economic growth. This suggests that the relationship between capital expenditure and economic growth in the regencies and cities of West Nusa Tenggara Province (NTB) for the period 2020–2024 has a negative impact of -11.83101%. The economic conditions of West Nusa Tenggara (NTB) Province during this period, where the region's economic structure remains heavily reliant on the gold mining sector in West Sumbawa Regency and large-scale, volatile projects such as the development of the Mandalika Special Economic Zone, whilst the distribution of local government funds has not yet been fully effective or evenly distributed to productive sectors such as SMEs, the processing industry, and job creation.

The findings of this study are consistent with the research by Arini (2016), which indicates that on the island of Kalimantan, the relationship between capital expenditure and economic growth has a negative and significant impact. This negative and significant effect may occur because Kalimantan experiences a phenomenon of exclusive economic growth, namely growth resulting from development that is of poor quality or unevenly distributed; this may be caused by government expenditure on capital expenditure that is not accompanied by a reduction in poverty or unemployment rates.

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

The Impact of Transfer Funds on Economic Growth in the Regencies and Cities of West Nusa Tenggara Province, 2020–2024

From the partial results of the study regarding the transfer funds variable, it can be concluded that transfer funds do not have a significant effect on economic growth. This can be seen from the regression results in the table above, which show a probability of 0.7898, indicating that the relationship between transfer funds and economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024 has a positive influence of 2.521928%. This result can be explained by the fiscal structure in West Nusa Tenggara, which remains heavily reliant on transfer funds from the central government, including the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue-Sharing Fund (DBH). However, the utilisation of these transfer funds is allocated more towards meeting routine expenditure needs, such as staff costs, performance allowances, and office operational expenditure, rather than productive expenditure that has the potential to directly drive economic growth. Furthermore, during the 2020–2024 period, West Nusa Tenggara Province remains in the post-COVID-19 recovery phase.

In line with research (Muhammad, 2025), which indicates that general allocation funds (DAU) make a positive but insignificant contribution to economic growth in Indonesia. Although general allocation funds have the potential to support economic growth, their contribution has not yet had a significant impact on economic growth.

The Impact of the Open Unemployment Rate on Economic Growth in the Regencies and Municipalities of West Nusa Tenggara Province, 2020–2024

The partial results of the study for the Open Unemployment Rate variable indicate that the Open Unemployment Rate has a significant negative impact on economic growth. This can be seen from the regression results, which show a probability of 0.0176, indicating that the relationship between transfer funds and economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024 has a negative direction of -7.404405%. This situation reflects the reality in NTB, where in 2020–2021 the COVID-19 pandemic had an extraordinary impact on the NTB economy, with economic growth contracting and leading to rising unemployment due to reduced economic activity and business closures, which in turn reduced labour demand. However, during the 2022–2024 period, in line with post-pandemic economic recovery and increased economic activity, the unemployment rate in NTB is expected to decline, accompanied by an increase in economic growth.

The findings of this study are consistent with the research by Widyawati et al. (2025), which found that the open unemployment variable has a significant and negative impact on economic growth in East Java Province. Furthermore, in accordance with Okun's law, when the economy experiences an increase in output or economic growth, the unemployment rate tends to fall because increased production requires additional labour. Conversely, when economic growth weakens, the unemployment rate will rise due to reduced demand for labour.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The conclusions drawn from the results of this study indicate that: The local revenue (PAD) variable does not have a significant effect on economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024; The capital expenditure variable has a negative and significant effect on economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024; The transfer fund variable has no significant effect on economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024; The open unemployment rate variable has a negative and significant effect on economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024; and The variables of PAD, capital expenditure, transfer funds, and the open unemployment rate simultaneously have a significant effect on economic growth in the regencies and cities of West Nusa Tenggara Province for the period 2020–2024.

RECOMMENDATIONS

Based on the findings of this study, it is recommended that future research include additional variables that may influence economic growth, such as investment, inflation or the

Vol. 2, No. 1, March 2026: 1-12
ISSN: 3090-126X | http://doi.org/10.64021/jsgds.2.1.1-12.2026

Human Development Index (HDI), to ensure the research findings are comprehensive. As this study covers only a five-year period from 2020 to 2024, it is recommended that future research utilise a longer study period or different analytical methods to provide a more in-depth analysis and serve as a basis for comparison with this study.

REFERENCES

Aditiya, N. Y., Evani, E. S., & Maghfiroh, S. (2023). Konsep Uji Asumsi Klasik Pada Regresi Linier Berganda. 2(2), 102–110.

Anthony, A. R., & Rohman, R. (2024). Pengaruh Peningkatan Pad Dan Dana Transfer Terhadap Belanja Modal Dengan Pertumbuhan Ekonomi Sebagai Variabel Moderasi (Studi Empiris Pada Kabupaten/Kota Di Jawa Tengah Tahun 2016-2021). Diponegoro Journal Of Accounting, 13(2), 1–12.

Arini, P. R. (2016). Pengaruh Belanja Modal Terhadap Pertumbuhan Ekonomi Dan Kesejahteraan Masyarakat Di Pulau Kalimantan. 2(2), 180–198.

Berliani, N. Z. S. & K. (2025). Pengaruh Pendapatan Asli Daerah (Pad), Belanja Daerah Dan Belanja Modal Terhadap Pertumbuhan Ekonomi Pada Pemerintah Kota Bandung Tahun Anggaran 2017-2024. 4(3), 1753–1766.

Bps. (2024). Statistik Keuangan Pemerintah Daerah Nusa Tenggara Barat 2020-2024. Djpk.Kemenkeu. (N.D.). Data Apbd 2020 - 2024.

Fadillah, A., Cita, F. P., Studi, P., Pembangunan, E., Ekonomi, F., Sumbawa, U. T., & Sumbawa,

K. (2025). Pengaruh Pertumbuhan Ekonomi , Partisipasi Tenaga Kerja Dan Pengangguran Terhadap Tingkat Kemiskinan Di Provinsi Ntb Periode 2022-2024. 2(1), 330–346.

Fitriyah, A., Ngasang, S., & Mattulada, A. (2025). The Effect Of Regional Original Income (Pad) And Transfer Income On Capital Expenditure (Case Study On District And City Governments In Central Sulawesi Province) Pengaruh Pendapatan Asli Daerah (Pad) Dan Pendapatan Transfer Terhadap Belanja Modal (. 2(2), 475–484.

Gita Srihidayati, & Suhaeni. (2022). Analisis Pengaruh Sektor Pertanian Terhadap Pertumbuhan Ekonomi. Wanatani, 2(1), 21–26. Https://Doi.Org/10.51574/Jip.V2i1.18

Muhammad, S. & Y. (2025). Pengaruh Restribusi Daerah , Pajak Daerah Dan Dana Alokasi

Umum Terhadap Pertumbuhan Ekonomi Di Indonesia Universitas Samudra. 3(1), 111– 120.

Nurmala, B., Harsono, I., Sutanto, H., Astuti, E., & Yuniarti, T. (2025). Pengaruh Pendapatan Asli Daerah (Pad), Dana Transfer, Dan Belanja Modal Terhadap Laju Pertumbuhan Ekonomi Di Provinsi Nusa Tenggara Barat Tahun 2015–2024. Ganec Swara, 19(3), 869–879. Https://Doi.Org/10.59896/Gara.V19i3.333

Putra, R., & Hidayat, S. (2016). Tingkat Kemandirian Keuangan Daerah Dan Hubungannya Dengan Pertumbuhan Ekonomi Provinsi Jambi. 3(4), 243–256.

Rahayu, M. S. (2022). Pengaruh Pengangguran Dan Kemiskinan Terhadap Pertumbuhan Ekonomi Kota Bukittinggi Periode 2009-2020 Skripsi.

Rahayu T S & Jaeni. (2025). Pengaruh Pendapatan Asli Daerah (Pad) Dan Dana Transfer Ke Daerah Terhadap Belanja Modal Dengan Rasio Kemandirian Sebagai Variabel Moderasi: Studi Empiris Pada Pemerintah Kabupaten/Kota Di Provinsi Jawa Tengah Tahun 2020-2023. 8, 1995–2015.

Rizki, K., & Indonesia, E. D. I. (2016). Pengaruh Inflasi Dan Tingkat Pengangguran Terhadap Pertumbuhan Ekonomi Di Indonesia. 2(1).

Romhadhoni, P., Faizah, D. Z., & Afifah, N. (2019). Pengaruh Produk Domestik Regional Bruto (Pdrb) Daerah Terhadap Pertumbuhan Ekonomi Dan Tingkat Pengangguran Terbuka Di Provinsi Dki Jakarta. Jurnal Matematika Integratif, 14(2), 113. Https://Doi.Org/10.24198/Jmi.V14i2.19262

Widyawati, R., Aristyanto, E., Edi, A. S., Murti, A. B., Prodi, M., Ekonomi, I., Ekonomi, F., & Wijaya, U. (2025). Pengaruh Tingkat Pengangguran Terbuka , Tingkat Pendidikan , Upah Minimum Terhadap Pertumbuhan Ekonomi Di Provinsi Jawa Timur Tahun 2017- 2024 Pengaruh Tingkat Pengangguran Terbuka , Tingkat Pendidikan , Upah Minimum Terhadap Pertumbuhan Ekonomi Di Provins. 4(September).