Regional economic growth based on tourism, tax policy, and budget aspects

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A R T I C L E   I N F O

A B S T R A K

Penelitian ini bertujuan untuk menganalisis determinan pertumbuhan ekonomi dan pendapatan asli daerah (PAD) berdasarkan aspek pariwisata, kebijakan perpajakan and anggaran di Kabupaten Kuningan. Penelitian ini menggunakan data bulanan dari tahun 2015-2019 dengan total 60 observasi. Dengan menggunakan analisis structural equation modeling partial least square (SEM-PLS), penelitian ini menemukan bahwa pariwisata, kebijakan perpajakan, dan kebijakan anggaran berpengaruh langsung terhadap pertumbuhan ekonomi. Meski demikian, PAD tidak terbukti dapat mempengaruhi pertumbuhan ekonomi. Selain itu, PAD juga tidak memiliki peran mediasi pengaruh tidak langsung pariwisata dan kebijakan perpajakan terhadap pertumbuhan ekonomi. Di sisi lain, kebijakan anggaran tidak terbukti dapat memoderasi pengaruh PAD terhadap pertumbuhan ekonomi. Penelitian ini juga membuktikan bahwa kebijakan perpajakan yang direfleksikan melalui sistem pemungutan pajak berbasis online and anggaran peningkatan pajak daerah berpengaruh positif terhadap PAD, sedangkan pariwisata tidak dapat mempengaruhi PAD. Implikasi penelitian ini adalah perlunya pemerintah daerah untuk fokus dalam memaksimalkan pariwisata dengan mengarahkan investasi, anggaran, dan kebijakan untuk membangun sektor pendukungnya.

A B S T R A C T

This study analyzes the determinants of regional economic growth and local government revenue (PAD) based on tourism, taxation, and budget policies in Kuningan District. This study uses the monthly data from 2015-2019 with 60 numbers of observations in total. Using the structural equation modeling partial least square (SEM-PLS), this study found that tourism, taxation, and budget

policies directly affected regional economic growth. Neither does PAD affect regional economic growth nor mediate the indirect effect of tourism and taxation policies on economic growth. On the other hand, the budget policy can not moderate the influence of PAD on economic growth. This study also proves that the taxation policy reflected by the online-based tax collection system and the local tax increase budget positively affects PAD, while tourism can not affect it. This study implies that the local government of Kuningan need to focus on maximizing tourism sectors by directing the investment, budgets, and policies to develop its supporting industries.

INTRODUCTION

Studying economic growth is still important in the development of economics research (Ucak, 2015), not only in country level, but also in regional level. The presence of Covid-19 pandemic urges the regional government to work even harder to recover their regional economy condition due to the impact of the pandemic. Therefore, regional government needs to set relevant policies to maintain the regional economy condition and people's purchasing power.

One of the strategies to improve the regional economic condition is increasing the economic growth and one of the factors for increasing it is Local Regional Revenue (PAD). Barimbing & Karmini (2015); Mawarni et al. (2013); Putri (2015); Rori et al. (2016) empirically found that PAD influenced the regional economic growth, which tends to strengthen the relevance of fiscal decentralization theory from Tiebout (1961). In practice, the fiscal decentralization theory has become a concept of regional accountability for its revenues and spending (Yushkov, 2015). However, fiscal decentralization is inverted U shape towards economic growth (Sun et al., 2017).

Another theory that is often used to explain the determinants of regional economic growth is the theory of regional economic development. Stimson et al (2018) explained that the theory of regional economic development was the application of economic processes and the availability of resources to produce sustainable development and economic benefits for an area in the form of values, business, residents, and tourists. In this case, the theory of regional economic development can be used as a basis for the importance of tourism aspects for regional economic growth. The more tourists come to the area, the higher the tourism activities which increase the area's economic growth. Jin (2011) revealed that tourism can boost the economic growth.

However, some studies related to the influence of PAD and tourism on economic growth are lack of consistency. Suwandika & Yasa (2015) and Anwar et al. (2016) failed to find a positive effect of PAD on regional economic growth. Likewise,

studies on the effect of tourism on economic growth are still ecperiencing different outcomes (Sokhanvar, 2019). On that basis, it is necessary to determinants of factors that can affect regional economic growth. This study aims to re-analyze the determinants of PAD and economic growth based on tourism aspects, taxation policies, and budgets in a structural equation model in Kuningan District.

Kuningan District was chosen as the research object because it has adequate tourism potential. It has cool air and natural beauty for tourism site that makes it comfortable to be visited by tourists. The determination of Kuningan District as an ecotourism by the Government of West Java proves the magnitude of this tourism potential. Kuningan District has 23 natural tourism sites, culture and history tourism site (Dinas Pariwisata dan Kebudayaan Provinsi Jawa Barat, 2021). Furthermore, Cibuntu Kuningan as a Tourists Village was one of the 5 best tourist villages in ASEAN countries in 2016 and the second best tourist village in Indonesia based on Community Based Tourism (CBT) in 2017 (Kompas, 2020). Nevertheless, this tourism potential is classified as not optimum because it is not followed by high PAD. The targeted PAD of Kuningan in 2017 was 413 billion rupiahs, but the realization was only 384 billion Rupiah or 14,6% of Kuningan Total Regional Revenue of 2.6 trillion rupiahs (Pemerintah Kabupaten Kuningan, 2018).

As the results, the infrastructure, other capital, education, and health expenditures become relatively limited. Based on the Constitution, the portion of education and health expenditure should be 20 percent and 10 percent of the Local Expenditure Budget (APBD), respectively. Then, 20 percent of General Allocation Fund (DAU) should be used for infrastructure development. However, low realization of PAD makes the Kuningan District Government less flexible in enforcing its budget policies. Therefore, it is important for Kuningan District to increase its PAD, so that the main development goals can be supported by its budget policies.

Until now, the economy condition of Kuningan District tends to be worrying. Its Regional Gross Domestic Product (PDRB) in 2019 was only 16,890 trillion rupiahs or 1.1 percent of East Java PDRB which reached 1.491,705 trillion rupiahs. This low PDRB put Kuningan Districts as the second poorest area in West Java Province (Badan Pusat Statistik Provinsi Jawa Barat, 2020). Based on that condition, the results of this research are expected to be a positive input for the Kuningan District Government in optimizing the economic growth and setting relevant development policies.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Tourism, Local Regional Revenue (PAD), and Regional Economic Growth

PAD optimization was the key of increasing the economic growth (Gunantara & Dwirandra, 2014). High PAD could improve the government expenditure as one of the important factors that was proven to increase the economic growth (Yasin, 2003). A theory that could be used as the basis for the influence of PAD on economic growth was fiscal decentralization from Tiebout (1961). Gemmell et al. (2013) research explained that income decentralization was associated with higher income. Some studies, Barimbing & Karmini (2015); Kusumawati & Wiksuana (2018); Maryati (2010); Mawarni et al. (2013); Rori et al. (2016); Saraswati & Ramantha (2018); Setiyawati & Hamzah (2007) could prove that PAD had a positive effect on regional economic growth. Based on that, the first hypothesis in this study is:

H1: Local Regional Revenue positively influences the regional economic growth.

PAD can be influenced by trourism sector, the higher the intensity of tourism in an area will produce local tax in the form of taxes on hotels and restaurants. Based on the theory of regional economic development, one of the economic benefits that could be generated from the availibity of regional resources was value added, business expansion, population and new comers. (Stimson et al., 2002). Tourists in this context can be seen as the effect of tourism on an area which will flow additional resources to the area. Therefore, an area that has tourism potential should be able to maximize this potential. Moreover, a number of studies including those from Kristiana et al. (2020); Tendean et al. (2014) succeeded in roving the positive influence of tourism on PAD. Hence, the hypothesis that is also built in this study is:

H2: Tourism positivelty affects the Local Regional Revenue (PAD).

Tourism was considered as one of the economic engines that played a role in the economy of various countries in the world (Seghir et al., 2015). Areas that have tourism potential can be an important capital to increase their economic growth. Based on the theory of development, there are 2 approaches that can be used to improve regional economy, namely the corporate centre approach and the alternative approach. The first approach relies on the industrial and real estate sectors, while the second approach focuses more on encouraging activity-based economic development to stimulate the local economy, including tourism activites. This means that tourism can generate economic growth from transactions between local residents and tourists.

The studies that had succeeded in proving the positive influence of tourism on economic growth were Amnar et al. (2017); Brida et al. (2020); Chulaphan & Barahona (2018); Jin (2011); Paci & Marrocu (2014); Sequeira & Nunes (2008). Relying on the theory of regional economic development and these empirical findings, the third hypothesis in this study is:

H3: Tourism sector has a direct effect on regional economic growth.

Nevertheless, according to Antonakakis et al (2015), the relationship between tourism growth and economic growth is unstable from time to time because it is influenced by economic phenomena such as crisis, pandemic and others. Tugcu (2014) states that the causal relationship between tourism and economic growth is not absolute but is determined by specific tourism indicators owned b the country of tourism area. Studies that could not prove the influence of tourism on economic growth were Croes et al. (2018); Fahimi et al. (2018); Webster & Ivanov (2014). These studies reveal that the competitiveness of destinations and the tourism contribution do not significantly affect economic growth.

No matter how good the destonation of potential tourism attraction, it will not turn it into an economic benefit for the local community if the attraction does not have an advantage. In addition, the magnitude of tourism activity in an area which does not increase the PAD represents a nonoptimal economic benefit. On that basis, the hypothesis that is also formed from this study is:

H4: The Local Regional Revenue (PAD) plays a role in mediating the indirect effect of tourism on regional economic growth.

The Relationship Between Regional Tax Policy, PAD, and Regional Economic Growth.

When compared to other PAD components, local taxes tend to be more maximized. Both in terms of regulation and potential, local taxes are relatively clear and measurable. Maximizing local tax revenues can be one of the effective efforts in increasing PAD. Studies by Asteria (2015); Sunanto (2015) proved that local taxes had a positive effect on PAD. However, not all elements of local taxes were significant. Wulandari & Iryanie (2016) stated that only hotel, restaurant, billboards, and public street lighting (PJU) taxes proved to significantly affect PAD, while other local taxes such as entertainment and parking taxes did not affect PAD.

Efforts to optimize local taxes are part of local taxation policies. Based on the theory of fiscal decetralizaion, the existence of freedom for pe ople to manage their

own income makes them free to regulate tax policies or the efforts made by local governments to increase or control tax revenues. Extensification, inrensification, tax increase budget, collection systems, rewards, and tax penalties are part of the regional tax policy. Tax policy affects tax revenue because tax revenue itself was proven to be influenced by hotel and restaurant taxpayer compliance (Gani, 2016), tax collection system (Novitaningsih et al., 2019), as well as tax intensification and extensification (Rahmi, 2013), to giving rewards for those who were obedient in paying taxes. (Iskandar & Andriani, 2017; Sarlina et al., 2019). On that basis, the fifth hypothesis in this study is:

H5: Local tax policies have a positive effect on PAD**.**

Pan & Ngo (2016) examined the regional economic growth using an endogenous theory approach. The regional economic growth based on the endogenous theory was determined by international economic integration, human resource factors, and government policies. Therefore, regional taxation policies are also considered able to affect the regional economic growth. Relevant local tax policies can optimize local tax revenues so that they have an impact on economic growth. As studies by Dewi & Budhi (2018); Saragih (2018); Sihaloho (2020); Sunarto & Sunyoto (2016) that tax revenue could affect economic growth. Therefore, the sixth hyppotesis in this study is:

H6: Local tax policies have a direct effect on regional economic growth.

If the local taxation policy implementation does not affect PAD, then its effect on economic growth also tends to be suboptimal. Research by Arin et al (2019) explained that it was necessary to adjust tax policy with income to produce optimal economic growth. By assuming local taxation policies can affect PAD, the sevents hypothesis built in this study is:

H7: PAD plays a role in mediating the indirect effect of taxation policies on regional economic growth.

The Relationship Between Budget Policies and Regional Economic Growth

Pan & Ngo (2016) mentioned that one of factors which determined regional development performance, based on Romer (1986)'s endogenous theory was government policies. Government policy in the context of regional development was a political policy that created economic advantages with several activities including capital investment projects and the establishment of special economic zones. Based on

this, the regional budget policy for regioal development in the context of increasing the size of the economy is related to capital expenditure and increasing regional potential.

According to research Arin et al. (2019) that several budget policies variabels had a close relationship with economic growth in the near and medium erm. Some of these budget policies were capital expenditures, education expenditures, to development priority program expenditures. The Keynessian economic growth theory of the Harrod-Donmar model stated that the dynamics of income was determined by the accumulation of non-productive consumption and investment which consisted of the accumulation of basic production assets (Tarasova & Tarasov, 2018). On that basis, based on the Harrod-Domar theory, government capital expenditures can affect economic growth. Research by Waryanto (2017); Yuliana (2014) has proven empirically that capital expenditures can affect economic growth. Therefore, the eighth hypothesis built in this studi is:

H8: Budget policies affect the economic growth.

The magnitude of tourism potential, taxation policies and PAD in an area needs to be supported by appropriate budget policies. The budget policy in this context supports the capital expenditure sector, and the regional potential development budget. Even based on Linawati & Suhardi (2018) the influence on economic growth needed to be moderated by budget policy. Therefore, the following hypothesis is built:

H9: Budget policy plays a role in strengthening the influence of PAD on economic growth.

RESEARCH METODS

This study uses monthly data from 2014 to 2019 with a total of 60 obervations, which are analyzed using the *Structural Equation Modeling Partial Least Square* (SEM-PLS) method. Operationalization of variables in this study are as follows:

Table 1
Operationalization of Variables

Variable	Label	Definition	Item	Source
Regional Economic Growth	PE	Increase in total income of per capita income in an area determined by maximizing the use of prodaction factors such as land, labor, and capital (Mukhopadhyay, 2020).	PDRB (Regional Gross Domestic Product) based on base year 2010 (Hotman & Adolf, 2013; Jaya & Dwirandra, 2014; Rahman & Chamelia, 2015).	Statistics Central Bureau of Indonesia
Local Government Revenue	PAD	Regional revenues from sources that exist within the region itself and are collected based on applicable regulations (Halim & Kusufi, 2007).	PD (Local Tax), RD (Local Retribution), LPAD (Other Local Government Revenue), and HPKDP (Separated Regional Assets Management)	Kuningan District Regional Revenue Agency
Tax Policies	KP	Efforts related to increasing local tax revenues and regulations regarding the application of tariffs.	APP (Regional Revenue Icnrease Program Budget), and PO (Online Tax Collecting System) (Hotman & Adolf, 2013; Rahayu, 2010)	
Tourism	PAR	Activities of traveling and living in a place other than their place of origin for leisure, business, or other purposes for a period of not more than 1 year.	Kunjungan Hotel, Rumah Makan, and Destinasi Wisata (Sowwam et al., 2018)	Kuningan District Office of Youth, Sports, and Tourism
Budget Policies	KA	Regional budget allocation policies to realize the programs that have been arranged.	BM (Capital Expenditure), and AP (Tourism Budget)	Kuningan District Regional Secretariat

There are 3 reasons behind the analysis of this study using SEM-PLS. First, the data in this study tend to be small (60 observations) so it would be more appropriate to use SEM-PLS (Wong, 2013). Second, this study prioritizes its predictive ability, so it would be more appropriate to use the SEM-PLS model (Hair et al., 2012). Third, this study uses more than 1 dependent variable and quite a lot of independent variables. In addition, the SEM-PLS analysis was chosen in this study based on several advantages it has. Some of these advantages are its ability to model multiple dependent variables, tend to be able to handle multicollinearity, are free to the possibility of data interference, and have adequate predictive abilities (Garson, 2018).

The latent variables in this study are determined through the following equation:

$$LV = w1 * MV1 + w2 * MV2 + \ldots + wn * MVn \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

Where LV as latent variable, MV as manifest variable or indicator of the latent variable after standardization with [(Xi – Mean) / Standard Dev]. Then, w is outer weights where $i = 1, 2, …. $ n.

Furthermore, as referred by Hair et al. (2018) the general equation that depicts the relationship between latent variables and their indicators is as follows:

$$x = l * y + e \quad\text{...} 2$$

Where x indicates the indicator, y is the latent variable, l is the loading factor that shows the magnitude of the relationship between the indicator and its construct. Meanwhile, $e,$ indicates the random error of construct measurement. There are 5 latent variables in this study which will be tested for validity and construct reliability. The construct validity test is carried out by looking at the average variance extracted (AVE) value, while the reliability can be known from the composite reliability value (Garson, 2018). Referring to Ghozali (2016) if the AVE value is more than 0.7 then the construct is valid, then if the composite reliability is greater than 0.7 then the construct is reliable (Henseler et al., 2012). If the construct is invalid or unreliable, it will be repaired by eliminating the indicator that gets the smallest loading factor value.

After all constructs are declared valid and reliable, the goodness of fit test of the research model will be carried out by reviewing the R^2 value from the PLS SEM analysis that has been carried out. According to Chin (1998), if the R^2 value is between 0.19 to 0.32, then the model relationship is weak. If the value is between 0.33 to 0.66 then the relationship is moderate, whereas if it is above 0.67 then it shows a strong relationship. The model proposed in this study is as follows:

$$PAD = \beta1PAR + \beta2KP + e \quad\text{...} 3$$

$$PE = \beta3PAR + \beta4KP + \beta5PAD + \beta6KA + e \quad\text{...} 4$$

RESULTS AND DISCUSSION

The results of descriptive statistical analysis in this study are as follows:

Table 2
Descriptive Analysis Results

	Mean	Median	Max	Min	Std Dev	Obs
PAD	29.413	23.404	155.190	11.739	27.221	60
PD	6.463	6.525	11.349	2.562	2.119	60
RD	3.499	3.252	10.190	954	1.811	60
HKPD	488	100	3.449	0.000	956	60
LPAD	18.962	12.119	144.351	4.597	26.767	60
PO	3.185	3.902	4.816	0.000	1.688	60
APP	226	236.157	355.991	2.177	95	60
RM	108.140	91.276	223.230	41.989	50	60
HTL	27.178	23.595	207.173	10.931	25	60
DP	170.780	130.978	891.563	30.570	131	60
BM	21.928	23.765	31.764	11.268	6.348	60
AP	523	433	961	35	257	60
PDRB	1.245.042	1.238.661	1.446.742	1.069.454	111.906	60

Notes: The units used are millions of rupiahs, except for units for RM, HTL, and DP using the original numbers
Source: data processed by researchers

The PAD value is obtained from the sum of PD, RD, HKPD, and LPAD. The average PAD that Kuningan gets per month and PDRB is 29 billion rupiahs and 1,2 trillion rupiahs, respectively, which means that PAD contributes 2.4 percent to PDRB. This condition shows that there are a lot of opportunities for Kuningan District to increase its PAD. The local tax (PD) that Kuningan collects per month is 6.5 billion rupiah with taxes collected through the online system (PO) of 3.19 billion rupiah. It means that the participation of local taxpayers in online collection system reaches 49%.

The average budget for increasing the tourism aspect per month is 523 million rupiah. When compared with local tax revenues of 6.5 billion, the contribution to the use of the tourism budget is only 8%. It means that a better strategy and implementation is needed in the preparation of tourism improvement programs. Based on Table 2, it can also be seen that the average monthly hotel visits in Kuningan are 27,178 for the last 5 years. 108,140 restaurant visits, and 170,781 visitors to tourist attractions per month.

Construction of Valid and Reliable Test

The resulst of Construction of Valid and Reliable Test can be seen from the table as follows:

Table 3
Frist Construction of Valid and Reliable Test Result

Variable	Composite Reliability	Decisions CR > 0,7	Average Variance Extracted (AVE)	Decisions AVE > 0,5
KA	0.119	Unreliable	0.709	Valid
KP	0.921	Reliable	0.854	Valid
PAD	0.448	Unreliable	0.301	Not Valid
PAR	0.751	Reliable	0.515	Valid
PE	1.000	Reliable	1.000	Valid

Source: data processed by researchers

Based on Table 3, there are variables that are not valid and reliable. The following is an overview of the initial model that was tested for validity and reliability:
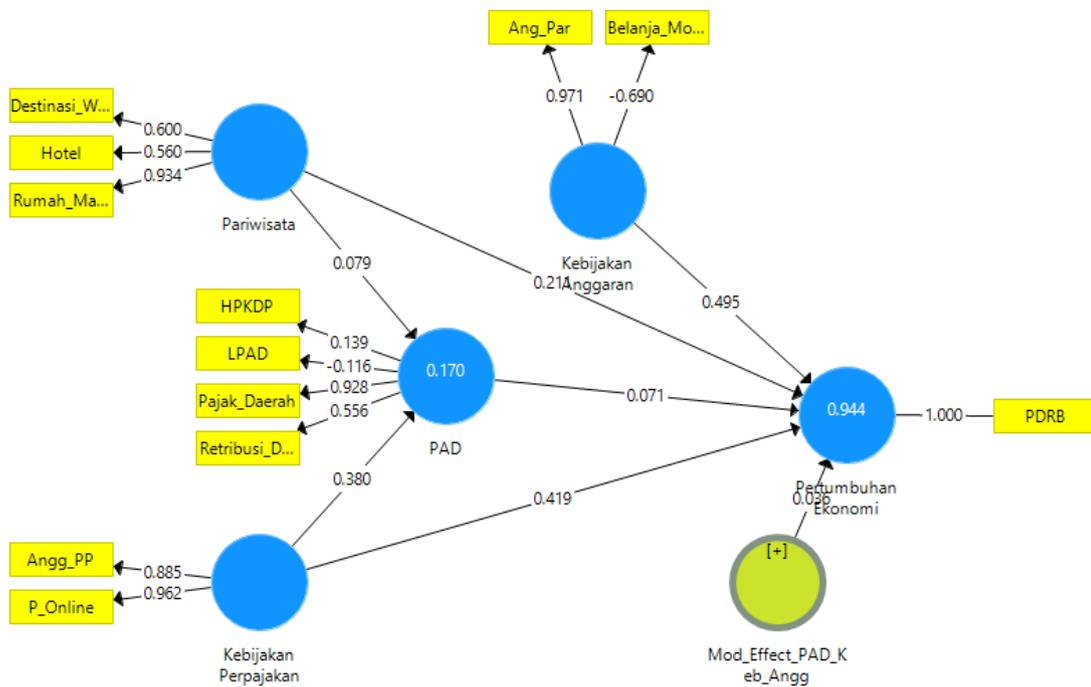

Figure 1
Initial Research Model Before Improvement Model
Notes: There are 3 different types of values from the model in figure 1 above. First, the number on the line connecting the blue circle to the yellow box is the outer weight or loading which shows the indicator's ability to reflect the lantent variable (its construct). Second, the number that is interconnected between latent variables is the path coefficient of the original sample value (not the result of bootstrapping). This figure shows the magnitude of the relationship between latent variables. Third, the white-printed numbers in the PAD and Economic Growth variables are the coefficients of determination (R-square) of each model.

The procedure to fix Not Valid and Reliable variables is to remove several

indicator items that get the lowest loading value until the variable becomes valid. The result is as follows:

Tabel 4
Validity and Reliability Test Results After Repair

Variabel	Composite Reliability	Decisions CR > 0,7	Average Variance Extracted (AVE)	Decisions AVE > 0,5
KA	1.000	Reliable	1.000	Valid
KP	0.922	Reliable	0.855	Valid
PAD	1.000	Reliable	1.000	Valid
PAR	0.758	Reliable	0.523	Valid
PE	1.000	Reliable	1.000	Valid

Source: data processed by researchers

After improvements have been made and all constructs are declared valid and reliable, the final structural model in this study is as follows:
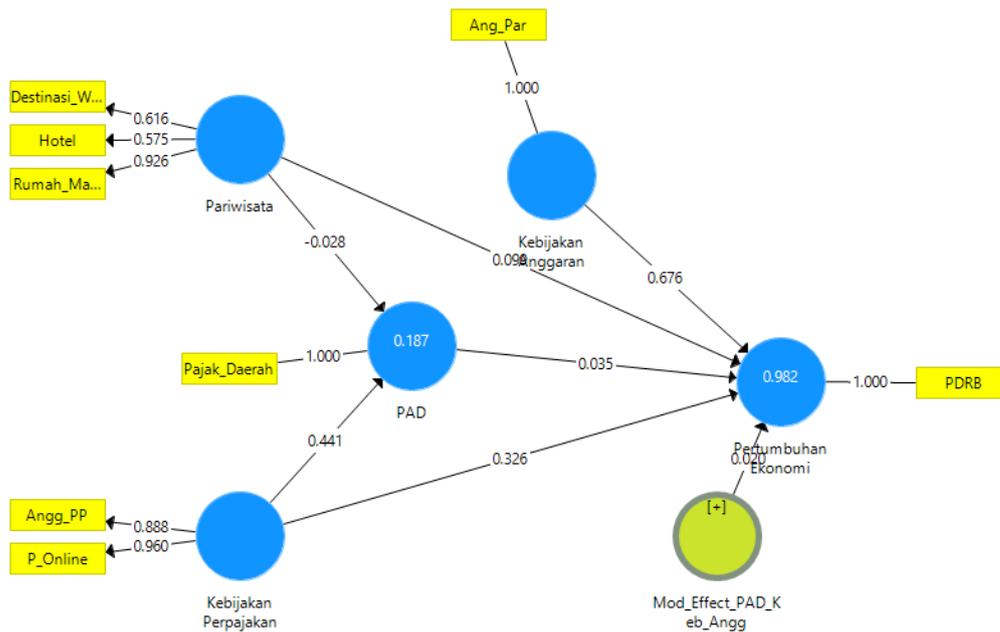

Figure 2
Research Final Model After Improvement
Notes: The figures in Figure 2 have the same interpretation as Figure 1. However, in Figure 2 several indicators are missing. For example, the PAD variable can only be reflected by the Local Tax indicator because the existence of other indicators such as those at the beginning of the model (figure 1) did not pass the validity test. The variable that reads Mod_effect PAD_Keb_Agg is not a latent variable, but rather as a moderating budget policy in strengthening or weakening the influence of PAD on Economic Growth.

Based on Figure 2, it can be seen the magnitude of the influence in the construct and in the structural model of this study. The most influential indicator or manifest

variable for the tourism construct is restaurant visits. Tax policy is more influenced by the online-based tax collection system. In the PAD construct, the only valid indicator that reflects PAD is local taxes. It means that the contribution of other PAD indicators can be said to be less consistent. As for the budget policy construct, only tourism budget indicators can reflect it in this structural model.

Inner Model Test

The inner model test in this study was conducted to determine the goodness of fit of the research model. The test uses the R-square value from the results of research data analysis. There are two structural models built in this research, namely the structural model of PAD and economic growth as follows:

Table 4
Inner Model Test Results

Model	Variable	R Square	Relationship
1	PAD	0.187	Weak
2	PE	0.982	Strong

Source: Data processed by researchers

Based on the table above, the relationship between tourism variables and tax policy on PAD is weak. The variance that occurs in the PAD variable is influenced by 18.7% of the variance in the tourism sector and tax policy. While the structural model of economic growth shows a strong relationship.

Hypotheses Testing Results

Hypothesis testing in this study can be seen from the table as follows:

Table 5
Hypotheses Testing Results

Number of Hipotesis	The Effect Between Variables	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Remark
1	PAD → PE	0,035	0,022	1,607	0,109	Rejected
2	PAR → PAD	-0,028	0,112	0,254	0,800	Rejected
3	PAR → PE	0,099	0,030	3,357	0,001**	Accepted
4	PAR → PAD → PE	-0,001	0,005	0,217	0,828	Rejected
5	KP → PAD	0,441	0,103	4,263	0,000*	Accepted
6	KP → PE	0,326	0,035	9,382	0,000*	Accepted
7	KP → PAD -> PE	0,016	0,012	1,291	0,197	Rejected
8	KA → PE	0,676	0,047	14,506	0,000*	Accepted
9	Mod_Effect_PAD_KA → PE	0,020	0,017	1,188	0,236	Rejected

Notes: *significant at 1%, **significant at 5%
Source: data processed by researchers

Based on Table 5, 4 of 9 hypoteses are accepted while the remaining 5 hypotheses are rejected. The decision to accept or reject the hypothesis is based on the p-values from the results of the SEM analysis. If the value is less than the significant level of 0.05 then the hypothesis is accepted, but if it is more than the significant level of 0.05 then the hypothesis is rejected. Based on Table 5, the structural equations in this study are as follows:

$$PAD = -0,028\,PAR + 0,441\,KP + 0,215 \quad\text{... 5}$$

$$PE = 0,099\,PAR + 0,326\,KP + 0,035\,PAD + 0,676\,KA + 0,134 \quad\text{.............................. 6}$$

The Effect of PAD on Economic Growth

This study cannot prove the influence of PAD on regional economic growth. These results are not in accorandance with the results of research from Barimbing & Karmini (2015); Kusumawati & Wiksuana (2018); Maryati (2010); Mawarni et al. (2013); Rori et al. (2016); Saraswati & Ramantha (2018); Setiyawati & Hamzah (2007). When viewed from its contribution to the APBD, Kuningan's PAD is classified as exceedingly small. This condition seems to be the main cause of the insignificant influence of PAD on Kuningan's economic growth.

The results of this study tend to be inconsistent with the theory of fiscal decentralization, that revenue autonomy should affect economic growth, because it allows regions to be responsible for their own income and expenditure (Yushkov, 2015). However, the ineffectiveness of PAD on economic growth is one of the classic problems of fiscal decentralization. In this context, fiscal decentralization tends to increase the fiscal gap between regions (Kee, 2004). In addition, according to Kee (2004) local governments also often lack a good public management system to support them in choosing the right taxation policies and budgets. This study is in line with the results of Anwar et al. (2016); Suwandika & Yasa (2015) which also cannot prove a positive influence of PAD on regional economic growth.

The Effect of Tourism on PAD

This study does not prove the significant influence of the tourism sector on PAD. This result is not in line with previous research from Kristiana et al. (2020); Tendean et al. (2014). However, this result is in line with the research of Purwanti (2014); Sugara & Winarso (2013) that tourism does not significantly affect PAD. The main causes of tourism not affecting PAD are the lack of innovation, inadequate infrastructure in the tourism sector, and the ineffectiveness of tourism tax revenues. The studies that have succeeded in proving the influence of tourism on PAD tend to be carried out in areas with adequate tourism infrastructure. For example, in Bali (Sari,

2014) and in Central Lombok (Rois & Fadliyanti, 2017).

This study tends to be in line with the results of the study Sabrina & Mudzhalifah (2018) which states that the number of tourists can actually not affect PAD. The findings in this study have implications for the importance of exploring and maximizing PAD from the tourism aspect. Without being supported by adequate facilities and infrastructure, tourism cannot maximally increase PAD. Investment needs to be directed towards the tourism sector to produce superior infrastructure and tourist destinations. As the opinion of Aratuo & Etienne (2019) that investments made for the tourism sector needs to be made for a long-term vision.

The Direct Effect of Tourism on Economic Growth

This study succeeded in proving the direct influence of tourism on economic growth. These results are in accordance with the regional development theory that the regional economy is determined by economic processes and the availability of resources in the form of values, businesses, residents, and tourists (Stimson et al., 2002). The quantity of tourists to an area according to this theory is considered capable of increasing the resulting economic output. These results tend to be in line with research from Amnar et al. (2017); Brida et al. (2020); Chulaphan & Barahona (2018); Jin (2011); Paci & Marrocu (2014); Sequeira & Nunes (2008) that tourism is proven to affect economic growth.

When reviewing its economic condition, Kuningan District is an area with a more dominant contribution from the agricultural sector to its economic growth. As a result, employment opportunities tend to be limited so that many Kuningan residents choose to migrate outside the city. Therefore, the tourism sector can be one of the mainstays to support the economy. Referring to the theory of regional economic development, the potential of the region in the form of tourism needs to be maximized. One of them is by providing infrastructure and supporting industries. Without being supported by adequate infrastructure, tourism cannot contribute to PAD. In other words, the Kuningan District government has not been able to maximally convert the tourism sector into income for the region.

The Role of PAD in Mediating the Indirect Effect of Tourism on Economic Growth

This study cannot prove the mediating role of PAD in the interaction of the indirect influence of tourism on economic growth. One of the reasons for this condition is that Kuningan's revenue has not been maximized. Therefore, the effect of tourism is felt directly through the increasing of income of residents surround the tourism area. It means that the magnitude of tourism potential is not compensated by the amount of PAD. When viewed from the magnitude of its influence, restaurant visits are more

dominant in shaping the tourism construct.

Not many visitors or tourists who come to Kuningan stay at the hotel. In fact, the tax from the hotel is the greater contribution to PAD revenue. These findings imply that the relationship between tourism and economic growth is a direct causal effect for regions with relatively low PAD. Efforts are needed to maximize the tourism sector so that it can contribute more to PAD revenue.

The Influence of Regional Tax Policy on PAD

The results of this study prove that tax policy has a positive effect on PAD. Better and more efficient regional taxation policies are associated with the increase in PAD. The results of this study are in line with previous research from Gani (2016); Iskandar & Andriani (2017); Novitaningsih et al. (2019); Rahmi (2013); Sarlina et al. (2019) that efforts which are part of tax policy have proven to have a significant effect on increasing PAD.

When viewed from the aspect of its contribution, the online-based local tax collection system significantly affects PAD. Although less than 50% of taxpayers already use the online system, it is sufficient to trigger an increase in PAD. On that basis, more maximum efforts are needed in increasing taxpayer participation to take advantage of this online-based collection system. Another benefit of the existence of this system is efficiency.

The Effect of Tax Policy on Regional Economic Growth

Tax policy in this study is proven to affect economic growth. These results strengthen the theory of endogenous growth that government policies tend to affect economic growth. The results of this study are also in line with research conducted by Dewi & Budhi (2018); Saragih (2018); Sihaloho (2020); Sunarto & Sunyoto (2016). When compared between PAD revenue and PDRB of 2.4 percent, there is still a lot of potential revenue that can be maximized by local governments.

However, local governments cannot be too aggressive in seeking taxes. A balance is needed between the tax rates applied and the prevailing economic conditions. This is because there is an inverted u shape relationship between taxes and economic growth. If the tariff is too high and too aggressive, it can actually damage the regional economy itself.

The Role of PAD in Mediating the Indirect Effect of Tax Policy on Economic Growth

Another result obtained from this study is that PAD has no significant role in mediating the indirect effect of tax policy on economic growth. This means that taxation policies are implemented not only to increase income, but also to stabilize the

regional economy. The effect of taxation policy on economic growth is direct, so even though it is not balanced with high PAD, tax policy can still affect economic growth.

The Effect of Budget Policy on Economic Growth

The budget policy in this study is proven to affect economic growth. This result is in line with the research of Arin et al. (2019) that several budget policy variables have a close relationship with economic growth in the short and medium term. If local governments support tourism development by increasing tourism budgets and building tourism supporting infrastructure, more optimal economic growth can be achieved. The endogenous theories of Romer (1986) serta Harrod-Domar cenderung relevan dengan kondisi ini.

The Role of Budget Policy in Moderating the Effect of PAD on Economic Growth

This study finds that budget policies cannot moderate the effect of PAD on economic growth. This result is not in accordance with research from Linawati & Suhardi (2018) which states that the influence of PAD on economic growth needed to be moderated by budget policy. When viewed from the aspect of magnitude, both PAD and budget policies, reflected through the tourism budget and capital expenditures, in Kuningan Regency tend to be minimal. This condition is the main reason for the rejection of this moderation hypothesis.

Robustness Checks

For robustness chechs, this study also estimates the research model using ordinary least squares (OLS) based regression analysis. The following is the model that was tested using regression:

$$PAD = \alpha 1 + \beta 1 HTL + \beta 2 DP + \beta 3 RM + \beta 4 PO + \beta 5 APP + e \dots\dots\dots\dots 7$$

$$PDRB = \alpha 2 + \beta 6 HTL + \beta 7 DP + \beta 8 RM + \beta 9 PO + \beta 10 APP + \beta 12 PAD + \beta 13 BM + \beta 14 AP + e \dots\dots\dots\dots 8$$

The results of the regression test can be seen from the table as follows:

Table 6
Robustness Check Resutls

	Model I	Model II
Constant	8.337	12.944
R^2	0.312	0.862
Adj R^2	0.248	0.840
Error	0.449	0.035
PAD	-	-0.017 (0.127)
HTL	0.724 (0.000)*	-0.027 (0.119)
DP	-0.298 (0.025)**	1.690 (0.998)
RM	-0.162 (0.335)	0.116 (0.000)*
PO	0.041 (0.023)**	0.015 (0.000)*
APP	-0.032 (0.618)	0.004 (0.369)
BM	-	-0.019 (0.245)
AP	-	0.017 (0.009)**

Notes : *significant at 1%, **significant at 5%

Based on Table 6, the influence of PAD on PE is not significant, meaning that the results of testing the first hypothesis of this study are robust. The tourism variable proxy has a positive effect on PAD, namely hotel visits and tourism destination visits, have a negative effect, while restaurant visits do not affect PAD. On the other hand, the online tax collection system has a positive effect on PAD, while the budget for increasing regional revenues shows a negative regression coefficient.

The proxy for tourism variables that have a positive effect on economic growth is restaurant visits. The online tax collection system also has a positive effect on economic growth. From the aspect of budget policy, the tourism budget proxy has a positive effect on economic growth, while capital expenditure has no proven effect. That is, based on checking the robustness check of the model, no significant difference was found.

CONCLUSION, LIMITATIONS AND SUGGESTIONS

The conclusion from this research is that tourism, taxation policy, and budget policy are especially important for regional economic growth. PAD is not proven to have a mediating role in the indirect influence of tourism and taxation policies. In fact, PAD itself cannot affect economic growth. This condition shows the existence of fiscal inequality which is one of the weaknesses of the concept of fiscal decentralization. Local governments that still rely on transfers from the central government tend to need to innovate and maximize the potential of their own regions.

This research can be used as a reference for areas that have similar potential and characteristics with Kuningan as the object of this research. However, further research is expected to increase the quantity of data and expand the scope of research,

for example at the provincial and even national levels. Further research is also expected to include other external variables that are predicted to have an influence on economic growth in the structural model. Among these variables are foreign investment, inflation, agriculture, to human resources.

For the local government of Kuningan District, it is expected to have a clear development focus by utilizing and exploring the potential of the region to the maximum. Primarily, Kuningan must focus on maximizing the tourism potential supported by the right budget policies. Local governments are also expected to direct investment to build supporting industries for the tourism sector and continue to innovate, so that tourism attractiveness can be increased.

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