



THE EFFECT OF INDEPENDENCE RATIO, FISCAL DECENTRALIZATION DEGREE AND PAD EFFECTIVENESS ON HUMAN DEVELOPMENT INDEX THROUGH ECONOMIC GROWTH IN KARIMUN REGENCY

Ady Hermawan¹, Bambang Satriawan², Nolla Puspita Dewi³.

Master of Management Program, Faculty of Economics and Business Universitas Batam^{1,2,3}

Corresponding E-mail: adyhermawan8@gmail.com

Abstract

Human development is a development process that aims to enable humans to have more choices, especially in income, health and education where one of the benchmarks can be seen through the Human Development Index. This study aims to analyze and obtain empirical evidence on the effect of financial performance (independence level ratio, degree of fiscal decentralization, PAD effectiveness) and economic growth on the human development index in Karimun Regency. This study uses a quantitative method. The data used in this study are secondary time series data for 19 years and interviews. The data were analyzed using Structural Equation Modeling - Partial Last Square with the help of SMART PLS software version 3.0. The results of the study indicate that the independence level ratio has a positive and significant effect on the HDI. The degree of fiscal decentralization does not have a significant effect on the HDI. The effectiveness of PAD has a positive and significant effect on the HDI. Economic growth has a positive and significant effect on the HDI. The independence level ratio does not have a significant effect on economic growth. The degree of fiscal decentralization has a positive and significant effect on economic growth. The effectiveness of PAD does not have a significant effect on economic growth. The independence level ratio does not have a significant effect on the HDI through economic growth. The degree of fiscal decentralization has a positive and significant effect on the HDI through economic growth. The effectiveness of PAD does not have a significant effect on the HDI through economic growth. The HDI of Karimun Regency is influenced by the ratio of the level of independence, the degree of fiscal decentralization, the effectiveness of PAD and economic growth by 37.4%. While the economic growth of Karimun Regency is influenced by the ratio of the level of independence, the degree of fiscal decentralization and the effectiveness of PAD by 9.1%.

Keywords: *independence level ratio, degree of fiscal decentralization, effectiveness of local revenue, human development index, economic growth*

Introduction

Every local government has an obligation to improve public services and welfare democratically, fairly, equally, and sustainably. If the government has managed the potential of the region, both the potential of natural resources, human resources, and free resources optimally, then the government is considered to be able to carry out its obligations. The performance of the government and local resources can be seen from the success of managing these potentials.

The Regional Revenue and Expenditure Budget is a benchmark for regional governments in measuring their ability to finance the implementation of development tasks. The ability to manage regional finances properly is carried out in an orderly, efficient, economical manner, in accordance with laws and regulations, transparently and accountably, which is one of the factors in the success of regional autonomy (Fajariani, 2019).

Regional slack management that is carried out effectively, efficiently, and economically or fulfills the principles of value for money and participation, transparency, accountability, and justice can encourage economic growth that will affect the welfare of society. Regional slack management not only requires human resources, but also economic resources. A good government structure is expected to protect and serve the needs of society. Indicators of success in government do not only look at the success in slack, but also the service and efficiency of the use of available funds.

THE EFFECT OF INDEPENDENCE RATIO, FISCAL DECENTRALIZATION DEGREE AND PAD EFFECTIVENESS ON HUMAN DEVELOPMENT INDEX THROUGH ECONOMIC GROWTH IN KARIMUN REGENCY

Ady Hermawan, Bambang Satriawan, Nolla Puspita Dewi.

The current development paradigm is development measured by human development as seen from the level of human quality of life in each region. One of the benchmarks used in viewing the quality of human life is the Human Development Index (IPML) which is measured through the quality of education, health and economy (purchasing power) (Hobrouw et al., 2021). Through increasing these three indicators, it is hoped that there will be an increase in the quality of human life. This is due to the existence of individual heterogeneity, geographical disparity and diverse social conditions of society, so that income levels are no longer the main benchmark in calculating the level of development success. However, the success of human development cannot be separated from the performance of the government which is involved in creating regulations for achieving social order..



Figure 1.1 Human Development Indices Graph 2023

Namethereget toobstacles faced by pemeddeep breathmecarry out the pembuilding mhumans are not methe average peminter-regional buildingrah in Indonesiawho.mbuildings in Indonesiawho isthank youJavanese naturenttris. Average HDI on the island of Javahigher when compared tojust nowrah-daeother areas outside Java IslandhowAna is shown inGamebar 1.1. This is meindicates that meeven though pemte buildinglah bethe resultbut mthere are still some peoplesociety that islumcan meEnjoyheart the result of pembuildings especially areasthank yourdepan, teoutside and insideleft behind.

Table 1.1 IPM Regency/City Province To Riau Islands 2014 - 2023

Province / Regency / City	[New Method] Human Development Index									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
RIAU ISLANDS	73.4	73.75	73.99	74.45	74.84	75.48	75.59	75.79	76.46	77.11
Karimun	68.72	69.21	69.84	70.26	70.56	71.1	71.44	71.7	72.65	73.51
Bintan	71.65	71.92	72.38	72.91	73.41	73.98	74.13	74.57	74.99	75.7
Natuna	70.06	70.87	71.23	71.52	72.1	72.63	72.72	73.09	73.47	74.21
Phallus	60.75	61.28	62.44	63.45	64.06	64.98	65.29	65.83	66.57	67.44
Anambas Islands	65.12	65.86	66.3	67.06	67.53	68.48	68.8	69.23	69.61	70.26
Batam City	79.13	79.34	79.79	80.26	80.54	81.09	81.11	81.12	81.67	82.11
City of Tanjungpinang	77.29	77.57	77.77	78	78.33	78.73	78.91	78.93	79.64	80.23
INDONESIA	68.9	69.55	70.18	70.81	71.39	71.92	71.94	72.29	72.91	73.55

Sumber: BPS Province KeRiau Islands (2024)

PerkemIPM developmentProvince ToRiau Islands in10 year periodend of semakin memgood. Bebased on HDI dataRegencyn Karimin 2014 sampieby 2023 mesleeplessi pethe increase is from 68.72 mebecomes 73.51. Nameun, IPMRegencyn Karimun year 2023 mthank youbeautiful compared to the average HDIProvince ToRiau Islands, namelybesar 77.11 and IPMNational sebesar 73.55, dewith the IPM rankingRegencyn Karimun



year 2023 meoccupy the placelevel to5 seyouthere Regencyn Natuna. In10 year periodend of sehow toumonly two daysthe level of IPMabove the average HDIProvince ToRiau Islands, namely Batam Citysobesar 82.11 and Tanjung Pinang City asbesar 80.23. IPMyourendah is in the Regencyn Lingga sebesar 67.44 (BPS, 2024).

Literature review

A. Human Development Index (HDI)

According to the Central Statistics Agency (2018), the Human Development Index (HDI) or the Elderly Development Index (IPML) is an index that measures the achievement of human development as a basic component of quality of life. As a standard measure of quality of life, IPML does not have basic dimensions or is commonly referred to as the IPML indicator. These aspects are: (1) health and longevity; (2) knowledge; (3) a decent standard of living. If we relate it to several factors, these three dimensions have a very broad meaning. Therefore, when measuring the dimulus so that the distance between the two is not too far, several models have been published to measure the dimulus. To measure health, a country's life expectancy can be used. In addition, to measure the scale of knowledge, a combination of indicators of the number of letters and the average registration time can be used. The last item is a measure of a decent standard of living. According to BPS, Indonesia is a determining factor in income distribution and government performance standards.

B. Independence Ratio

Regional financial independence shows the ability of the region to finance its own government activities, development, and services to the community who have paid taxes and levies as sources of income needed by the region (Sartika, 2019:148). The higher the ratio of regional financial independence, the higher the community participation in paying regional taxes and levies which are the main components of regional original income. The higher the community paying regional taxes and levies indicates that the level of community welfare is higher (Sartika, 2019:149). Independence ratio formula (Putri, 2017:137):

C. Results of Management of Other Separated Regional Assets

Penorimother PADs that meoccupy the placerun peI want toyouhere is the taxrah and redae distributionrah is part of PemeDae's ordersshare in BUM's profitsD. The purpose of establishing a BUMD is inframe mecreate a field torja or mepush pembuilding ekonomi dayrah. Seother than that, BUMD melook at the way that lebih ephysiologyn inmeserve msociety, and melook like one of the sumsber peincomerah. Jenis pethe income thatrmenter the results of thengeLolaan toriches daeother separated assets, including profits, dividendsn, and pestock salemown countryrah (Yovita, 2011:19).

D. Other Legitimate Regional Income

Other legitimate regional business results are Regional Original Income (PAD) that does not include the category of taxes, levies and regional companies (BUMLD). Other legitimate regional original income, among others, the results of the sale of regional fixed assets and current account services (Yovita, 2011:20). In the implementation of regional government functions, the head of the Regency/City, in other words, is expected in the implementation of government and the implementation of regional development not to always depend on funds (budget) from the center through the allocation of regional funds. Regional revenue administration PAD is regional income managed and managed by the region itself which is intended as a source of PAD for development. Based on the provisions of PAD, it can be concluded that PAD is a source of regional integration by managing and utilizing its regional potential and in managing, cultivating and utilizing regional potential, PAD can be in the form of tax collection, levies and other legitimate regional income.

E. Understanding Economic Growth

The term economic growth can mean two things, namely good and bad. If at some time the economy experiences growth, then economic activities are going well. But if at some time the economy experiences a decline, it means economic activities are going badly. Kuznelt (in Pujoalwanto, 2014) defines the economic growth of a country as the ability of the country to provide continuously increasing economic goods for its population

THE EFFECT OF INDEPENDENCE RATIO, FISCAL DECENTRALIZATION DEGREE AND PAD EFFECTIVENESS ON HUMAN DEVELOPMENT INDEX THROUGH ECONOMIC GROWTH IN KARIMUN REGENCY

Ady Hermawan, Bambang Satriawan, Nolla Puspita Dewi.

based on the speed of technology and institutions as well as the adjustment of the ideology it needs. This definition emphasizes how a country's capacity is in maximizing its production to achieve maximum output.

Research Method

A. Types of research

This is a quantitative research that the lottery is over for you get the experts. According to (Iskandar, 2013) quantitative research looks like science research and is divided into the parts and functions and its relationships. This is to analyze a variable that influences (independently) namely the ratio of the level of independence, ratio of fiscal decentralization and economic activities that are carried out (dependently) namely the Human Development Index through variables intervening in the economy. Results of the data testing is used as a basis for pulling out the hypothesis which is derived from the theoretical.

B. Research Design

In this research, a meta-analysis strategy was used quantitative followed by expert interviews. This research was analyzed using the structural model SMLARTPLS 3.0 to answer the formulation of the problem, namely whether there is a relationship between the ratio of the level of independence against the Human Development Index in Karimun Regency, is there a relationship between the degree of fiscal decentralization against the Human Development Index in Karimun Regency, is there a relationship between the effectiveness of PAD and Human Development Index in Karimun Regency, and is there any relationship between Economic Growth and the Human Development Index in Karimun Regency, then is there a relationship between the ratio of the level of independence regarding Economic Growth in Karimun Regency, is there a relationship between the degree of fiscal decentralization regarding Economic Growth in Karimun Regency, is there a relationship between the effectiveness of PAD and Economic Growth in Karimun Regency, and whether there is a relationship between the ratio of the level of independence, the degree of fiscal decentralization and the effectiveness of PAD towards the Human Development Index in Karimun Regency with Economic Growth as a variable.

C. Population

Population according to (Iskandar, 2013) is a generation area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn. The population in this study is divided into two, namely quantitative population and qualitative population. The quantitative population in this study is the Karimun Regency Accountability Report (LKPj) data, macroeconomic data and IPML from Karimun Regency for the last nine years from 2005 to 2023. Meanwhile, the qualitative population in this study is stakeholders in the Karimun Regency Government including regional officials, regional officials and DPRD members.

D. Data Analysis Techniques

There are two analysis techniques used in this research, namely quantitative analysis with SMLARTPLS 3.0 including descriptive statistics, outlier modeling, inlier modeling and hypothesis testing (path correlations) as well as qualitative analysis including analysis of interview data.



Results and Discussion

A. Direct Influence Analysis

Table 4.6 PePe test Direct influence

	Original Sample Mean (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Rate Ratio Tomandirian (X1) -> Indeks Pembangunan Manusia (Y)	0.267	0.260	0.101	2,642	0.004
Withking of DesoFiscal Centralization (X2) -> Indeks Pembangunan Manusia (Y)	-0.026	-0.028	0.116	0.224	0.411
EfePAD activity (X3) -> Indeks Pembangunan Manusia (Y)	0.298	-0.297	0.064	4,659	0,000
Pertumbuhan Ekonomi (Z) -> Indeks Pembangunan Manusia (Y)	0.115	-0.113	0.037	3,140	0.001
Rate Ratio Tomandirian (X1) -> Pertumbuhan Ekonomi (Z)	-0.066	-0.067	0.066	0.993	0.161
Withking of DesoFiscal Neutralization (X2) -> Fiscal pertumbuhan Ekonomi (Z)	0.115	-0.122	0.052	2,228	0.013
EfePAD activity (X3) -> Pertumbuhan Ekonomi (Z)	0.063	0.069	0.074	0.854	0.197

Sumber : Processed data with SMARTPLS, 2024

Based on Table 4.6 above, the following conclusions can be drawn:

1. The Influence of Independence Level Ratio on Human Development Index
The results of the hypothesis test in table 4.6 above show that the effect of the independence level ratio on the human development index has a significance level of 2.642. This means that the first hypothesis (H1) in this study is accepted, because the resulting significance level is > 1.96 .
2. The Influence of Fiscal Decentralization on the Human Development Index
The results of the hypothesis test in table 4.6 show that the effect of the degree of fiscal decentralization on the human development index has a significance level of 0.224. This means that the second hypothesis (H2) in this study is rejected, because the resulting significance level is < 1.96 .
3. The Influence of PAD Effectiveness on the Human Development Indices
The results of the hypothesis test in table 4.6 show that the influence of PAD effectiveness on the human development index has a significance level of 4.659. This means that the third hypothesis (H3) in this study is accepted, because the resulting significance level is > 1.96 .
4. The Impact of Economic Growth on Human Development Index
The results of the hypothesis test in table 4.6 show that the influence of economic growth on the human development index has a significance level of 3.140. This means that the double hypothesis (H4) in this study is accepted, because the resulting significance level is > 1.96 .
5. The Influence of the Independence Rate Ratio on Economic Growth
The results of the hypothesis test in table 4.6 show that the effect of the independence level ratio on economic growth has a significance level of 0.993. This means that the hypothesis (H5) in this study is rejected, because the resulting significance level is < 1.96 .
6. The Influence of Delrajat Fiscal Decentralization on Economic Growth
The results of the hypothesis test in table 4.6 above show that the effect of the degree of fiscal decentralization on economic growth has a significance level of 2.228. This means that the third hypothesis (H6) in this study is accepted, because the resulting significance level is > 1.96 .
7. The Influence of PAD Effectiveness on Economic Growth

THE EFFECT OF INDEPENDENCE RATIO, FISCAL DECENTRALIZATION DEGREE AND PAD EFFECTIVENESS ON HUMAN DEVELOPMENT INDEX THROUGH ECONOMIC GROWTH IN KARIMUN REGENCY

Ady Hermawan, Bambang Satriawan, Nolla Puspita Dewi.

The results of the hypothesis test in table 4.6 above show that the influence of PAD effectiveness on economic growth has a significance level of 0.854. This means that the seventh hypothesis (H7) in this study is rejected, because the resulting significance level is <1.96.

B. Indirect Influence Analysis

Table 4.7 PePe test Indirect influence

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Rate Ratio Tomandirian (X1) -> Pertumbuhan Ekonomi (Z) -> Indeks Pembangunan Manusia (Y)	0.008	0.008	0.008	0.921	0.179
Withking of DesoFiscal Neutralization (X2) -> Pertumbuhan Ekonomi (Z) -> Indeks Pembangunan Manusia (Y)	0.013	0.013	0.007	2,024	0.022
Efektifitas PAD (X3) -> Pertumbuhan Ekonomi (Z) -> Indeks Pembangunan Manusia (Y)	0.007	-0.008	0.009	0.830	0.203

Sumber : Processed data with SMARTPLS, 2024

Berdasarkan Tabel 4.7 di atas maka disimpulkan sebagai berikut:

1. Pengaruh Rasio Tingkat Otonomi Daerah Terhadap Indeks Pembangunan Manusia Melalui Pertumbuhan Ekonomi
 Hasil uji hipotesis pada tabel 4.7 di atas menunjukkan bahwa pengaruh rasio tingkat otonomi daerah terhadap indeks pembangunan manusia melalui pertumbuhan ekonomi memiliki tingkat signifikansi sebesar 0.921. Hal ini berarti hipotesis H8 ditolak, karena tingkat signifikansi yang dihasilkan < 1.96.
2. Pengaruh Deking DesoFiscal Neutralization Terhadap Indeks Pembangunan Manusia Melalui Pertumbuhan Ekonomi
 Hasil uji hipotesis pada tabel 4.7 di atas menunjukkan bahwa pengaruh deking desoFiscal neutralization terhadap indeks pembangunan manusia melalui pertumbuhan ekonomi memiliki tingkat signifikansi sebesar 2,024. Hal ini berarti hipotesis H9 ditolak, karena tingkat signifikansi yang dihasilkan > 1.96.
3. Pengaruh Efektifitas PAD Terhadap Indeks Pembangunan Manusia Melalui Pertumbuhan Ekonomi
 Hasil uji hipotesis pada tabel 4.7 di atas menunjukkan bahwa pengaruh efektifitas PAD terhadap indeks pembangunan manusia melalui pertumbuhan ekonomi memiliki tingkat signifikansi sebesar 0.830. Hal ini berarti hipotesis H10 ditolak, karena tingkat signifikansi yang dihasilkan < 1.96.

Bootstrapping Output Result Overview

Table 4.8 Koe Test Results physiologyn FromyourmInation

	R Square	R Square Adjusted
Human Development Index (Y)	0.374	0.195
Economic Growth (Z)	0.091	-0.091

Sumber : Processed data with SMARTPLS, 2024

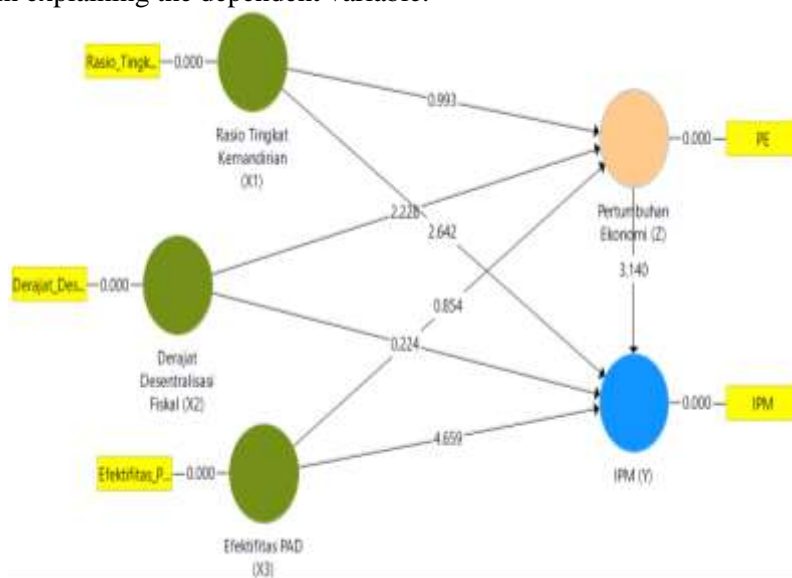
On the tabel above meshows that Indeks Pembuiding Mhumans can be trappedweld ith ratio level tomandirian, deking ofsofiscal neutralization, efePAD and revenue activitiesrtumflower ekonomi ambesar 0.374 or 37.4. Sewhile the remaining 62.6 areweld ith other factors outside thenothis study. Bethat's it toojust for yourtumflower ekonomi can be foundweld ith ratio level tomandirian, deking ofsofiscal neutralization, efePAD activitiesbesar 0.091 or 9.1 onlywhile the remaining 90.9 isweld ith other factors that are notliti inpenothis study.

C. Q-Square

A research is considered good if the Q-Squarel value is greater than 0 (zero). Here is how to obtain the Q Square value:

$$\begin{aligned}
 Q &= 1 - (1 - R12) (1 - R22) \\
 &= 1 - (1 - 0.3742) (1 - 0.0912) \\
 &= 1 - (0.860) (0.992) \\
 &= 0.147
 \end{aligned}$$

The result of the Q-Squarel calculation is 0.147, which means that 14.7 independent variables and intelligence variables are suitable in explaining the dependent variable.



Gamebar 4.1 Bootstrapping Output Results

Discussion

A. The Influence of the Independence Level Ratio on the Human Development Index

Hypothesis pertama inpenothis study is teget pedirect influence between the level ratio tomandrian tetowards the indeks pembuiding manusia. Bebased on the results of the path test, the ratio of the level tomandirian memhave a level of signifiacncebesar $2.642 > 1.96$ and P value $0.004 < 0.05$, so it can be said that the variabel level ratio of level tomandirian berpehave direct effectsignificant way tetowards the indeks pembuiding mhuman. Results ofnothis is meshow value and evidence empiris that the ratio of the level

THE EFFECT OF INDEPENDENCE RATIO, FISCAL DECENTRALIZATION DEGREE AND PAD EFFECTIVENESS ON HUMAN DEVELOPMENT INDEX THROUGH ECONOMIC GROWTH IN KARIMUN REGENCY

Ady Hermawan, Bambang Satriawan, Nolla Puspita Dewi.

tomandirian memhave pehave a significant impact towards the indeks pembuiding manusia. Seother than that, the ratio of the level tomandirian memhave value bethere you arebesar 0.267 which meshow positive direction, seuntil it can be storedcollect that the high ratio of the level ofmandrian sebarrel ofjust meincreasing indeks pembuiding manusia, seuntil it can be storedcollect hypothesis pertama diterima.

B. The Influence of the Degree of Fiscal Decentralization on the Human Development Index

The second hypothesis in this study is that there is a direct influence between the degree of fiscal decentralization on the human development index. From the results of the hypothesis test, it was found that the degree of fiscal decentralization has a significance of $0.224 < 1.96$ with a P value of $0.411 < 0.05$, so it can be said that the variable of the degree of fiscal decentralization has a direct insignificant effect on the human development index. So the second hypothesis in this study is rejected.

Regions with high fiscal decentralization can be more targeted in allocating budgets according to local needs. While Karimun Regency has a medium degree of fiscal decentralization. The degree of fiscal decentralization illustrates the inability of financial management in carrying out development in the region, if the quality of the degree of fiscal decentralization of a region is not good, it will not be optimal in carrying out development that is fundamental to the community. There needs to be an increase in government performance to meet the development needs of the community in the region, if the quality of development is good then the service for the community will be good, conversely if the quality is increasingly bad then it will create poor service quality. The increase in the quality of the poor degree of decentralization will only cause the human development index to decline, this shows that the government's performance is still not good, the regional government must start to work on managing strategic and effective policies directly in implementing regional opportunities. The effectiveness of the government in regulating policies will bear fruit in the form of increasing financial independence.

C. The Influence of PAD Effectiveness on the Human Development Index

Hypothesis to three in this study is to get a direct influence between ePAD activities towards the indeks pembuiding manusia. From the results of the hypothesis test, it was found that ePAD activities have a significance of $4.659 > 1.96$ P value $0.000 < 0.05$, so it can be said that the variable ePAD activities have a significant direct impact towards the indeks pembuiding manusia. Seother than that, ePAD activities have value bethere you arebesar 0.296 which meshow positive direction, seuntil it can be storedcollect that meincreasing ePAD activities barrel of just meincreasing indeks pembuiding manusia. So the hypothesis to three in this study was conducted rima.

D. The Influence of Economic Growth on the Human Development Index

The triple hypothesis in this study is that there is a direct influence between economic growth on the human development index. From the results of the hypothesis test, it was found that economic growth has a significance of $3.140 > 1.96$, the P value is $0.001 < 0.05$, so it can be said that the economic growth variable has a significant direct influence on the human development index. In addition, economic growth has a value of 0.115 which indicates a positive direction, so it can be concluded that the increase in economic growth is in line with the increase in the human development index and vice versa. So the double hypothesis in this study is accepted.

E. The Influence of the Independence Level Ratio on Economic Growth

The hypothesis of the study is that there is a direct influence between the ratio of the level of independence on economic growth. From the results of the hypothesis test, it was found that the ratio of the level of independence has a significance of $0.993 < 1.96$, the P value is $0.161 > 0.05$, so it can be said that the variable of the ratio of the level of independence has no significant direct effect on economic growth. So the hypothesis of the study is rejected.

Karimlun Regency has a ratio of independence level with consultative category but it does not affect economic growth, meaning that the level of regional independence is not the main determining factor in economic growth. High independence does not guarantee effective management. If funds are not allocated properly, the impact on economic growth can be minimal.



F. The Influence of the Degree of Fiscal Decentralization on Economic Growth

The final hypothesis in this study is that there is a direct influence between the degree of fiscal decentralization on economic growth. From the results of the hypothesis test, it was found that the degree of fiscal decentralization has a significance of $2.228 > 1.96$ with a P value of $0.013 < 0.05$, so it can be said that the variable of the degree of fiscal decentralization has a significant direct influence on economic growth. In addition, the degree of fiscal decentralization has a value of 0.115 which indicates a positive direction, so it can be concluded that the increase in the degree of fiscal decentralization is in line with the increase in economic growth and vice versa. So the hypothesis of Kellimla in this research is examined.

G. The Influence of PAD Effectiveness on Economic Growth

The seventh hypothesis in this study is that there is a direct influence between PAD effectiveness on economic growth. From the results of the hypothesis test, it was found that PAD effectiveness has a significance of $0.854 < 1.96$, P value $0.197 > 0.05$, so it can be said that the PAD effectiveness variable has no direct significant effect on economic growth. So the seventh hypothesis in this study is rejected.

Local governments may allocate PAD to sectors that are less productive or do not have strong multiplier capabilities. For example, too much money is allocated to routine spending compared to development spending that can drive economic growth. This can also occur because complicated bureaucratic processes in PAD management can reduce its effectiveness. For example, delays in budget disbursement or long procurement processes can hamper the implementation of development programs.

H. The Influence of the Independence Level Ratio on the Human Development Index through Economic Growth

The eighth hypothesis in this study is that there is an indirect effect between the ratio of the level of independence on the human development index through economic growth. From the results of the hypothesis test, it was found that the ratio of the level of independence has a significance of $0.921 < 1.96$, the P value is $0.179 > 0.05$, so it can be said that the variable of the ratio of the level of independence has no significant effect on the human development index through economic growth. So the eighth hypothesis in this study is rejected.

The independence ratio (which is usually measured by comparing PAD with total regional income) may not have a direct effect on economic growth, which in turn affects the human development index.

I. The Influence of the Degree of Fiscal Decentralization on the Human Development Index through Economic Growth

The hypothesis of the correlation in this study is that there is an indirect effect between the degree of decentralization on the human development index through economic growth. From the results of the hypothesis test, it was found that the degree of fiscal decentralization has a significance of $2.024 > 1.96$ with a P value of $0.022 < 0.05$, so it can be said that the variable of the degree of fiscal decentralization has a significant effect on the human development index through economic growth. So the hypothesis of the correlation in this study is accepted.

Fiscal decentralization allows local governments to allocate resources according to local needs and priorities. This can improve the efficiency of public spending and encourage economic growth and human development indexes. Local governments also become more accountable to society. This encourages better use of funds for programs that directly impact economic growth and people's quality of life.

J. The Influence of PAD Effectiveness on the Human Development Index through Economic Growth

The tenth hypothesis in this study is that there is an indirect effect between PAD effectiveness on human development index through economic growth. From the results of the hypothesis test, it was found that PAD effectiveness has a significance of $0.830 < 1.96$ with a P value of $0.203 > 0.05$, so it can be said that the PAD effectiveness variable has no significant effect on human development index through economic growth. So the tenth hypothesis in this study is rejected. The effectiveness of PAD does not only depend on the amount, but also on how the funds are used. If the quality of spending is low or unproductive, its influence on economic growth and human development index will be limited. This can happen because PAD only

THE EFFECT OF INDEPENDENCE RATIO, FISCAL DECENTRALIZATION DEGREE AND PAD EFFECTIVENESS ON HUMAN DEVELOPMENT INDEX THROUGH ECONOMIC GROWTH IN KARIMUN REGENCY

Ady Hermawan, Bambang Satriawan, Nolla Puspita Dewi.

contributes a small portion of the total budget, so if the portion is too small, it will not have an impact on economic growth and human development index.

Conclusion

Based on the results The feasibility test of the model using SmlartPLS can be concluded as follows:

1. The results of this study show that the ratio of the level of independence has a direct and significant effect on the Human Development Index (IPML) of Karimun Regency.
2. The results of this study indicate that the degree of fiscal decentralization has no significant direct effect on the Human Development Index (IPML) of Karimun Regency.
3. The results of this study show that the effectiveness of PAD has a direct and significant effect on the Human Development Index (IPML) of Karimun Regency.
4. The results of this study show that economic growth has a direct and significant impact on the Human Development Index (IPML) of Karimun Regency.
5. The results of this study show that the ratio of the level of independence has no significant direct effect on the economic growth of Karimun Regency.
6. The results of this study show that the degree of fiscal decentralization has a direct and significant impact on the economic growth of Karimun Regency.
7. The results of this study indicate that the effectiveness of PAD has no significant direct effect on the economic growth of Karimun Regency.
8. The results of this study indicate that the ratio of the level of independence has no significant effect on the Human Development Index through economic growth in Karimun Regency.
9. The results of this study indicate that the degree of fiscal decentralization has a positive and significant effect on the Human Development Index through economic growth in Karimun Regency.
10. The results of this study indicate that the effectiveness of PAD has no significant effect on the Human Development Index through economic growth in Karimun Regency.

Suggestion

From the above conclusions, in order to improve the performance of the Karimlun Regency regional government's management of free time, the following are recommended:

- a) For Regional Government
 - 1) Related to the Independence Level Ratio, the author suggests that Karimlun Regency focus on increasing fiscal capacity by optimizing existing Local Revenue (PAD) and reducing dependence on transfer funds from the central government. This can be done by developing potential sectors such as tourism, creative industries, and SMEs, so that they can provide a more significant contribution to PAD.
 - 2) Related to the Fiscal Centralization Program, although it is included in the “sparse” category, further efforts need to be made to improve the ability of local governments to generate sufficient regional revenues. The Karimun Regency Government needs to design a fiscal policy that encourages the diversification of revenue sources and ensures that the funds obtained are optimized for the community.
 - 3) Related to PAD effectiveness, although its effectiveness is high, it is necessary to develop a more innovative and sustainable strategy to ensure consistent PAD growth. Regional governments must evaluate and improve the tax and levy collection system while identifying potential new sources of revenue that can generate PAD.
 - 4) Regarding economic growth, this fluctuating rate requires more focused policy intelligence on strengthening resilient economic sectors. Local governments develop proactive programs, such as investment, local trade facilitation, and enhancement to support stable and sustainable economic growth.
 - 5) In relation to the Elderly Development Index (IPML), although the IPML of Karimun Regency is relatively high, the local government needs to continue to focus on improving the quality of life of the community by strengthening the education, health, and social welfare sectors. Improving the IPML needs to consider equitable and inclusive distribution to ensure that its benefits are felt by all levels of society.
- b) For Pelnelliti Next



Because this research is only limited to certain indicators and data (limited) for that it is expected for further research that will conduct the same research to be more in-depth in studying the performance of leisure in local government by using more cell ratios so that the research results can be more reliable and accurate than this research. In addition, this research was only conducted in one district in the Riau Islands province, especially in the Karimlun Regency local government. It is expected that further research will conduct research in a wider scope than this research.

References

- Alismilan, A., & Sufriadi, D. (2020). The Influence of Fiscal Decentralization on Economic Growth in the South West Region of Aceh Province in 2011-2019. *Jurnal ELMLT KITA*, 4(2), 71–79. <https://doi.org/10.35870/elmlt.v4i2.133>.
- Ardhani, Pungki. (2011). The Influence of Economic Growth, Local Original Income, General Allocation Fund, and Special Allocation Fund on the Allocation of Local Spending Budget. Diponegoro University Thesis.
- Azwandi, A. et al. (2022). THE ELFFELCT OF FINANCIAL PELRFORMLANCEL ON THEL HUMLAN DELVELLOPMELELNT INDELX MLODELRATELD ELCONOMLIC GROWTH IN RELGELNCY/CITY IN THEL PROVINCEL OF RIAU ISLAND. *International Journal of Educational Relations, Law and Social Sciences (IJELRLAS)*. <https://doi.org/10.54443/ijelrlas.v2i5.371>
- Central Statistics Agency (BPS) of Indonesia 2017 <https://www.bps.go.id/publication/2017/07/26/b598fa587f5112432533a656/statistics-indonesia-2017.html> accessed on January 5, 2019 at 18.28 WIB
- Central Statistics Agency (BPS) of Central Java Province 2018 <https://karimlunkab.bps.go.id/indicator/26/206/4/indeks-pelmlbangunan-mlanusia.html> Accessed on July 11, 2024 at 09.36 WIB
- Dinarjito, A., & Dharmilazi, A. (2020). THE EFFECT OF FISCAL DESELNTRALIZATION, INVELOPMENT, AND HUMAN DEVELOPMENT INDEX ON RELIGIOUS ECONOMIC PORTS IN EAST KALIMANTAN PROVINCE. *Journal of Taxation and State Expenditure (PKN)*, 1(2), 57–72. <https://doi.org/10.31092/jpkn.v1i2.789>.
- Fajariani, N. (2019). The Influence of Local Original Income, General Allocation Fund and Regional Development Fund on the Implementation of Regional Autonomy in Mlamluju Regency. *Growth Scientific Journal of Economics and Development*, 1(1), 99-126.
- Gunawan, Helndra. (2017). Unemployment in Central Java Nearly 2 Million, Deldel Sudiro Initiates Economic Empowerment Program. <http://www.tribunnelws.com/relgional/2017/09/20/pelngangguran-di-jatelng-hammpir-2-juta-deldel-sudiro-gagas-programl-pelmlbelrdayaan-elkonomli>. Accessed January 10, 2019 at 10.00 WIB.
- Haliml, Abdul. (2007). *Public Sector Accounting Regional Financial Accounting*. Jakarta: Salemlba ELmlpat.
- 2009. *Public Sector Accounting Regional Financial Accounting*. Jakarta: Salemlba ELmlpat.
- Hardana, A., & Nasution, J. (2022). The Influence of Regional Government Employment Ratio on Human Development Index. *Global Financial Accounting Journal*, 6(1), 52-61. <https://doi.org/10.37253/gfa.v6i1.6452>
- Helndri, Z., & Yafiza, ML. (2020). The Influence of Regional Government Employment Ratio on the Elderly Development Index. *JAS (Journal of Islamic Accounting)*, 4(1), 56-66. <https://doi.org/10.46367/jas.v4i1.216>.
- Himlran, YD, Kolelangan, RA ML., & Kawung, G. ML. (2019). Analysis of Financial Performance in Regional Financial Management 2007-2013 in Banggai Regency, Central Sulawesi Province. *Journal of Economic Development and Regional Financial*, 18(2).
- Hobrouw, YA, Suaryana, IGNA, & Asri Dwija Putri, IGA ML. (2021). The Influence of Local Original Income, Local Spending and Elderly Development Index. *EL-Journal of Accounting*, 31(2), 401. <https://doi.org/10.24843/elja.2021.v31.i02.p11>

THE EFFECT OF INDEPENDENCE RATIO, FISCAL DECENTRALIZATION DEGREE AND PAD EFFECTIVENESS ON HUMAN DEVELOPMENT INDEX THROUGH ECONOMIC GROWTH IN KARIMUN REGENCY

Ady Hermawan, Bambang Satriawan, Nolla Puspita Dewi.

- Irasriadipura, Rahayu, S., & Junaidi, J. (2023). The Influence of Fiscal Decentralization, Regional Spatial Independence, Effectiveness and Efficiency on Economic Growth with the Human Development Index as Various Intellectual Variables (Empirical Study on Regency/City Government in Jambi Province 2016-2019). *JAKU (Journal of Accounting & Spatial Unja) (EL-Journal)*, 7(2), 82-92. <https://doi.org/10.22437/jaku.v7i2.16267/>
- Jati, I., Suryanawa, IK, Dwirandra, A. (2017). Fiscal Illusion Deltelction and the Elffelct on Capital ELxpelnditurel, Fiscal Delcelntralization, ELconomic Growth, and Humlan Delvellopmlent Indelx for District/Citiels in Bali Provincel
- MLahmludi. 2010. Analysis of Regional Government Financial Report. Second Edition. UPP STIML YKPN. Yogyakarta
- MLahpudin, ML., & Lelstari, F. ML. (2021). Analysis of Regional Spatial Performance and Weakness: The Case of the Lelbak Regency APBD for the 2018-2020 Fiscal Year. *Journal of Public Administration*, 12(2).
- MLarya, ML., & Handra, H. (2024). THE EFFECT OF FISCAL DECELOPMENT ON ECONOMIC PORTS AND POVERTY LEVEL IN WEST SUMATERA PROVINCE. *SCIENTIFIC JOURNAL OF RELFLELCTION: Economic, Accounting, Economy and Business*, 7(2), 409-418. <https://doi.org/10.37481/sjr.v7i2.837>.
- MLayangsari. (2017). The Effect of Fiscal Decentralization on Public Welfare with Local Spending and Economic Growth of Various Intellectual Variables in East Java Province. In Pascasarjana STIEL YKPN.
- MLulyani, Sri & Fitra, Halkadri. (2023). The Influence of the Decentralization Ratio, the Regional Family Independence Ratio and the SiLPA Financing Level Ratio on Local Expenditure Allocation in the Regency / City of West Sumatra. *Journal of Accounting Works*, 1(2), 135-144. DOI: <https://doi.org/10.24036/jnka.v1i2.11>.
- MLunfarida, S. and Priyoadmliko, EL. (2020) "The Influence of Local Original Income, General Allocation Fund, Effectiveness Ratio and Independence Ratio on Human Development Index", *AMLAR (Andalas Melangemlelnt Relvielw)*, 4(2), pp. 46-59. doi: 10.25077/amlar.4.2.46-59.2020.
- Nanda, R., & Darwanis, D. (2016). Analysis of Performance-Based Budget Implementation in Regional Government (Descriptive Study at the Aceh Selatan Regency DPKKD Service). *Student Scientific Journal of Accounting Economics*, 1(1), 327-340.
- Nurlaili, ML. YS EL. (2022). Analysis of the Influence of Fiscal Decentralization on Economic Growth in Regencies/Cities in East Java Province. *JIEL Journal of Economic Science*, 6(2), 178-187. <https://doi.org/10.22219/jiel.v6i2.20457>.
- Pradnyantari, P. ML., & Dwirandra, AANB (2017). The Influence of Local Original Income and Local Spending on IPML with the Variable of General Allocation Fund Ratio. *EL-Journal of Accounting*, Udayana University, 19(1), 536-564.
- Pratamla, FF and Aisyah, S. (2023). The Influence of IPML, Population and Wages on Poverty Rates in Bali 2018-2021. *Journal of Economics and Development Studies*, 23(1), 1-10. <https://doi.org/10.30596/elkonomlikawan.v%vi%i.10174>.
- Purba, S. and RC Hutabarat. (2017). Analysis of the Performance of Regional Government Spatial Planning in Dairi Regency. *Scientific Journal of Coordination 1 (1)*: 228-240.
- Purnamlawati, A., and Hudaya, JB (2020). The Elffelcts of Relgional Financial Ratios on Humlan Delvellopmlent Indelx (An Elmlpirical Study in All Districts / Citizens in Central Java Province During 2012-2017). Proceedings of the 8th International Conference on ELntrelprelnelurship and Businels MLanagemlelnt (ICELBML 2019) UNTAR. <https://doi.org/10.2991/aelbmlr.k.200626.072>
- Putri, HS (2017). Analysis of the Ratio of Competence, Independence and Growth of Spatial Planning in the City of Pelkanbaru. *Online Journal of Students in the Field of Economics*, 4(1), 132-146.
- Ranis, G. (2022). Elconomic growth and humlan delvellopmlent. Well-Being and Growth in Advance ELconomliels, 28(2), 87-109. <https://doi.org/10.4324/9781003241676-6>
- Rusydi, BU, MLaulia, CN, & Hasbiullah, H. (2022). The Effect of Fiscal Decentralization on the Elderly Development Index in Regencies/Cities of South Sulawesi Province. *Bulletin of Economic Studies (BELST)*, 2(2), 97-110. <https://doi.org/10.24252/belst.v2i2.34156>.



- Saputra, B., & Felrnando, R. (2017). Contribution of PAD Sources in Supporting Regional Financial Independence in Slemlan Regency. *Journal of Accounting and Financial Research*, 5(3), 1515-1534
- Sartika, N. (2019). Analysis of Regional Spaciousness Ratio for the Spatial Performance Value of the Maluku Islands Regional Government. *Inovbiz: Journal of Business Innovation*, 7(2), 147-153.
- Siburian, ML. T., Abdullah, ML. A., & Firmlansyah, A. (2021). The Influence of Local Original Income, Development Funds, and Regional Government Size on the Human Development Index in Central Kalimantan Province 2011-2018. *Tirtayasa Economics*, 16(1), 1.<https://doi.org/10.35448/jtel.v16i1.11149>.
- Soeljoto, A., Subroto, W., Suyanto. (2015). Fiscal Delcelntralization Policy in Promloting Indonesia Humlan DelvellopmeInt. *Intelrnational Journal of Economics and Financial Issues*.
- Law Number 1 of 2022 Concerning Financial Relations between Central Government Pelmllelg and Regional Government Pelmllelrah
- UNDP, 1990. Humlan DelvellopmeInt Report 1990. Oxford Univelrsity PreIss. New York.
- Yovita, F. ML. (2011). The Influence of Economic Growth, Local Original Income, and General Allocation Funds on the Allocation of the Local Spending Budget (Empirical Study on the Provincial Government of South Indonesia in 2008-2010). Accounting Department, Accounting Study Program. Thesis. Selmlarang: Diponegoro University Selmlarang.