

# Local Economic Growth: Does Local Original Income Mediate its Relationship with PBB-P2 and BPHTB?

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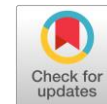
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## ABSTRACT

This study aims to scrutinize the interrelation between the Rural and Urban Land and Building Tax, referred to as *Pajak Bumi dan Bangunan Perdesaan dan Perkotaan* (PBB-P2), and the Land and Building Rights Acquisition Fee, known as *Bea Perolehan Hak atas Tanah dan Bangunan* (BPHTB), concerning their influence on Local Economic Growth, with Regional Original Income serving as an intervening variable. The study relies on secondary data sources and encompasses a population of 35 regions within Central Java Province from 2019 to 2021. The research employs the saturated sampling method, resulting in the selection of 105 samples. Methodologically, the analysis entails using path analysis and the Sobel test. The findings reveal a positive and statistically significant impact of PBB-P2 and BPHTB on Regional Original Income. Furthermore, PBB-P2 and Regional Original Income exhibit a positive and statistically significant influence on Local Economic Growth, while BPHTB's effect on local economic growth remains inconclusive. Notably, Regional Original Income, acting as an intervening variable, exerts a discernible influence on the impact of both PBB-P2 and BPHTB on Local Economic Growth. This study contributes to the existing body of knowledge by shedding light on the intricate relationships between property taxation, land acquisition fees, regional income, and local economic growth, offering valuable insights for policymakers and stakeholders in regional economic development and fiscal policy planning.



## KEYWORDS

Local Economic Growth  
Regional Original Income  
PBB-P2  
BPHTB  
Local Tax



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## Introduction

In the early days of Indonesia's government, the governance structure was based on a centralization system administered by the central government. However, due to difficulties coordinating between local and central governments, the government eventually changed its policy to decentralization, giving rise to regional autonomy as a manifestation of decentralization. In line with the principles of decentralization, the government is free to seek funding sources for activities related to the implementation of regional autonomy (Saputri & Nuryati, 2018).

Law Number 23 of 2014 on Regional Government states that the central government grants freedom to every region to collect, control, and manage regional development funds in accordance with the laws and regulations. Regional Original Revenue, or *Pendapatan Asli Daerah* (PAD), is a benchmark of regional self-sufficiency and the success of implementing regional autonomy (Nisa & Bahari, 2022). It means that the government and the community play a crucial role in generating regional income to improve the development quality in their respective regions. As an implementation, regional governments must optimize the potential of their regions, including their sources of revenue, one of which is PAD.

Regulation of the Ministry of Administrative and Bureaucratic Reform (*Permenpan*) Number 54 of 2011 states that the participatory principle involves government institutions and other stakeholders mutually influencing each other to achieve their goals. It means that the role of the community as

stakeholders becomes crucial in increasing government revenue derived from local taxes. The amount of tax successfully collected by each region reflects how that region is developing, making the role of the community as a stakeholder in paying taxes important for its regional development. The functioning of government, economic growth, income distribution, and the development of a country are largely funded by local taxes. In connection with this, a study by Johansson et al. (2005), as cited in Fauzie (2016), also asserts that taxes are closely related to economic growth.

One of the government's possible steps is to promote state revenue through the taxation sector (Irawan & Ariesanti, 2018). According to Susanto (2019), PAD acts as a driver of economic growth, meaning that PAD's role as a fiscal component of local government in promoting development and regional income distribution can facilitate economic activities and consumption, thus contributing to the increase in Regional Gross Domestic Product (*Produk Domestik Regional Bruto/PDRB*) (Susanto, 2019). An increase in PAD is considered futile if not accompanied by economic growth. When PAD increases, the region's resources and self-reliance will also increase.

In line with this, the elasticity test of PAD to Regional Gross Domestic Product (PDRB) for provincial governments, according to Bappenas in Desmawati et al. (2015), indicates an elasticity value of  $\geq 1$ . This argument demonstrates how changes in PDRB positively and significantly affect changes in PAD. As a result, PAD growth may be more sensitive to increases in PDRB (Desmawati et al., 2015). Local governments can promote economic growth and make more efforts to tap into regional potentials (Rifai & Priono, 2022). One of these efforts involves tax revenues from the property sector, such as Property Tax (PBB-P2) and Acquisition of Rights over Land and Building Tax (BPHTB). It means that PAD can mediate the influence of PBB-P2 and BPHTB on regional economic growth.

The Central Statistics Agency (*Badan Pusat Statistik/BPS*) of Central Java Province reported that the economic growth of Central Java grew by 3.32% in the fourth quarter of 2021. This growth significantly improved compared to the previous year, which saw a decline of -2.65%. The decline resulted from the emergence of Covid-19, which impacted both the national and global economies. The construction sector played a crucial role in this improvement, as it experienced a growth of 7.37% in 2021, making it the fastest-growing sector in Central Java.

Central Java Province is one of the strategic provinces, and property development is also thriving, leading to many newcomers settling in Central Java. According to the Property Demand Index Trend in Central Java in the first quarter of 2021, the combined property demand index (houses and apartments) increased by up to 31.9% compared to the previous year. The high interest of the population in property ownership has an impact on the increased revenue obtained through Property Tax (PBB-P2) and Acquisition of Rights over Land and Building Tax (BPHTB) on transactions that occur. It means that the presence of land is essential when viewed from both economic and social aspects. Land serves more than just a foundation for living creatures to carry out various activities; it also provides the means for survival and livelihood (Langelo, 2019).

According to the National Budget Policy Center (2016), income from the real estate sector represents a potential source of government revenue that can enhance local taxing power. The construction and real estate sectors are among the most significant and crucial because they can stimulate activities in various economic sectors and influence economic growth. Local government revenue instruments originating from the property sector include (1) Property Tax (PBB-P2), (2) Acquisition of Rights over Land and Building Tax (BPHTB), and (3) Building Permit (IMB). Local taxes from PBB-P2 and BPHTB provide financial benefits to local governments in managing economic growth.

This research can serve as a foundation for consideration by local governments, especially the Regional Financial Management Agency (*Badan Pengelolaan Keuangan Daerah*) or the Regional Revenue Agency (*Badan Pendapatan Daerah*), in making decisions related to the planning and management of local own-source revenue concerning the impact of Property Tax (PBB-P2) and Acquisition of Rights over Land and

Building Tax (BPHTB) on regional economic growth, mediated by PAD as an intervening variable. It is hoped that with innovation and improved tax service quality, taxpayers will increasingly comply with their tax obligations, and the tax revenue collected can be used for development purposes. Therefore, regional economic growth can also increase when regional development is more equitable. This research analyzes the influence of PBB-P2 and BPHTB revenue on regional economic growth, with local own-source revenue as an intervening variable. This study contributes to the existing body of knowledge by shedding light on the intricate relationships between property taxation, land acquisition fees, regional income, and local economic growth, offering valuable insights for policymakers and stakeholders in regional economic development and fiscal policy planning.

### Literature Review

Freeman (1984) defines stakeholders as organizations or individuals who influence and are affected by the organization's efforts to achieve its goals. Mardiasmo (2018) explains that there are two groups of public sector stakeholders in government, namely the taxpayers (external stakeholders) and the local government (internal stakeholders). The relationship between stakeholder theory and economic growth can be seen through society's crucial role (external stakeholders) as taxpayers and public managers or local governments (internal stakeholders) as administrators, considered to mutually influence and be influenced in achieving common goals. Taxpayers must comply with their tax obligations (Surahman & Putra, 2018). The goal is to increase local revenue used to finance regional development, reflected in the growth of the regional economy. Regional funding is an essential aspect the government requires to finance various regional development expenditures (Jazilah & Panggiarti, 2020).

The research framework and expected sign for the hypotheses are presented in Figure 1.

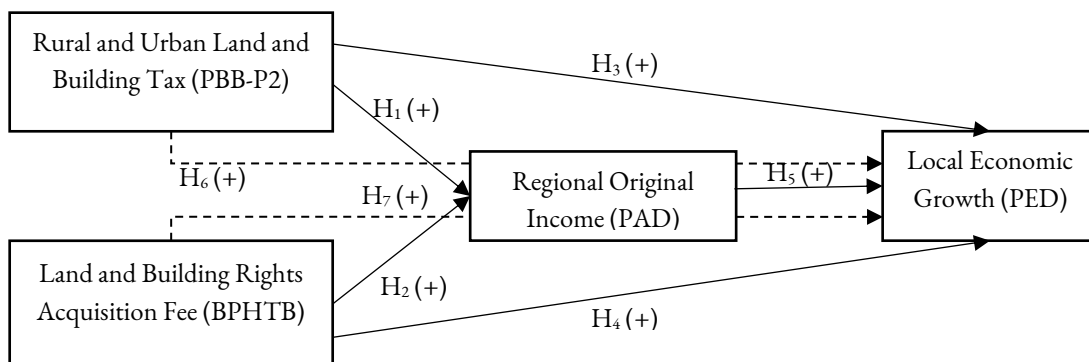


Figure 1. Research Framework

### The Effect of PBB-P2 on Regional Original Income

The transfer of Land and Building Tax (PBB-P2) to local taxes requires local governments to continue managing PBB-P2 effectively so that it can reflect the autonomy of a region and present its opportunities and challenges in maximizing PBB-P2 revenue (Hatta & Amalia, 2015). The interconnection of shared interests between PBB-P2 and local revenue is evident through the roles of stakeholders, namely local governments (internal stakeholders) and the community (external stakeholders) as taxpayers, mutually influencing the attainment of regional autonomy.

According to the Center for State Budget Policy (2016), government revenues from the property sector have the potential to enhance local taxing power, as evidenced by the increasing interest of the population in the regencies/cities of Central Java Province to invest in the property sector, leading to a surge in property sector transactions. Therefore, the Land and Building Tax (PBB-P2) can positively and significantly impact local revenue. This is consistent with the research conducted by Hukom et al. (2021), Paramban et al. (2018), and Matanari and Siagian (2022), which states that PBB-P2 influences local revenue.

H1. PBB-P2 positively affects Regional Original Income.

### ***The Effect of BPHTB on Regional Original Income***

The BPHTB, originally part of central taxes, has been transferred to local taxes. This transfer plays a role in creating a beneficial impact on local revenue. Furthermore, the interconnectedness of shared interests between BPHTB and PAD is reflected in the role of stakeholders. Rapid developments in the property sector from year to year imply that the people of Central Java have high ownership of assets in the form of land and/or buildings. According to the Center for APBN Policy (2016), government revenue from the property industry can potentially increase local taxing power. The higher the BPHTB, the higher the local revenue. Testing that has proven the positive and significant impact of BPHTB on PAD comes from research conducted by Hukom et al. (2021) and Matanari and Siagian (2022).

H2. BPHTB positively affects local-owned revenue.

### ***The Effect of PBB-P2 on Local Economic Growth***

One factor that influences local economic growth is local taxes from the property sector, such as PBB-P2. According to the Policy Center of APBN (2016), one of the most important sectors is the property sector because it can drive activity in many financial and economic sectors and affect employment and economic growth. In this regard, research by Johansson et al. (2005) in Fauzie (2016) also states that taxes are closely related to economic growth. Increasing regional revenues sourced from PBB-P2 paid by taxpayers indicates that regional economic activities are going well. External stakeholders, such as taxpayers and internal stakeholders, namely local governments, exert mutual influence on each other's efforts in attaining regional autonomy and advancement, ultimately manifesting in favorable local economic expansion. This assertion aligns with prior research corroborated by Hukom et al. (2021), Paramban et al. (2018), Fauzie (2016), and Wicaksono (2020).

H3. PBB-P2 positively affects Local economic growth.

### ***The Effect of BPHTB on Local Economic Growth***

One indicator that is considered influential and closely related to local economic growth is regional taxes (Fauzie, 2016). According to the Policy Center of APBN (2016), one of the most important sectors is the property sector because it can drive activity in many financial and economic sectors and affect employment and economic growth. Increasing regional revenues sourced from BPHTB paid by taxpayers indicates that regional economic activities are going well. Because an increase in BPHTB will also improve local economic growth, this has a favorable effect on it. The results supporting BPHTB affects local economic growth are Hukom et al. (2021) and Fauzie (2016).

H4. BPHTB positively affects Local economic growth.

### ***The Effect of Regional Original Income on Local Economic Growth***

For the central and regional governments, achieving economic growth is the main goal. Therefore, an increase in PAD is considered useless if an increase in economic development does not accompany it. Increasing PAD can also be an opportunity for economic growth, meaning that regions with increased PAD will have the opportunity to receive positive economic growth (Rifai & Priono, 2022). The findings of studies by Hukom et al. (2021), Paramban et al. (2018), and Rifai and Priono (2022) support the fact that PAD has a significant and positive impact on local economic growth.

H5. Local economic growth positively affects PAD.

### ***The Effect of Regional Original Income in Mediating PBB-P2 on Local Economic Growth***

Stakeholders, as defined by Freeman (1984), encompass both organizations and individuals who have the capacity to impact and are subject to the organization's endeavors to realize its objectives. It means that the existence of local government organizations is greatly influenced by its stakeholders, in this case, the public as taxpayers. PAD is expected to be able to mediate the influence of PBB-P2 on local economic growth because with an increase in PBB-P2, the PAD of a region also increases. Therefore, the role of taxes, especially PBB-P2, which PAD mediates, is important to support the financing of government administration in building infrastructure so that economic growth can increase. According to Hukom et al.

(2021), PBB-P2 and BPHTB significantly affected PAD and local economic growth. PBB-P2 and BPHTB also significantly affected local economic growth indirectly through PAD.

H6. PBB-P2 through PAD positively affects Local economic growth.

***The Effect of Regional Original Income in Mediating BPHTB on Local Economic Growth***

The role of stakeholders implies that the community greatly influences the existence of a local government in achieving economic growth goals as taxpayers. PAD is believed to mediate the impact of BPHTB on regional economic growth, so if BPHTB increases, PAD will also increase. According to the Center for APBN Policy (2016), revenue from the property sector is a potential source of government income that can enhance local taxing power. The role of taxation becomes crucial in supporting infrastructure development for the welfare of the people. In connection with this, one of the factors that can influence BPHTB is economic growth (Fauzie, 2016). Testing conducted by Hukom et al. (2021) found that PBB-P2 and BPHTB significantly impact PAD and regional economic growth, and indirectly, PBB-P2 and BPHTB significantly affect economic growth through PAD.

H7. BPHTB, through PAD, positively and significantly affects Local economic growth in Central Java Province's districts and cities.

**Research Method**

This study uses the dependent variable, namely local economic growth. The independent variables are PBB-P2 and BPHTB, and the intervening variables are regional original income. This study uses the total amount of revenue realization for each variable for each region in Central Java Province. The natural log (Ln) measurement indicator is used because with natural log, the amount of revenue can be simplified without changing the proportion of the actual value and can reduce the fluctuation of data that differ between research variables.

Table 1 explains the operational research variables.

**Table 1.** Operational Definition and Variable Indicators

Variable	Definition	Variable Indicators
Regional Original Income (PAD)	PAD is all regional revenues originating from the original regional economy (Halim, 2004).	PAD receipts in each district and city are measured using the formula: <b>PAD = Ln PAD</b>
Local Economic Growth (PED)	Economic Growth is the occurrence of economic progress in a certain year when compared with the previous year (Sukirno, 2006).	Annual PED Revenues at Constant Prices in regencies and cities are measured using the formula: <b>PED = Ln PED</b>
Rural and Urban Land and Building Tax (PBB-P2)	PBB-P2 is land and/or building tax that is owned, controlled, and used by individuals or entities (Mardiasmo, 2019: 429)	The revenue of Urban Rural Land and Building Tax (PBB-P2) in each district and city. Measured using the formula: <b>PBBP2 = Ln PBBP2</b>
Land and Building Rights Acquisition Fee (BPHTB)	BPHTB is a tax on acquiring land and/or building rights (Mardiasmo, 2019: 436)	BPHTB revenue in each district and city is measured using the formula: <b>BPHTB = Ln BPHTB</b>

Source: Processed for research, 2023

The documents used are Budget Realization Reports (*Laporan Realisasi Anggaran/LRA*) and Notes on Financial Statements (*Catatan atas Laporan Keuangan/CaLK*) for districts/cities in Central Java. Meanwhile, PED is obtained from the respective district/city BPS. This research includes the population of all the regencies and cities of Central Java Province. The Central Java Province's 35 regions and cities from

2019 to 2021 serve as the sample for this analysis. The sample size determination by saturated sampling. A sample calculation is calculated based on total districts and cities multiplied by three years =  $35 \times 3 = 105$ .

The hypothesis in this study was tested using path analysis, t-test, and Sobel test. This analytical method is used to determine whether there is an indirect effect of PBB-P2 and BPHTB through PAD on PED. The SPSS version 25 was used for the data analysis.

In this study, the analytical technique employed was path analysis, which extends the principles of multiple linear regression analysis. Path analysis involves regression analysis to estimate the causal connections between variables established according to theoretical frameworks. Additionally, the Sobel test was applied to assess the influence of the independent variable on the dependent variable via mediating variables. Two structural regression equations were constructed to elucidate the relationships proposed in the hypotheses and calculate the path coefficient (Ghozali, 2018).

$$\text{PAD} = a + b_1.\text{PBB} + b_2.\text{BPHTB} + e_1 \quad (\text{Equation 1})$$

Where: PAD is Regional Original Income;  $b_1, b_2$  is Regression coefficient; PBB is Rural and Urban Land and Building Tax (PBB-P2); BPHTB is Fees for Acquisition of Land and Building Rights;  $e_1$  is Variance comes from other factors outside the research model

$$\text{PED} = a + b_1.\text{PBB} + b_2.\text{BPHTB} + b_3.\text{PAD} + e_2 \quad (\text{Equation 2})$$

Where: PED is Local economic growth;  $b_1, b_2, b_3$  is Regression coefficient; PBB is Rural and Urban Land and Building Tax (PBB-P2); BPHTB is Fees for Acquisition of Land and Building Rights; PAD is Regional Original Income;  $e_2$  is Variance comes from other factors outside the research model

## Results and Discussion

The descriptive statistics are shown in Table 2.

**Table 2.** Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Ln PBBP2	93	22.96	25.20	24.0576	0.50457
Ln BPHTB	93	22.15	25.23	23.8011	0.71910
Ln PAD	93	25.26	27.36	26.6083	0.29858
Ln PED	93	29.62	31.34	30.6318	0.39682

Source: Secondary Data Processed (2023)

Based on Table 2, the mean value of each variable is higher than the standard deviation. Thus, the distribution of research data indicates that there are small deviations.

**Table 3.** Result for Equation 1

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
Constant	15.129	1.015	14.903	0.000
Ln PBBP2	0.366	0.044	8.398	0.000
Ln BPHTB	0.112	0.031	3.678	0.000

Source: Secondary Data Processed (2023)

The PBB-P2 variable exhibits a significance level of 0.000, less than 0.05. It concludes that PBB-P2 exerts a positive and statistically significant impact on PAD (Hypothesis 1 is supported). Similarly, tests on the second variable, BPHTB, also yielded a significance level 0.000, indicating that BPHTB has a positive and statistically significant effect on PAD (Hypothesis 2 is supported). Referring to Table 3, the multiple linear regression model equation for the first regression equation in the path analysis reveals the influence of PBB-P2 and BPHTB on PAD.

$$\text{PAD} = 15.129 + 0.366\text{PBB} + 0.044\text{BPHTB}$$

**Table 4.** Result for Equation 2

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
Constant	6.391	2.388	2.677	0.009
Ln PBBP2	0.266	0.073	3.623	0.000
Ln BPHTB	0.030	0.041	0.734	0.465
Ln PAD	0.643	0.133	4.830	0.000

Source: Secondary Data Processed (2023)

Furthermore, the significance level for PBB-P2 is 0.000, less than 0.05. It concludes that PBB-P2 exerts a positive and statistically significant impact on local economic growth (Hypothesis 3 is supported). In contrast, the significance level for BPHTB is 0.465, greater than 0.05. Therefore, it is concluded that BPHTB does not have a statistically significant effect on local economic growth (Hypothesis 4 is not supported). The PAD variable's significance level is 0.000, which is less than 0.05, resulting in the conclusion that PAD has a positive and statistically significant influence on local economic growth (Hypothesis 5 is supported). Referring to Table 4, the multiple linear regression model equation for the second regression equation in the path analysis reveals the combined influence of PBB-P2 and PAD on local economic growth.

$$PED = 6.391 + 0.266PBBP2 + 0.643PAD$$

**Table 5.** Sobel Test Results

Coefficients Indirect Effects (Sab)	Sab
PBB-P2→PAD→PED	$\sqrt{(0.643^2 \cdot 0.044^2 + 0.366^2 \cdot 0.133^2 + 0.044^2 \cdot 0.133^2)}$ 0.056605
BPHTB→PAD→PED	$\sqrt{(0.643^2 \cdot 0.031^2 + 0.112^2 \cdot 0.133^2 + 0.031^2 \cdot 0.133^2)}$ 0.025223
	Ab Sab t-value
PBB-P2→PAD→PED	0.643 x 0.366 = 0.235338 0.056605 4.157547
BPHTB→PAD→PED	0.643 x 0.112 = 0.072016 0.025223 2.855171

Source: Secondary Data Processed (2023)

The computed t-value for the impact of PBB-P2 on PED, mediated by PAD, as presented in Table 5, is 4.157. At a significance level of 0.05, the critical t-table value is 1.96, or it can be expressed as t-count > t-table, which translates to 4.157 > 1.96. Consequently, it can be affirmed that PBB-P2 exerts a statistically significant and positive influence through PAD on local economic growth (Hypothesis 6 is supported). Moving forward, the calculated t-value for the influence of BPHTB on PED, mediated by PAD, is determined to be 2.855. With a significance level of 0.05, the critical t-table value is 1.96. In this case, the t-count surpasses the t-table value, with 2.855 > 1.96. Thus, it can be concluded that BPHTB exerts a statistically significant and positive influence through PAD on local economic growth (Hypothesis 7 is supported). The influence obtained from the research variables can be seen more concisely in Table 6.

**Table 6.** Complete Model Path Coefficient Decomposition

No	Effect	Direct Effect	Indirect Effect Through Z	Total
1	PBB-P2 → PAD	0.618	-	-
2	BPHTB → PAD	0.271	-	-
3	PBB-P2 → PED	0.339	-	-
4	BPHTB → PED	0.055	-	-
5	PAD → PED	0.484	-	-
6	PBB-P2 → PAD → PED	-	0.299	-
7	BPHTB → PAD → PED	-	0.131	-
8	(PBB-P2 → PED) + (PBB-P2 → PAD)(PAD → PED)	-	-	0.638
9	(BPHTB → PED) + (BPHTB → PAD)(PAD → PED)	-	-	0.186

Source: Secondary Data Processed (2023)

### ***The Influence of PBB-P2 on Regional Original Income***

PBB-P2 significantly and positively influences PAD. It means that an increase in PBB-P2 revenue will increase PAD. The high demand for residential properties in Central Java Province, such as land and buildings, has implications for increased housing development, encouraging people to invest. The interconnectedness of local taxes like PBB-P2 with PAD is inseparable from the role of stakeholders. The roles of internal stakeholders, such as the local government, and external stakeholders, as taxpayers, namely the community, mutually influence the process of achieving regional development. Previous research that aligns with these test results includes Hukom et al. (2021) and Paramban et al. (2018).

### ***The Influence of BPHTB on Regional Original Income***

BPHTB has a positive and significant impact on PAD. The high interest of the Central Java community in owning land and buildings as assets will result in increased BPHTB revenue, thereby leading to an increase in PAD. The relationship between BPHTB and PAD is inseparable from the role of stakeholders. Thus, the role of the local government as an internal stakeholder and external stakeholders, namely the community as taxpayers in local governance, mutually influence each other to achieve regional development. Supporting findings for this research come from Hukom et al. (2021) and Matanari and Siagian (2022), which conclude that BPHTB revenue significantly impacts PAD.

### ***The Influence of PBB-P2 on Local Economic Growth***

PBB-P2 has a significant and positive relationship with regional economic growth. It implies that the revenue from PBB-P2 paid by taxpayers can effectively influence economic activities in their respective regions. The community as taxpayers (external stakeholders) and the local government as internal stakeholders mutually influence each other in achieving good economic growth in a region. Consequently, this positively impacts the increasing PAD obtained from PBB-P2 on economic growth. This finding is consistent with the analysis by Hukom et al. (2021).

### ***The Influence of BPHTB on Local Economic Growth***

BPHTB does not have a significant impact on regional economic growth. This condition is attributed to the lower realization of BPHTB revenue than PBB-P2, where out of 93 samples, only 32 BPHTB data samples had a higher realization than PBB-P2. It indicates that local tax revenue derived from BPHTB cannot yet be considered sufficient to finance overall regional development efforts to boost economic growth. The role of the local government needs to be enhanced in optimizing BPHTB revenue. Supporting research findings that BPHTB does not significantly affect Regional Economic Growth comes from Wicaksono (2020) and Mononimbar et al. (2017).

### ***The Influence of Regional Original Income on Local Economic Growth***

Regional original revenue (PAD) is the primary source of income for developing a region. The success of regional economic growth, as an important goal for the government, is reflected in the rapid development of the region and well-functioning economic activities. Regulation Number 54 of 2011 from the Ministry of Administrative and Bureaucratic Reform emphasizes that the relationship between stakeholders and the community will be mutually beneficial if the government's goal of regional autonomy can be achieved. Therefore, when PAD experiences an increase, it will significantly impact regional economic growth. This finding is consistent with the analyses of Rifai and Priono (2022) and Hukom et al. (2021).

### ***The Effect of Regional Original Income in Mediating PBB-P2 on Local Economic Growth***

The research results indicate that PBB-P2 (local property tax) significantly influences regional economic growth through PAD (local revenue) as an intervening variable. PAD has been able to mediate the influence in this test, meaning that with an increase in PBB-P2, PAD will also increase. Collaboration in increasing PAD is demonstrated by the community (external stakeholders) as PBB-P2 taxpayers and the local government (internal stakeholders) as the entity managing tax revenues, where these tax revenues are managed as a source of regional development financing. When regional development is equitable, regional



economic growth can be achieved effectively. This hypothesis is supported by the findings of Hukom et al. (2021).

### ***The Effect of Regional Original Income in Mediating BPHTB on Local Economic Growth***

As an intervening variable, PAD can mediate the influence of BPHTB (local property transfer tax) on regional economic growth, meaning that with an increase in BPHTB, PAD will also increase. Therefore, revenue derived from BPHTB paid by taxpayers can stimulate a region's economy. The higher the BPHTB revenue, the more directly proportional it is to the increase in PAD and regional economic growth. When regional development is equitable, the economic growth of a region is achieved effectively. Those of Hukom et al. (2021) are the previous analyses that align with this finding.

### **Conclusion**

The findings of this study indicate that both PBB-P2 and BPHTB exert a positive and statistically significant impact on local revenue. Furthermore, PBB-P2 and regional original income are positively and significantly influenced by local economic growth, although they do not directly affect local economic growth. Notably, regional original income plays a mediating role in the relationship between PBB-P2 and BPHTB and their influence on local economic growth.

In terms of research contributions, this study offers valuable insights into the dynamics between property taxation, land acquisition fees, local revenue, regional original income, and local economic growth. It underscores the importance of regional original income as a mediator in understanding how PBB-P2 and BPHTB affect local economic growth. These findings contribute to the existing body of knowledge in the field of regional economics and fiscal policy planning.

However, it's essential to acknowledge certain limitations in this research. One limitation involves the identification of outlier data, which led to a reduction in the sample size from the initial 105 to 93 data points. Additionally, this study relies on data spanning only three years, specifically from 2019 to 2021.

Future research endeavors could consider expanding the scope by incorporating additional relevant variables, enlarging the geographical area under investigation, extending the research period, and incorporating alternative indicators for measurement. Moreover, for practical implications, it is suggested that Central Java district/city governments focus on enhancing the quality of tax services. This could involve implementing innovative programs and conducting socialization activities aimed at promoting taxpayer compliance, especially concerning PBB-P2 and BPHTB obligations.

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