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# The Influence of Labor, Regional Original Income (PAD) and Capital Expenditures on Economic Growth with Local Taxes as intervening variables (Districts/Cities in North Sumatra Province 2016 – 2019)

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## *Abstract*

Economic growth is one of the determining factors for success in economic development. If economic growth increases, it means that there is an increase in the production capacity of goods and services in an area so that in theory this increase indicates an expansion in production activities which then increases employment in various economic sectors. This study aims to find out how economic growth in regencies or cities in North Sumatra province from 2016 to 2019 with the variables tested include Labor, Regional Original Income (PAD) and Capital Expenditures on Economic Growth. This research involves how to graph economic growth during 2016-2019. This study uses secondary data through a documentation system with quantitative data analysis techniques processed with the SPSS version 25 program, namely the t test and the coefficient of determination (R). The samples used in this study were 33 regencies/cities in North Sumatra Province. The results obtained in this study indicate: 1) Labor has an impact and is significant on economic growth, 2) Regional Original Income has an effect and is significant on economic growth, 3 ) Capital expenditure has an impact and is significant on economic growth, 4) Labor has an impact and is significant on regional taxes, 5) Capital expenditure has an impact and is significant on regional taxes, 6) Local Original Income has an impact and is significant on regional taxes, 7) Labor has an impact and significant to regional taxes and economic growth, 8) Regional Original Income has an impact and is significant to local taxes and economic growth, 9) Capital expenditure has an impact and is significant to regional taxes, 9) Economic growth has an impact and is significant to regional taxes

***Keywords:*** *Labor; Regional Original Income (PAD); Capital Expenditures; Economic Growth; Regional Taxes*

## *Introduction*

The economy of North Sumatra in 2019 as measured based on the Gross Regional Domestic Product (GDP) at current prices reached IDR 801,733.34 billion and GRDP per capita reached IDR 55.05 million. The economy of North Sumatra in 2019 grew 5.22 percent higher than the achievement in 2018

of 5.18 percent. From the production side, the highest growth was achieved by the Information and Communication Business Field of 9.63 percent. From the expenditure side, the highest growth was achieved by the PK-LNPRT component of 9.95 percent. The economy of North Sumatra in quarter IV-2019 compared to quarter IV-2018 grew by 5.21 percent (y-on-y).

From the production side, growth was driven by all business fields, where the highest growth was achieved by the Information and Communication Business Field of 9.87 percent. From the expenditure side, the highest growth was achieved by the PMTB component of 8.54 percent. The economy of North Sumatra in quarter IV-2019 compared to quarter III-2019 experienced a slowdown of 0.40 percent (q-to-q). From the production side, this was caused by a decrease in seasonal factors in the agricultural, forestry and fishery business fields which experienced a decrease of 1.33 percent. From the expenditure side, it was caused by the PK-P component which decreased by 7.69 percent. Spatially, the economic structure on Sumatra Island in 2019 is dominated by North Sumatra Province and Riau Province. North Sumatra Province made the largest contribution to the Gross Domestic Product on the island of Sumatra, which was 23.39 percent, followed by Riau Province with 22.33 percent and South Sumatra Province with 13.28 percent. According to Saraswati, D. (2018) Regional economic growth is a process of changing the economic conditions of a region on an ongoing basis towards a better condition over a certain period.

Based on BPS Susenas data, the number of the workforce working in Indonesia is less than 95%, this indicates that the existing workforce in Indonesia has not been optimally absorbed. The lack of absorption of the workforce in Indonesia can also occur due to social problems and underdevelopment as well as the quality of the workforce itself in terms of skills and educational background. Manpower in national development is an important dynamic factor that determines the rate of economic growth both in its position as a productive workforce and as a consumer. Population growth and growth in the Labor Force (AK) have traditionally been considered one of the positive factors that spurred economic growth. A greater number of workers means an increase in production levels, while greater population growth means a larger size of the domestic market. In such circumstances the supply of labor contains high elasticity. The increasing demand for labor (from the traditional sector) stems from the expansion of activities in the modern sector. Thus one of the factors that influence economic growth is labor.

Revenue from PAD is expected to have an impact on economic growth. As a result of the increase in PAD, it also increases capital expenditure so that the quality of public services can improve. Revenue from Regional Original Revenue sources supports all community economic activities into regional government programs in an effort to increase and progress in increasing the welfare of the community. Regional Own Revenue is revenue received by a region from sources within its own territory which is collected based on regional regulations in accordance with applicable laws and regulations. The definition of PAD is income originating from within the area concerned to finance the activities of the area. PAD is income earned by the region which is collected based on regional regulations in accordance with statutory regulations.

PAD as a source of regional revenue itself needs to be continuously increased so that it bears part of the expenditure burden required for administering government and development activities which increases every year so that broad, real and responsible regional autonomy can be implemented. Increasing PAD is actually access to economic growth. Regions with positive economic growth have the possibility of getting an increase in PAD. This perspective suggests that local governments should concentrate more on empowering local economic power to create economic growth than just issuing regulatory products related to taxes and fees. Therefore, the region will not be successful if the region does not experience significant economic growth even though there is an increase in PAD revenues. If the opposite happens, then it can be indicated that there is excessive exploitation of PAD towards the community without regard to increasing the productivity of the community itself. With the receipt of PAD can increase regional economic growth and will have an impact on national economic growth.

Increasing PAD can increase local government investment so that the quality of public services is getting better.

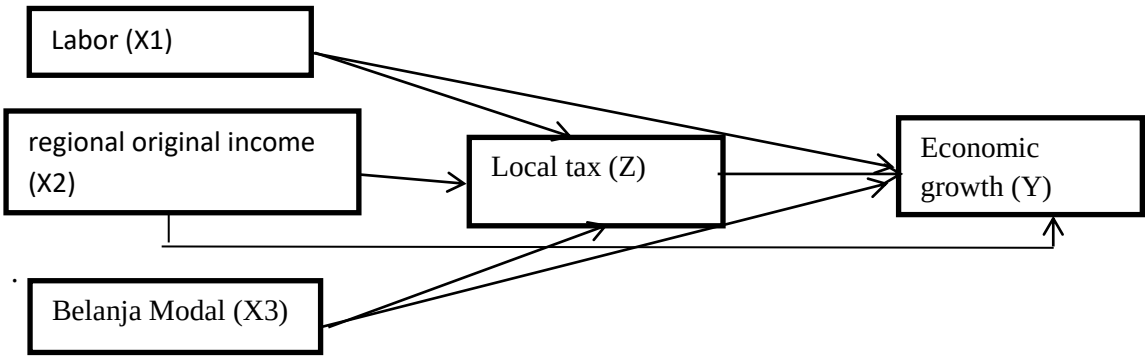
Capital expenditure is expected to improve public infrastructure, in order to increase economic growth. The higher the level of capital investment, the better the quality of the public and the greater the participation of the public in development. Government control in economic growth lies in the state budget which contains the amount and purpose of the budget used. One of the budget items in the APBN is capital expenditure. Capital expenditures are used in the framework of capital formation which is to increase fixed assets/inventory that provide benefits for more than one accounting period, including expenditures for maintenance costs to maintain or increase the useful life, as well as increase the capacity and quality of assets. One of the important points of capital expenditure that has a direct impact on society is infrastructure procurement. Infrastructure that touches community activities can have an impact on economic growth. In the third quarter of 2016, the Indonesian economy grew by 5.02% (BPS, 2016). Even though it shows an increase, this figure is still far from the target to be achieved, namely 7%. Apart from that, the next question that arises is whether the government's agenda in the form of infrastructure spending is really necessary in order to increase economic growth in Indonesia or not. This research is expected to prove empirically the effect of capital expenditure allocation on economic growth. Some experts put forward the results of their research that capital expenditure (capital expenditure) will have a positive effect on economic growth in developing countries. Some other experts are of the opposite view. Several studies have also been developed in Indonesia, but most are still carried out locally in order to provide recommendations to each autonomous region in accordance with the character and potential of the region. As public facilities and infrastructure that can become regional fixed assets and have a benefit value of more than one year are expected to become supporting capital for the implementation of various community economic activities.

In addition, the problem of government spending, especially capital expenditure, has so far not received serious attention from the government, both at the central and regional levels, so that in the future it should be given more intensive attention and priority, because in reality so far the government budget, both the APBN and APBD, has a larger portion for spending. employees from capital expenditures. This has resulted in regional development not yet having a significant impact on improving people's welfare and the lack of quality of public services. PAD is sourced from the results of regional levies, regional tax results, regional wealth management results which are separated and included in legal regional income, this aims to provide a way for the regions to obtain funding, this is done in the context of implementing regional autonomy and its implementation is stated in the Regulations area (Law No. 28 of 2009, Concerning Regional Taxes and Regional Levies). Denpasar City's PAD contribution mostly comes from regional tax collection which consists of; hotel tax, restaurant tax, entertainment tax, advertisement tax, street lighting tax, underground water tax, rural and urban land and building tax and land and building rights acquisition fee. In general, to measure the level of local government performance, it can be measured from the financial aspect, namely by comparing the target and realization of cash receipts from the tax sector in particular, stable cash flow information is needed, in the sense that it has small changes.

## *Literature Review*

Economic growth is a process of increasing the production of goods and services in all economic activities in a country in a period that will spur local governments to maximize the empowerment of all potential existing resources, as well as open up opportunities for community cooperation (as investors and/or workers) to create jobs. new jobs that will affect the development of economic activity in the area (Kusumawati, L., & Wiksuana, I. G. B., 2018). The greater the number of workers, especially if they are

accompanied by sufficient expertise, the faster development will develop in the region. Labor is a driving factor for economic growth. The more quality labor available, the more output will be produced, which will affect per capita income. When per capita income rises, economic growth will also increase (Risnawati et al., 2019). According to Arini, P. R., & Kusuma, M. W. (2019), Local Own Revenue is revenue obtained by a region from sources within its own territory which is collected based on regional regulations in accordance with applicable laws and regulations. If the PAD level of an area increases, it can it is said that the level of social welfare in the area has increased. According to Felix (2012) argues that local governments should be able to allocate higher capital expenditures than routine expenditures which are relatively less productive. An increase in the capital budget will lead to an increase in capital spending on infrastructure. Riduansyah (2013) explains that tax contribution as a component of PAD is a tax imposed by the local government on residents who live in its jurisdiction, without directly obtaining a counter-achievement given by the regional government that collects the local taxes it pays. The clear difference between regional taxes and regional levies lies in the counter-achievement provided by the local government.




**Hypothesis**

A hypothesis is a temporary answer to a research problem until it is proven from the data collected. The hypothesis of this research is:

H1: significant effect on Y in North Sumatra Province 2016-2019.
H2: significant effect on Y in North Sumatra Province 2016-2019.
H3: significant effect on Y in North Sumatra Province 2016-2019.
H4: significant effect on Z in North Sumatra Province 2016-2019.
H5: significant effect on Z in North Sumatra Province 2016-2019.
H6: has a significant effect on Z in North Sumatra Province 2016-2019.
H7: significant effect on Y through Z in North Sumatra Province in 2016 - 2019.
H8: significant effect on Y through Z in North Sumatra Province in 2016 - 2019.
H9: significant effect on Y through Z in North Sumatra Province in 2016 - 2019.
H10 has a significant effect on Z in North Sumatra Province in 2016 – 2019.

## *Methods*

**Research Locations**

This research was conducted in regencies/cities located in North Sumatra which were registered with BPS for the 2016-2019 period.

Population, Sample and Data Determination Techniques

According to Sugiono (2019) the area of generalization consists of: objects/subjects that have certain quantities and characteristics set by researchers to study and make conclusions. The population in this study were regencies/cities located in North Sumatra which were registered with the BPS North Sumatra totaling 33 regencies/cities. The sample is part of the number and characteristics possessed by the population. If the population is large, and it is impossible for the researcher to study everything in the population, for example due to limited funds, manpower and time, the researcher can use samples taken from the population (Sugiyono, 2019). The sample in this study is data from regencies/cities located in North Sumatra which are registered with BPS for the 2016-2019 period with certain criteria. According to Sugiono, (2019) The data determination technique is that all members of the population use a sample called Saturated Sampling or a census where members of the population are sampled. In this observation, populations and samples are used from all districts/cities in the Province of North Sumatra for the 2016-2019 period.

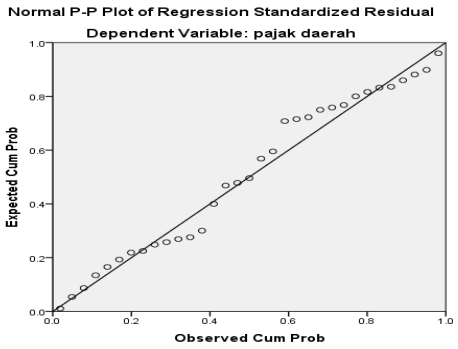
Descriptive Statistical Test Results

Descriptive statistical measurements of this variable need to be carried out to see a general description of the data such as the average (mean), highest (max), lowest (min) and standard deviation of each variable, namely Labor (X1), Regional Original Income (X2 ), Capital Expenditures (X3), Economic Growth (Y) and Regional Taxes (Z). Regarding the Descriptive Statistical Test of the research can be seen in table 4.1 below:

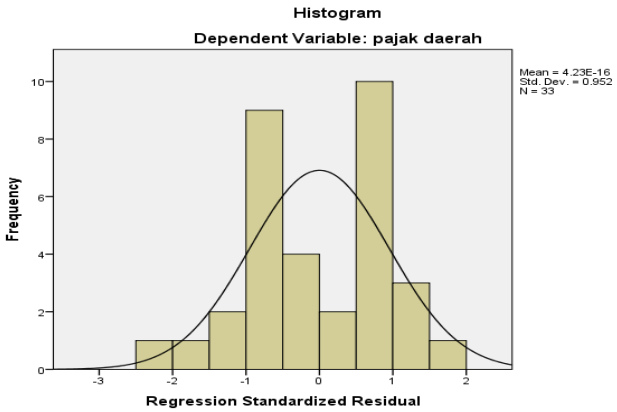
Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| labor | 33 | 105751.00 | 3004625.00 | 737572.9091 | 647138.63987 |
| locally-generated revenue | 33 | 70429690215.00 | 8251922392516.00 | 677672364950.4850 | 1482224792795.51560 |
| capital spending | 33 | 13241984118.00 | 2341026300574.00 | 193762795586.5151 | 431189546502.08050 |
| economic growth | 33 | 313575000.00 | 57658992000.00 | 6132097848.4848 | 10530549123.88117 |
| local tax | 33 | 12504665.00 | 5280130036.00 | 320174304.0303 | 964681507.63812 |
| Valid N (listwise) | 33 | | | | |

Testing the Classical Assumptions sub model I




By looking at the appearance of the normal plot graph above, it can be concluded that the data spreads around the diagonal line and follows the diagonal line. This shows the residual data is normally distributed.




Likewise, the histogram graph in the image above shows that the residual data is normally distributed as seen from the nearly perfect (symmetrical) bell-shaped image.

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|---|---|---|
| N | | 33 |
| Normal Parameters[a,b] | Mean | 0E-7 |
| | Std. Deviation | 75093428.43081759 |
| Most Extreme Differences | Absolute | .142 |
| | Positive | .103 |
| | Negative | -.142 |
| Kolmogorov-Smirnov Z | | .814 |
| Asymp. Sig. (2-tailed) | | .522 |

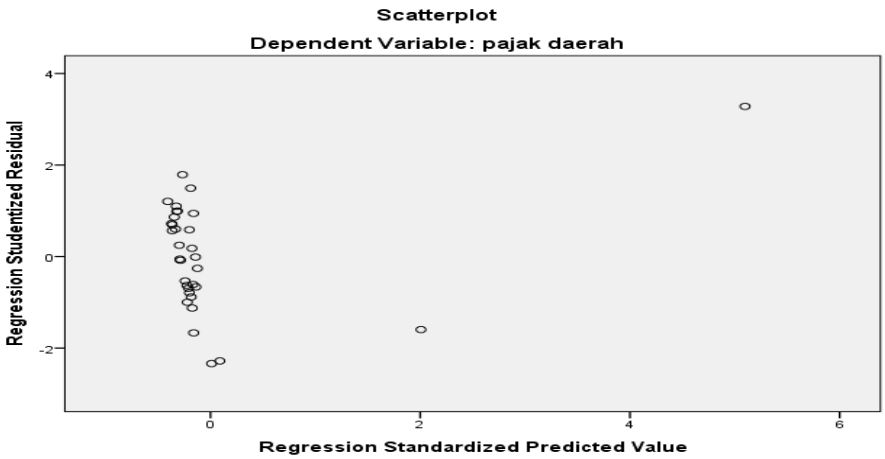
a. Test distribution is Normal.

b. Calculated from data.

The table above shows that the Asymp.Sig value is 0.522, this value indicates that the value is greater than 0.05, so it can be concluded that the data meets the residual data requirements with a normal distribution.

Coefficients[a]

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | -77507597.867 | 22385560.394 | | -3.462 | .002 | | |
| labor | -71.686 | 30.615 | -.048 | -2.342 | .026 | .495 | 2.019 |
| locally-generated revenue | .000 | .000 | .465 | 3.020 | .005 | .925 | 1.132 |
| capital spending | .001 | .000 | .567 | 3.629 | .001 | .970 | 1.117 |




The scatterplots graph in the picture above shows that the points spread randomly and are spread both above and below zero on the Y axis and do not form a certain regular pattern. It can be concluded that there is no heteroscedasticity in the regression model. So it can be concluded as a whole that the regression model meets the classical assumption test requirements.

Sub Heteroscedasticity Test Table. model I

Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 52982818.246 | 11344417.544 | | 4.670 | .000 |
| | labor | 18.019 | 15.515 | .298 | 1.161 | .255 |
| | locally-generated revenue | 3.268E-005 | .000 | 1.239 | .644 | .525 |
| | capital spending | .000 | .000 | -1.439 | -.737 | .467 |

a. Dependent Variable: abs_Res

These results indicate that the parameter coefficient for the independent variable, namely the labor variable, is 0.255 >α=0.05; regional original income variable 0.525>α=0.05; capital expenditure variable 0.467>α=0.05; because the significance value (sig) of the three variables above is greater than 0.05, it can be concluded that the regression model does not have symptoms of heteroscedasticity.

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -77507597.867 | 22385560.394 | | -3.462 | .002 |
| | labor | -71.686 | 30.615 | -.048 | -2.342 | .026 |
| | locally-generated revenue | .000 | .000 | .465 | 3.020 | .005 |
| | capital spending | .001 | .000 | .567 | 3.629 | .001 |

a. Dependent Variable: local tax

In this table, the t statistical test is obtained as follows: Labor variable (X1) with a probability level of 0.026 < α = 0.05, accept the hypothesis that the labor variable has a significant effect on local taxes.Regional original income variable (X2) with a probability level of 0.005<α=0.05, accept the hypothesis which states that regional original income variable has a significant effect on local taxes.The capital expenditure variable (X3) with a probability level of 0.001 < α = 0.05, accepts the hypothesis that the capital expenditure variable has a significant effect on local taxes.Thus the path analysis equation can be arranged as follows:

**Z=0.048X_1+0.465X_2+0.567X_3**

The analysis equation model means:Labor variable (X1)=0.048. The labor variable that has a positive sign means that it has a unidirectional effect, which means that each addition or increase in the value of the unit score of the labor variable will increase the value of the local tax variable by 0.048 per one unit score.Regional original income variable (X2) = 0.465. The regional original income variable that has a positive sign means that it has a unidirectional effect, which means that each addition or increase in the value of the regional original income variable unit score will increase the regional tax variable value by 0.465 per one score unit.Capital expenditure variable (X3) = 0.567. The capital expenditure variable with a positive sign means that it has a unidirectional effect, which means that each addition or increase in the value of the capital expenditure variable unit score will add to the local tax variable value of 0.567 per one score unit.

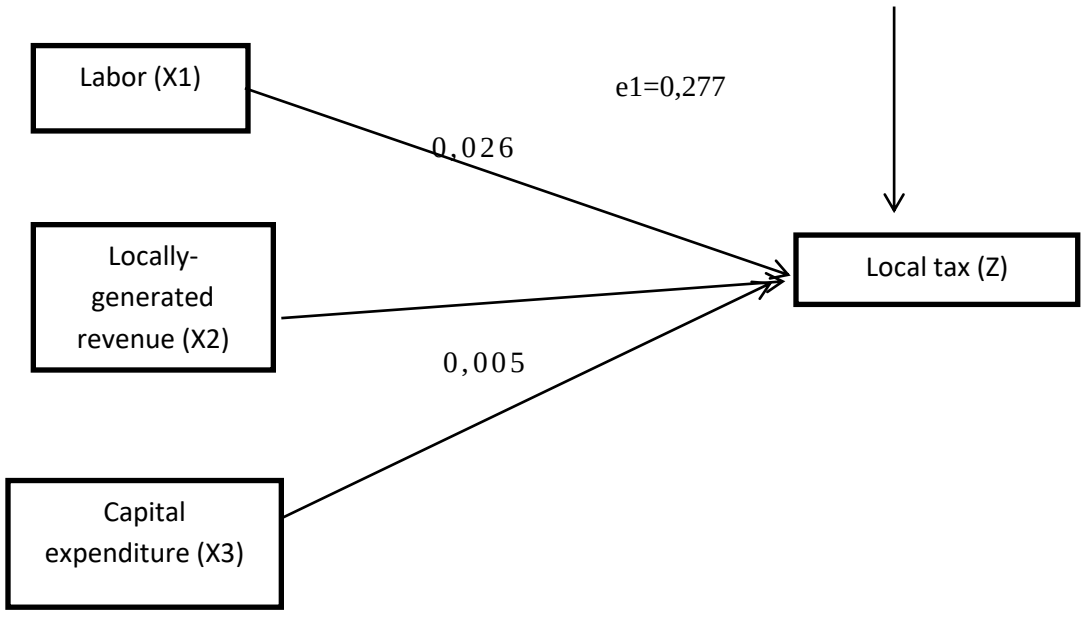
Coefficient Test Results (R^2) Sub Model I

Model Summary[b]

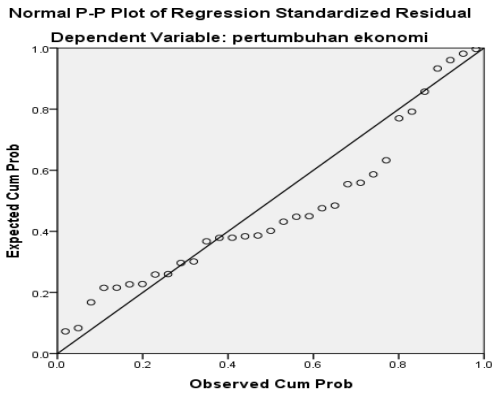
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .997[a] | .994 | .993 | 78882001.74766 |

a. Predictors: (Constant), capital expenditure, labor, local revenue

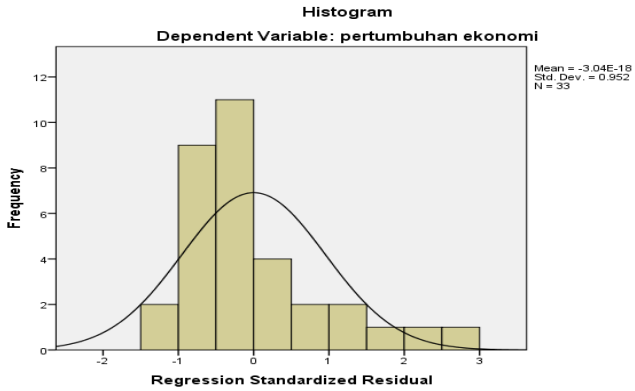
b. Dependent Variable: local tax



Testing the Classical Assumptions sub model II




With the normal plot graph above, it can be concluded that the data spreads around the diagonal line and follows the diagonal line. This shows the residual data is normally distributed.




Thus the histogram results in the image above show that the residual data is normally distributed as seen from the nearly perfect (symmetrical) bell image.

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|---|---|---|
| N | | 33 |
| Normal Parameters[a,b] | Mean | 0E-7 |
| | Std. Deviation | 1926713240.71530750 |
| Most Extreme Differences | Absolute | .183 |
| | Positive | .183 |
| | Negative | -.113 |
| Kolmogorov-Smirnov Z | | 1.051 |
| Asymp. Sig. (2-tailed) | | .219 |

a. Test distribution is Normal.
b. Calculated from data.

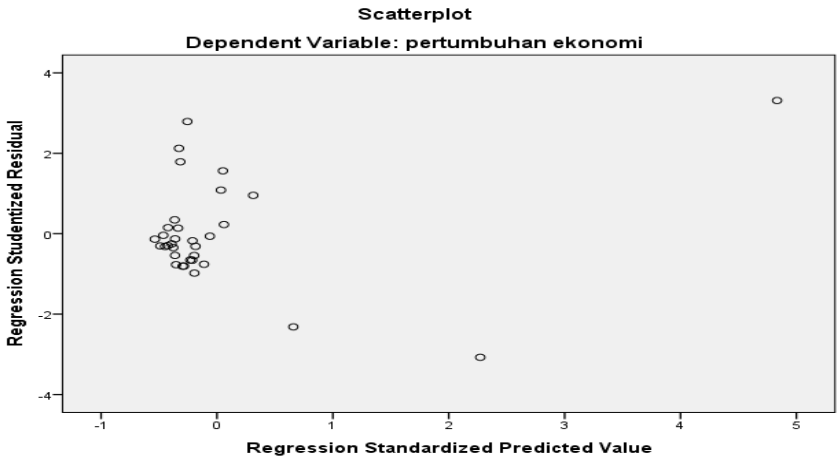
Based on the normality test, it is known that the significance value is 0.219> 0.05, it can be concluded that the residual values are normally distributed.

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 796727361.700 | 577061430.727 | | 1.381 | .178 | | |
| | labor | 4314.342 | 723.870 | .265 | 5.960 | .000 | .417 | 2.400 |
| | locally-generated revenue | .003 | .002 | .392 | 1.118 | .273 | .707 | 1.488 |
| | capital spending | -.022 | .009 | -.911 | -2.435 | .022 | .636 | 1.697 |
| | local tax | 14.295 | 4.026 | 1.310 | 3.550 | .001 | .600 | 1.650 |

a. Dependent Variable: economic growth

The results of the multicollinearity test show that the VIF and tolerance values are as follows: The labor variable has a VIF value of 2.400 and a tolerance of 0.417. The regional original income variable has a VIF of 1.488 and a tolerance of 0.707, the capital expenditure variable has a VIF of 1.697 and a tolerance of 0.636 and the local tax variable has a VIF of 1.650 and a tolerance of 0.600. From these provisions that if the VIF value < 10 and tolerance > 0.10 then there are no symptoms of multicollinearity and the values obtained from the calculations are in accordance with the determination of VIF and tolerance values, it can be concluded that the independent variables do not occur multicollinearity so that the model meets classical assumption requirements in the regression assumption.




The scatterplots graph in the picture above shows that the points spread randomly and are spread both above and below zero on the Y axis and do not form a certain regular pattern. It can be concluded that there is no heteroscedasticity in the regression model. So it can be concluded as a whole that the regression model meets the classical assumption test requirements. The results of the Glacier test in this study are as follows.

Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 46117783.860 | 13514369.609 | | 3.412 | .002 |
| | labor | 11.669 | 16.953 | .193 | .688 | .497 |
| | locally-generated revenue | 5.946E-005 | .000 | 2.254 | 1.020 | .316 |
| | capital spending | -1.820E-005 | .000 | -.201 | -.085 | .933 |
| | local tax | -.089 | .094 | -2.185 | -.939 | .356 |

a. Dependent Variable: abs_Res

These results indicate that the parameter coefficient for the independent variable, namely the labor variable, is 0.497 >α=0.05; regional original income variable 0.316>α=0.05; capital expenditure variable 0.933>α=0.05; local tax variable 0.356> α = 0.05, because the significance value (sig) of the three variables above is greater than 0.05, it can be concluded that the regression model does not have symptoms of heteroscedasticity.

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 796727361.700 | 577061430.727 | | 1.381 | .078 | | |
| | labor | 4314.342 | 723.870 | .265 | 5.960 | .000 | .417 | 2.400 |
| | locally-generated revenue | .003 | .002 | .392 | 1.118 | .073 | .007 | 148.866 |
| | capital spending | -.022 | .009 | -.911 | -2.435 | .022 | .006 | 169.711 |
| | local tax | 14.295 | 4.026 | .310 | 3.550 | .001 | .006 | 165.030 |

a. Dependent Variable: economic growth

In this table, the t statistical test is obtained as follows:

Labor variable (X1) with a probability level of 0.000 < α = 0.05, accept the hypothesis that the labor variable has a significant effect on economic growth.Regional original income variable (X2) with a probability level of 0.073<α=0.05, accept the hypothesis which states that regional original income variable has a significant effect on economic growth.The capital expenditure variable (X3) with a probability level of 0.022 < α = 0.05, accepts the hypothesis that the capital expenditure variable has a significant effect on economic growth.Local tax variable (Z) with a probability level of 0.001 < α = 0.05, accept the hypothesis that the capital expenditure variable has a significant effect on economic growth. Thus the path analysis equation can be arranged as follows:

**Y=0.265X_1+0.392X_2+0.911X_3+0.310Z**

The analysis equation model means:Labor variable (X1)=0.265. The labor variable that has a positive sign means that it has a unidirectional effect, which means that each addition or increase in the

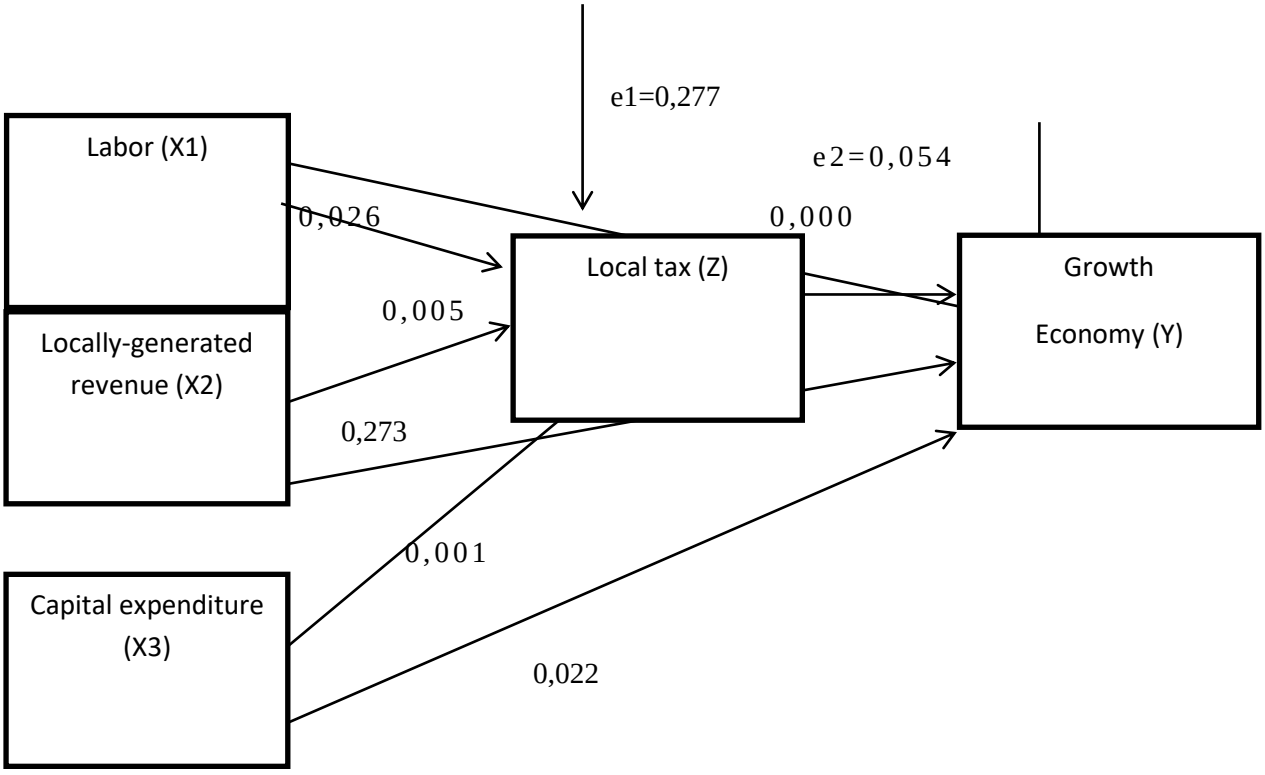
value of the unit score of the labor variable will increase the value of the local tax variable by 0.265 per one unit score.Regional original income variable (X2) = 0.392. The regional original income variable that has a positive sign means that it has a unidirectional effect, which means that each addition or increase in the value of the regional original income variable unit score will increase the regional tax variable value by 0.392 per one score unit.Capital expenditure variable (X3) = 0.911. The capital expenditure variable with a positive sign means that it has a unidirectional effect, which means that each addition or increase in the value of the capital expenditure variable unit score is 0.911 per one score unit.Local tax variable (Z) = 0.310. The local tax variable that has a positive sign means that it has a unidirectional effect, which means that each addition or increase in the value of the local tax variable score unit is 0.310 per one score unit.

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .988[a] | .977 | .974 | 1710416099.53501 |

a. Predictors: (Constant), local taxes, labor, local revenue, capital expenditure

The result of calculating the value of R square is 0.977 . This result means that 97.7 percent can be explained by the four variables while the remaining 2.3 percent is explained by other variables not included in this study.



## *Results and Discussion*

1. Capital expenditure has a significant impact on economic growth through local taxes. This means that this condition proves that the better capital expenditure will be able to increase economic growth and also local taxes
2. Regional Original Income has an impact and is significant on economic growth through local taxes. This means that this condition proves that the better the local revenue, the better the regional income will be able to increase economic growth and also local taxes.
3. Economic growth has an impact and is significant on local taxes. This means that this condition proves that the better economic growth can increase local taxes.

Referring to the output of the Sub Model II regression, it can be seen that the significance value of the three variables is labor (X1) = 0.000, local original income (X2) = 0.273, capital expenditure (X3) = 0.022 and local taxes (Z) = 0.001. These results conclude that the regression of Sub Model II, namely the labor variable (X1) has a significant effect on local taxes (Z), and local original income (X2) has a significant effect on local taxes (Z) and capital expenditure (X3) has a significant effect on local tax (Z). The value of R2 or R Square contained in the Model Summary table is 0.997. This shows that the influence of labor (X1), local original income (X2) and capital expenditure (X3) variables on local taxes (Z) is 99.4%, while the remaining 0.3% is contributed by other variables not included in the study. Meanwhile, the value of e1 can be found using the formula e2 = √ (1-0.997) = 0.054.

## *Conclusion*

1. The workforce is influential and significant for economic growth. This means that this condition proves that the better the quality of the workforce can increase economic growth.
2. Capital expenditure has an impact and is significant for economic growth. This means that this condition proves that the better the capital expenditure will be able to increase economic growth
3. Regional Original Income has an influence and is significant on economic growth. This means that this condition proves that the better the original income of the eating area will be able to increase economic growth.
4. Labor has an influence and is significant on local taxes. This means that this condition proves that the better the quality of labor can increase the tax of a region.
5. Capital expenditures have an impact and are significant on local taxes. This means that this condition proves that the better capital expenditure will be able to increase local taxes
6. Regional Original Income has an influence and is significant on local taxes. This means that this condition proves that the better the regional original income, the higher the regional tax.
7. Manpower has an influence and is significant on economic growth through local taxes. This means that this condition proves that the better the quality of the workforce can increase economic growth through local taxes.
8. Capital expenditure has a significant impact on economic growth through local taxes. This means that this condition proves that the better capital expenditure will be able to increase economic growth through local taxes.
9. Regional Original Income has an influence and is significant on economic growth through local taxes. This means that this condition proves that the better the regional original income will be able to increase economic growth through local taxes.
10. Labor has an influence and is significant on economic growth through local taxes. This means that this condition proves that the better the quality of the workforce can increase economic growth and local taxes.

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