# The Effect of Village Funds, Special Allocation Funds, Revenue Sharing Funds on Regional Inequality in the Regencies/Cities of South Sumatra Province

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Abstract. Regions' development is a high priority for Indonesia and is critical for food, equity, and economic growth. To address the problems of economic inequality between regions, the government has created several funds to balance funding for regional development. This study aims to analyze the effect of the Village Funds (DD), Special Allocation Funds (DAK), Revenue Sharing Funds (DBH) on Regional Inequality in the Regencies/Cities of South Sumatra Province during 2015-2019. The research covers 14 regencies and cities of South Sumatra Province. This study uses secondary data, including Village Funds, Special Allocation Funds, Revenue Sharing Funds, and Regional Inequality. Meanwhile, other data is available from the Central Statistics Agency of South Sumatra Province and the Directorate General of Fiscal Balance. The data analysis method used is the Williamson Index and 3 nel data regression analysis that has met the requirements of 🔼 classical assumption test and model suitability test. The results of this study are as follows: (1) The Village Funds have a positive and significant effect on Regional Inequality, with the regression coefficient value reaching 0.067. It means that every 1% increase in village funds will increase the value of regional inequality by 0.067. (2) Special Allocation Funds (DAK) and Revenue Sharing Funds (DBH) have a negative and significant effect on Regional Inequality. Each increase in the Special Allocation Fund and Profit Sharing Fund by 1% will cause a decrease in the Regional Inequality Index by 0.022 and 0.050. (3) Regional Inequality in South Sumatra Province is significantly determined by 72% of the variables of the Village Funds, Special Allocation Funds (DAK), and Revenue Sharing Funds (DBH). In comparison, other variables outside the model determine the remaining 28%.

**Keywords:** Village  $\overline{F}$ und, Special Allocation Fund, Revenue Sharing Fund, Regional Inequality, State Revenue and Expenditure Budget, Regional Revenue and Expenditure Budget.

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