

## THE EFFECT OF POVERTY, UNEMPLOYMENT, AND THE DEVELOPMENT OF ECONOMIC SECTORS ON LOCAL OWN-SOURCE REVENUE IN THE REGIONS OF CENTRAL JAVA PROVINCE

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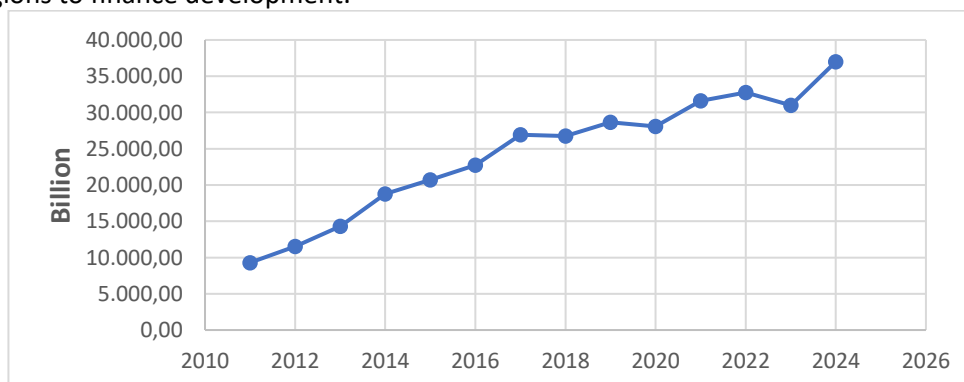
### Abstract

Local Own-Source Revenue (PAD) acts as the main benchmark to measure regional financial independence. This study aims to analyze the influence of poverty, unemployment, and economic sector development across regencies and cities in Central Java Province. This study uses secondary data from 35 regencies and cities in Central Java Province from 2011 to 2024. The method used is multiple linear regression with panel data. The findings reveal that poverty exerts a significant negative impact on PAD, whereas unemployment shows no significant influence. Similarly, the primary sector's contribution doesn't have a meaningful effect on PAD, while both the secondary and tertiary sectors demonstrate a significant positive impact. These results suggest that the fiscal capacity of regional governments in Central Java is shaped more substantially by advancements in the secondary and tertiary sectors than by the primary sector. Accordingly, local governments are encouraged to prioritize the growth of industry, trade, and services while sustaining effort to alleviate poverty in order to enhance overall regional fiscal capacity.

**Keywords:** PAD; Poverty; Unemployment; Primary Sector; Secondary Sector; Tertiary Sector

### INTRODUCTION

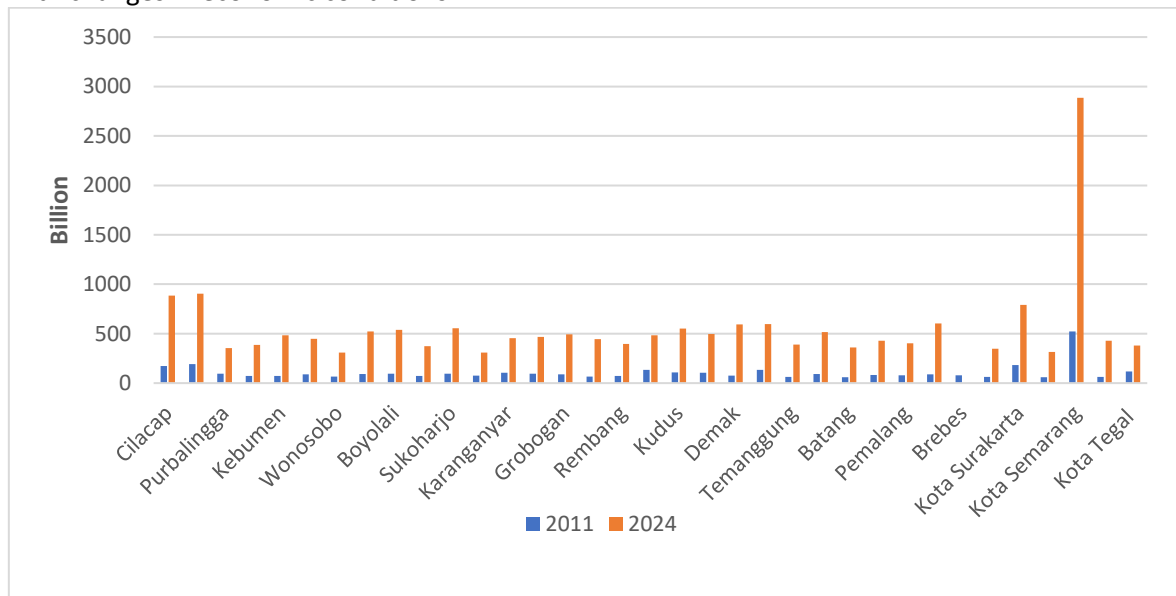
Public finance is the study that examines the role of the government in the economy, one of its functions being to encourage high economic growth. In addition, the government plays a role in promoting job creation and entrepreneurship. In Musgrave's theory, local governments manage public finance by providing public services and facilitating regional development (Biswan, 2022). However, not all regions have adequate fiscal capabilities. High levels of poverty and unemployment, as well as underdeveloped economic sectors in some areas, risk limiting the ability of regions to finance development.



Source: DJPK, 2026

Figure 1. 1 Local Own-Source Revenue in Central Java Province 2011-2024

Based on real data, Local Own-Source Revenue (PAD) realization in Central Java Province shows a long-term tendency to increase during the period 2011-2024. PAD realization in 2011 reached 9,292.60 billion rupiah and continued to increase, reaching 36,997.40 billion rupiah in 2024. However, this increase did not occur consistently. In 2018, PAD decreased compared to the previous year, and in 2020 PAD, again experienced a decline due to an economic slowdown triggered by the COVID-19 pandemic. Subsequently, PAD increased again in 2021 and 2022 as economic activity recovered but experienced fluctuations in 2023 before increasing again in 2024. This phenomenon shows that the capacity of regional revenue is not fixed but continues to change, fluctuate, and adapt following the ups and downs of economic activity in the region in accordance with changes in economic conditions.



Source: DJPK, 2026

Figure 1. 2 Local Own-Source Revenue in Central Java Province 2011 and 2024

The comparison of Local Own-Source Revenue (PAD) between regencies/cities in Central Java Province in 2011 and 2024 shows an increase in all regions. In 2011, the highest PAD was recorded in Semarang City at 521.54 billion Rupiah, while most other regencies/cities were in the range of 60 to 150 billion rupiah. By 2024, all regions will experience an increase in PAD, but the gap between regions remains clear. The city of Semarang reached 2,885.77 billion Rupiah, far outperforming most regencies, which are still in the range of 300-600 billion rupiah. This condition shows that there is a difference in the ability of each region to produce PAD. The regional economic structure and the community's socio-economic conditions contribute to these differences.

High poverty and unemployment rates indicate that the community's purchasing power and productivity are low, which directly limits the tax base and regional levies. As a result, although overall economic activity has increased, the contribution of poor groups to regional tax revenues remains limited (Iloabuchi, 2019). Without explicit policies targeting an increase in the bottom population, the economy risks increasing inequality. Although the government has implemented various poverty alleviation programs that have been able to reduce the number of poor people from year to year, these efforts are considered to have only partially succeeded in achieving the target of improving macroeconomic conditions (Darmawan & Wenagama, 2017).

In addition to socio-economic factors, the structure of the economic sector in each region also determines the regional revenue capacity. In Gross Regional Domestic Product (GRDP), the economic sector describes the contribution of each business field to the formation of regional added value. The more productive sectors develop, especially the base sector, the greater the

potential for regional tax and levy revenues (Armas & Kasmita, 2014; Sianturi & Tanjung, 2020).

The novelty of this study is distinguished from previous studies in the combination of social variables, namely poverty and unemployment, with economic structure variables consisting of the primary sector, secondary sector, and tertiary sector in analyzing Local Own-Source Revenue (PAD). This research was conducted because the increase in PAD in several regencies/cities in Central Java Province has not fully reflected regional fiscal independence due to the still inequality of social conditions and economic structures between regions. This study uses panel data during the 2011-2024 period so that it is able to capture the dynamics of regional changes and changes in economic structure more comprehensively.

## **LITERATURE REVIEW AND HYPOTHESIS FORMULATION**

### **Public Policy Theory**

The public policy theory proposed by Richard Abel Musgrave explains that the public sector budget has three main functions, namely allocation, distribution, and stabilization. The government employs these three functions to regulate and influence the economy at both the national and regional levels. In the context of local government, this theory is relevant as a basis for understanding how Local Own-Source Revenue (PAD) is managed to finance public expenditure and improve community welfare.

### **Structural-Change Theory**

Structural-change theory, pioneered by Lewis, focuses on the mechanisms applied by developing countries to change the structure of the domestic economy, initially emphasising traditional subsistence agriculture towards a more modern, urban-oriented economy, as well as more diverse manufacturing and service industries.

### **Local Own-Source Revenue (PAD)**

Local Own-Source Revenue (PAD) is revenue generated by a local authority through the collection of taxes and fees in accordance with local regulations and applicable legislation. The purpose of PAD is to empower local authorities to finance the implementation of regional autonomy based on each region's potential as a manifestation of decentralisation (BPK RI, 2020). The higher the proportion of PAD relative to total local revenue, the more evident the region's level of autonomy in funding various development obligations. Based on Law Number 33 of 2004 Chapter V article 6, the source of Local Own-Source Revenue (PAD) consists of:

- a. Local taxes
- b. Local fees
- c. Revenue from the management of segregated local assets; and
- d. Other legitimate local revenue

### **Poverty**

Poverty is a person's inability to meet basic needs in terms of food and non-food. These basic needs involve many aspects such as adequate food availability, appropriate clothing, adequate housing, access to education, and proper health services (BPS Kota Semarang, 2020). Poverty is not an isolated phenomenon but rather a reflection of the extent to which a region's economic development goals have been achieved. One of the key objectives of national development is to enhance economic performance, thereby creating employment opportunities and ensuring a decent standard of living for all citizens (Sudaryati et al., 2021). According to the unit of measurement, poverty is divided into four types, namely:

- a. Structural poverty: occurs because it is influenced by the unavailability of natural resources of the social, political, and cultural framework.

- b. Absolute poverty: occurs when people's income is not enough to meet basic daily needs such as housing, food, clothing, health services, and education to maintain their way of life.
- c. Relative poverty: occurs because the development program does not cover everyone, resulting in income inequality.
- d. Cultural poverty: occurs because social or individual attitudes are influenced by culture, such as a lack of enthusiasm to improve the quality of life, laziness, extravagance, and lack of creativity, even when there is help from outside.

### **Unemployment**

The unemployed are a group of people over the age of 15 who are classified as part of the labor force but have no income and still depend on other people, such as parents or family, to meet their basic needs, such as food, clothing, and shelter. The cause of unemployment is the number of jobs is limited and the number of job seekers is large, so unemployment occurs. Second, technological developments increase labor efficiency so that labor is no longer needed. Third, there is termination of employment because the company where they work goes bankrupt, so they are forced to have no job (Synagogue & Cantica, 2022).

### **Sector-Sector Economy**

The classification of business fields in regional Gross Regional Domestic Product (GRDP) is divided into three main groups to provide a clear picture of structural changes and in which direction the economy of a region is growing. The primary sector is a business group that involves activities that take natural resources directly, such as the agricultural sector, which includes the cultivation of food crops, plantations, and livestock, as well as the mining and quarrying sectors. The secondary sector includes activities that process raw goods for added value, such as the electricity, gas, clean water, and building or construction industries. The Tertiary Sector is a supporting sector that provides various types of economic services, such as the trade, hotel, and restaurant sectors; transportation and communication sectors; the financial, leasing, and corporate services sectors; and other service sectors (BPS Kota Magelang, 2010).

### **The effect of poverty growth on Local Own-Source Revenue (PAD)**

Poverty is one of the main markers of economic development. This, supported by research from Sudaryati et al. (2021), shows that the low welfare of the region is reflected in the high poverty rate. The lower the poverty rate, the higher the welfare of the community. Research from Thahira et al. (2025) states that unemployment has a positive and significant influence on poverty, meaning these areas' rates face double pressure on their PAD capacity. Therefore, the following hypothesis can be formulated.

***Ha<sub>1</sub>: Poverty growth has a negative effect on Local Own-Source Revenue (PAD)***

### **The effect of unemployment growth on Local Own-Source Revenue (PAD)**

Unemployment is when some people in the labour force can't find work, even though they want to (Ishak, 2018). In the context of regional fiscal capacity, the role of stability becomes important, because the government is expected to maintain economic stability, including controlling the unemployment rate. Research from Muryani (2024) found that unemployment has a positive and significant effect on poverty, reinforcing the argument that high unemployment creates a chain effect that weakens the regional economic base and ultimately negatively impacts PAD. Therefore, the following hypothesis can be formulated.

***Ha<sub>2</sub>: Unemployment growth has a negative effect on Local Own-Source Revenue (PAD)***

### **The effect of contribution from primary sector on Local Own-Source Revenue (PAD)**

Todaro & Smith (2011) revealed that in the early phase of development, the economy is still

largely dependent on the traditional subsistence agricultural sector. Research from Sianturi & Tanjung (2020) indicates that a more developed construction sector has a significant positive impact on Local Own-Source Revenue (PAD). This suggests that sectors that are comparatively more advanced, rather than traditional primary sectors, are more likely to contribute to PAD. Based on this description, the following hypothesis can be formulated.

***Ha<sub>3</sub>: The contribution of the primary sector has a negative effect on Local Own-Source Revenue (PAD)***

#### **The effect of contribution from secondary sector on Local Own-Source Revenue (PAD)**

The secondary sector, which in this study refers to the manufacturing industry, has the greatest potential to generate various types of sustainable local taxes. The theory of structural change explains that the modern industrial sector, which constitutes the secondary sector has a significantly higher marginal labour productivity than the subsistence sector. This is supported by research from Kencana et al. (2022) that local taxes and levies, the majority of which derive from industrial and commercial activities, have a positive and significant impact on local government revenue. Therefore, the following hypothesis can be formulated.

***Ha<sub>4</sub>: The contribution of the secondary sector has a positive effect on Local Own-Source Revenue (PAD)***

#### **The effect of contribution from tertiary sector on Local Own-Source Revenue (PAD)**

This sector consists of components that are directly linked to local government revenue. This is because hotel tax, restaurant tax, and local government levies, which are included as part of the tertiary sector, is clearly defined as a subject of local taxation. This supported by research from Kencana et al. (2022) that regional taxes and regional levies are the components that are most sourced from the tertiary sector where they have a positive and significant effect on local own-source revenue. Based on this description, the following hypothesis can be formulated.

***Ha<sub>5</sub>: The contribution of the tertiary sector has a positive effect on Local Own-Source Revenue (PAD)***

## **RESEARCH METHODS**

### **Research Design**

The type of research used in this study is quantitative. The source of the research data is secondary data. Information regarding poverty data 2011-2024, unemployment 2011-2024, and economic sectors such as primary, secondary, and tertiary sectors for 2011-2024 comes from Badan Pusat Statistik of Indonesia. Meanwhile, data on Local Own-Source Revenue (PAD) for 2011-2024 comes from the official website of the Direktorat Jenderal Perimbangan Keuangan (DJPK).

### **Data Analysis Techniques**

This study used panel data, which panel data is a combination of time series data and cross-section data. This study uses time series data with a vulnerable time of 14 years, from 2011 to 2024, while the cross-section data in this study is 35 regions in Central Java Province, which consists of 29 regencies and 6 cities, so that the total data of this study is 490 data. This study was conducted to test the influence of poverty, unemployment, the primary sector, the secondary sector, and the tertiary sector on Local Own-Source Revenue (PAD). To process the data using the Eviews-10 software. This study employs the following equations.

$$PAD_{it} = \alpha + \beta_1 PV_{it} + \beta_2 UN_{it} + \beta_3 PS_{it} + \beta_4 SS_{it} + \beta_5 TS_{it} + e$$

Where PAD is Local Own-Source Revenue (billion rupiah), B1-5 is the coefficient of independent variables, PV is poverty (percent), UN is unemployment (percent), PS is primary sector

(billion rupiah), SS is secondary sector (billion rupiah), TS is tertiary sector (billion rupiah),  $\alpha$  is constant,  $e$  is Error Term,  $i$  is cross section, and  $t$  is time series.

In the analysis of panel data. It is necessary to use the right model in regression. In the regression panel data, there are three models, namely common effect, fixed effect and random effect. Thus, to test the suitability or goodness of the three methods in the estimation technique with the panel data model, Chow Test, Hausman Test, and Breusch-Pagan (Lagrange Multiplier) Test (Gujarati & Porter, 2009) were used. Furthermore, classical assumption test will conduct, which including normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test to ensure that the model meets the basic assumptions of regression. In measuring the model's ability to explain the dependent variable, the coefficient of determination ( $R^2$ ) will use, while hypothesis testing used the F test (simultaneous) and t test (partial).

## RESULTS AND DISCUSSION

### Panel Data Regression Analysis

Based on the Chow test and the Hausman test of the three Common Effect, Fixed Effect, and Random Effect models, the best model to choose in this study is the Fixed Effect Model. In this study, the regression output has been declared to have passed the classical assumption test, so that this regression output can be used.

Table 1. Panel Data Regression Analysis Results

| Variable              | Coefficient | t-Statistic | P-Value |
|-----------------------|-------------|-------------|---------|
| Constant (C)          | 218.7161    | 4.0897      | 0.0001  |
| Poverty (PV)          | -18.2679    | -5.9164     | 0.0000  |
| Unemployment (UN)     | 0.0047      | 1.4001      | 0.1622  |
| Primary Sector (PS)   | 0.0091      | 3.0106      | 0.0028  |
| Secondary Sector (SS) | 0.0109      | 9.9379      | 0.0000  |
| Tertiary Sector (TS)  | 0.0097      | 16.5358     | 0.0000  |
| R-squared             | 0.9419      |             |         |
| Adjusted R-squared    | 0.9368      |             |         |
| F-statistic           | 187.0798    |             |         |
| P-Value(F-statistic)  | 0.0000      |             |         |

Source: Secondary Data, 2026 (Processed with EvIEWS 10)

Based on Tabel 4.9, the equation from the result of the panel data regression estimation using the Fixed Effect Model is show as follows.

$$\hat{PAD}_{it} = 218.7161 - 18.2679PV_{it} + 0,0047UN_{it} + 0,0091PS_{it} + 0,0109SS_{it} + 0,0097TS_{it}$$

Based on the regression equation above, it can be understood that the constant value of 218.7161 indicates the average value of Local Own-Source Revenue (PAD) when the influence of independent variables and individual effects in the model are taken into account, the poverty variable has a negative and significant effect on Local Own-Source Revenue (PAD), which was evidenced by a t-statistic value of -5.9164. This means that every 1 percent increase in poverty will decrease PAD by -18.2679 percent, the unemployment variable does not affect Local Own-Source Revenue (PAD), as shown by a t-statistic value of 1.4001, the primary sector variable does not affect Local Own-Source Revenue (PAD), as indicated by a t-statistic value of 3.0106, the secondary sector variable has a positive and significant effect on Local Own-Source Revenue (PAD), as shown by a t-statistic value of 9.9379. This means that every 1 billion Rupiah increase in the secondary sector will raise the Local Own-Source Revenue (PAD), by 0.0109 billion Rupiah, the tertiary sector variable has a positive and significant effect on Local Own-Source Revenue (PAD), as shown by a t-statistic value

of 16.5358. This means that every 1 billion Rupiah increase in the tertiary sector will raise the Local Own-Source Revenue (PAD) by 0.0097 billion Rupiah.

### Elasticity Test

The results of the elasticity test in this study are as follows.

Table 2. Elasticity Test Results

| Variable              | Coefficient | Average X<br>( $\bar{x}$ ) | Average Y<br>( $\bar{y}$ ) | Elasticity |
|-----------------------|-------------|----------------------------|----------------------------|------------|
| Poverty (PV)          | -18.26789   | 12.14216                   | 345.0526                   | -0.6428    |
| Unemployment (UN)     | 0.004731    | 206.3120                   | 345.0526                   | 0.0028     |
| Primary Sector (PS)   | 0.009143    | 5808.702                   | 345.0526                   | 0.1539     |
| Secondary Sector (SS) | 0.010850    | 11743.47                   | 345.0526                   | 0.3693     |
| Tertiary Sector (TS)  | 0.009734    | 17120.68                   | 345.0526                   | 0.4830     |

Source: Data Processed, 2026

Based on the results of the elasticity tests for each independent variable, the poverty variable has the largest absolute elasticity value at -0.6428. This indicates that, compared to the other independent variables, the poverty variable is the most responsive to changes in Local Own-Source Revenue (PAD) in Central Java Province from 2011 to 2024. A negative elasticity value indicates that an increase in poverty will reduce Local Own-Source Revenue (PAD).

### Analysis Cross-Section Fixed Effect

The results of the cross-sectional fixed-effects analysis are presented in the following table.

Table 3. Results of the Cross-Sectional Fixed-Effects Analysis for the Five Regencies/Cities with the Greatest Impact on Local Own-Source Revenue (PAD)

| Rank | Regencies/Cities | Effect   | C        | Constant |
|------|------------------|----------|----------|----------|
| 1    | Kebumen Regency  | 209.6747 | 218.7161 | 428.3908 |
| 2    | Rembang Regency  | 193.9747 | 218.7161 | 412.6908 |
| 3    | Banyumas Regency | 175.3898 | 218.7161 | 394.1059 |
| 4    | Wonosobo Regency | 173.5626 | 218.7161 | 392.2787 |
| 5    | Pemalang Regency | 144.8368 | 218.7161 | 363.5529 |

Source: Data Processed, 2026

Based on the table above, it can be seen that Kebumen Regency has the largest positive cross-sectional effect at 209.6747, resulting in a constant value of 428.3908. Thus, if all regencies and cities in Central Java Province experienced an increase or decrease by the same percentage, the greatest impact on the increase in Local Own-Source Revenue (PAD) would occur in Kebumen Regency.

Table 4. Results of the Cross-Sectional Fixed-Effects Analysis for the Five Regencies/Cities with the Lowest Impact on Local Own-Source Revenue (PAD)

| Rank | Regencies/Cities | Effect    | C        | Constant  |
|------|------------------|-----------|----------|-----------|
| 1    | Kudus Regency    | -770.2174 | 218.7161 | -551.5013 |
| 2    | Cilacap Regency  | -567.9174 | 218.7161 | -349.2013 |
| 3    | Semarang Regency | -148.6971 | 218.7161 | 70.0190   |
| 4    | Semarang City    | -117.1502 | 218.7161 | 101.5659  |

|   |                |          |          |          |
|---|----------------|----------|----------|----------|
| 5 | Kendal Regency | -86.6289 | 218.7161 | 132.0872 |
|---|----------------|----------|----------|----------|

Source: Data Processed, 2026

Based on the table above, the lowest Cross-Section Effect value is found in Kudus Regency, at -770.2174, which results in a constant value of -551.5013. Thus, if all regencies and cities in Central Java Province experienced an increase or decrease by the same percentage, the smallest impact on the increase in Local Own-Source Revenue (PAD) would occur in Kudus Regency.

## Discussion

The effect of each independent variable on the dependent variable:

### The effect of poverty growth on Local Own-Source Revenue (PAD)

Based on the panel data regression estimation results,  $H_a$  is accepted meaning that poverty growth has a negative and significant effect on Local Own-Source Revenue (PAD) in regencies/cities of Central Java Province in the 2011-2024 range. In line with research conducted by Hannyfah et al. (2023), which show that poverty has a significant negative influence on GDRP.

The results of this study are in line with the public policy theory put forward by Musgrave that the government has a role in allocation, distribution, and stabilization in the economy. Through the distribution function, the government seeks to reduce inequality and improve welfare. When poverty can be minimized, the economic activity of the community will increase, which in turn will increase the potential for regional income. On the contrary, the high poverty rate can shrink the regional economic base and reduce the ability of local governments to collect income.

### The effect of unemployment growth on Local Own-Source Revenue (PAD)

Based on the panel data regression estimation results,  $H_a$  is rejected meaning that unemployment growth has insignificant effect on Local Own-Source Revenue (PAD) in regencies/cities of Central Java Province in the 2011-2024 range. The results of this finding are in line with research from Hardiansyah (2025) which found that unemployment does not have a significant effect on GDRP. This condition arises because the ongoing economic development is not accompanied by a balanced increase in labour absorption, so that the shift in the unemployment rate has not been able to significantly affect regional economic performance.

The insignificance of unemployment to PAD is due to the characteristics of regional sources of revenue that do not directly depend on labour market conditions. As long as economic activities in the regions continue and the main sectors are still able to produce products optimally, PAD can continue to increase despite changes in the unemployment rate. The results of this research can be attributed to the public policy theory put forward by Musgrave, that the government has the functions of allocation, distribution, and stabilization in the economy. One of the goals of public policy is to create job opportunities and improve people's welfare. This in Central Java Province is more influenced by the development of economic sectors that can generate added value and economic activity than changes in the unemployment rate.

### The effect of primary sector's contribution to Local Own-Source Revenue (PAD)

Based on the panel data regression estimation results,  $H_a$  is rejected meaning that primary sector's contribution has insignificant effect on Local Own-Source Revenue (PAD) in regencies/cities of Central Java Province in the 2011-2024 range. The results of the study are in line with the findings of Restiani & Widyastuti (2022) who found that the agricultural sector has a relatively low contribution to PAD, so it does not have a significant influence on increasing regional income. The study also indicates that the increase in PAD is more likely to be sourced from other revenue components outside the agricultural sector.

The primary sector still has a significant role in the economy of Central Java, especially in districts that have an agrarian economic base. However, the primary sector's contribution to

economic activity is not directly reflected in the increase in PAD. Meanwhile, primary sector activities in Central Java are still mostly in the form of micro-businesses, family-based businesses, and small-scale production that have limitations in generating regional taxes and levies. As a result, although the value of primary sector production increases, the increase does not necessarily provide a significant increase in revenue for local governments. In other words, the primary sector contributes more to improving people's welfare and the formation of economic output than to increasing PAD directly.

#### **The effect of secondary sector's contribution to Local Own-Source Revenue (PAD)**

Based on the panel data regression estimation results,  $H_a$  is rejected meaning that secondary sector's contribution has a positive and significant effect on Local Own-Source Revenue (PAD) in regencies/cities of Central Java Province in the 2011-2024 range. The results of the study are in line with the findings of Sianturi & Tanjung (2020) which states that the secondary sector has a significant positive influence on Local Own-Source Revenue (PAD). This research is also in line with the findings of Sari (2023) who stated that the secondary sector has a significant positive influence on Local Own-Source Revenue (PAD). This research is supported by Hardianty et al. (2023), who found that the increase in this sector reflects the rise in gross value added generated by production units in a given area.

The results of this study are in line with the theory of structural change, where economic development is characterized by an increase in the role of sectors that have high productivity and added value. The secondary sector is one of the sectors that is able to produce output with greater economic value through processing and development activities. Therefore, increasing the contribution of the secondary sector can strengthen regional economic activities, increase community income, and encourage an increase in Local Own-Source Revenue (PAD).

#### **The effect of tertiary sector's contribution to Local Own-Source Revenue (PAD)**

Based on the panel data regression estimation results,  $H_a$  is rejected meaning that tertiary sector's contribution has a positive and significant effect on Local Own-Source Revenue (PAD) in regencies/cities of Central Java Province in the 2011-2024 range. The results of this finding are in line with research from Sari (2023) which states that the tertiary sector has a significant positive influence on Local Own-Source Revenue (PAD). This research is also in line with the findings of P. Kusuma & Yuniasih (2021) which found that the tertiary sector has a significant positive effect on economic growth, suggesting that the growth of service-based activities is capable of boosting regional economic performance and enhancing economic value added.

The results of this study are also in line with the theory of structural change. The results of this study are also in line with the theory of structural change, which states that economic development is characterized by the increasing role of the modern sector, including the service sector, in encouraging economic activities. Therefore, the tertiary sector is one of the sectors that can create high added value and make a great contribution to the economy, thereby expanding the source of regional revenue in Central Java Province.

#### **CONCLUSION**

1. Poverty growth has a negative and significant effect on Local Own-Source Revenue (PAD).
2. Unemployment growth does not have a significant effect on Local Own-Source Revenue (PAD).
3. The contribution of the primary sector does not have a significant effect on Local Own-Source Revenue (PAD).
4. The contribution of the secondary sector has a positive and significant impact on Local Own-Source Revenue (PAD).

5. The contribution of the tertiary sector has a positive and significant impact on Local Own-Source Revenue (PAD).

#### IMPLICATION

1. Poverty growth  
Various initiatives to empower the community's economy, such as developing MSMEs providing productive business capital, improving access to education, job skills training, and strengthening the village economy, need to be continuously enhanced.
2. Unemployment Growth  
In addition, the government can also develop incubation programs for MSMEs and youth entrepreneurship, provide support in the form of productive business capital, and organize job fairs and digital employment platforms that connect job seekers with the business sector.
3. Contribution of the primary sector  
Local governments need to change their perspective on developing the primary sector, from just increasing production output to creating greater economic value. Policies that can be implemented include modernizing agriculture through technology use, improving the quality of irrigation infrastructure, building integrated agricultural production centers, and expanding access to financing for farmers and businesses.
4. Contribution of the secondary sector  
Local governments should speed up the industrialization process by creating a good investment climate, speeding up business licensing processes, improving the quality of road, energy, and logistics infrastructure, and providing integrated industrial zones. Industrial sector development should focus on industries closely related to local economic potential to create a multiplier effect for the economy.
5. Contribution of the tertiary sector  
Local governments need to support the strengthening of this sector by improving the quality of trade and transportation infrastructure, developing regional tourist destinations, digitizing public services, and boosting the creative economy and service-based MSMEs. The results of this study are also in line with the theory of structural change, which states that economic development is characterized by the increasing role of the modern sector, including the service sector, in encouraging economic activities.

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