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DO RECOVERY LOAN, PHYSICAL FUND, AND SOCIAL GRANT AFFECT GROSS REGIONAL PRODUCTS?

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Abstract:
Research objective: This research aims to investigate the impact of economic recovery loans (PEN), physical allocation funds (DAK), and social grant of village fund (BLT) on the gross domestic regional product (GDRP) of Indonesian districts and cities through unbalanced data panel regression.
Method: This research was conducted using the quantitative method using documentation for collecting the numerical data and panel regression for analyzing the data.
Research findings: The research finds that each of PEN, DAK, or BLT has a positive and significant influence on GDRP. Moreover, the implementation of the BLT has been very effective, even though, there are several obstacles, including budget limitations, mismatch in recipient data, and lack of distribution facilities.
Practical implication: This study suggests that PEN should be continued to accelerate economic recovery for regions affected by COVID-19, but the selection of regional governments as beneficiaries should be more selective.

Keywords: PEN; GDRP; DAK; BLT; Indonesia.

Abstrak:
Tujuan penelitian: *Penelitian ini bertujuan untuk menyelidiki dampak pinjaman pemulihan ekonomi (PEN), dana alokasi fisik (DAK), dan bantuan langsung tunai (BLT) terhadap produk domestik regional bruto (PDRB) kabupaten dan kota di Indonesia dengan menggunakan regresi panel data tidak seimbang.*
Metode: *Penelitian ini dilakukan dengan menggunakan metode kuantitatif dengan menggunakan dokumentasi untuk mengumpulkan data numerik dan regresi panel untuk menganalisis data.*
Temuan penelitian: *Penelitian ini menemukan bahwa masing-masing dari PEN, DAK, atau BLT memiliki pengaruh positif dan signifikan terhadap PDRB. Selain itu, pelaksanaan BLT telah berjalan dengan sangat efektif, meskipun terdapat beberapa kendala, seperti keterbatasan anggaran, ketidakcocokan data penerima, dan kurangnya fasilitas distribusi.*
Implikasi praktis: *Studi ini menyarankan agar PEN tetap dilanjutkan untuk mempercepat pemulihan ekonomi bagi daerah yang terdampak COVID-19, namun pemilihan pemerintah daerah sebagai penerima manfaat harus lebih selektif.*

Kata kunci: PEN; PDRB; DAK; BLT; Indonesia.

INTRODUCTION

It has been almost two years since Indonesia was hit by the COVID-19 pandemic storm, and its impact on society has been significant. People have lost their jobs while their purchasing power has declined. The pandemic has caused Indonesia's economy to fall into a recession, experiencing two consecutive quarters of negative growth in 2020. In 2020, the unemployment rate increased by 1.79 percent from the previous year, rising to 7.07 percent. Most of this increase is due to layoffs or reductions in working hours to adjust to unfavorable economic conditions. The rise in unemployment has also impacted per capita income, which fell to IDR 57.73 million in 2020 from IDR 59.3 million in the previous year (Sekaranti & Juliarto, 2022). According to Indonesian Central Bureau of Statistics (2020-2021), the average GDRP for provinces impacted by the COVID-19 pandemic has slightly increased in 2021 compared to 2020. However, some provinces such as East Nusa Tenggara and Bali have experienced a decline. Bali's GDRP dropped due to a reduction in foreign tourists of around 16,000 to 17,000 people entering the island daily due to the PSBB/PPKM measures. Consequently, the tourism industry in Bali has lost potential income reaching billions of rupiah daily with an average spending per foreign tourist of IDR 20 million (Mawar, Andriyani, Gultom, & Ketiara, 2021). According to Indonesian Central Bureau of Statistics (2020-2021), among the districts and cities that received Economic Recovery Loan, the ones that were most affected by the COVID-19 pandemic and showed a decline in GDRP from 2020 to 2021 were Bogor City, Badung Regency, and Kendari City. In 2020, Bogor City's GDRP was IDR 265,435 billion, which decreased to IDR 248,934 billion in 2021. Meanwhile, Morotai Island Regency had the lowest accumulated GDRP in 2020-2021, totaling IDR 2,963 billion.

One of the Government's economic recovery initiatives is providing Economic Recovery Loan to accelerate economic recovery in the regions. Economic Recovery Loan are provided to regions to support infrastructure development activities that were previously halted due to refocusing and reallocation caused by a decline in regional income. These loans enable the Regional Government to construct necessary facilities and infrastructures to support public services for the community. According to the Tiebout Model, which was explained by Tiebout (1956), the provision of public goods and services can be more efficient if the local government implements it directly. This is because they have a better understanding of the needs of their region. Moreover, the quality of public services is closely linked to the level of regional capital expenditure, which is used to provide various facilities and infrastructure for the smooth functioning of government tasks and public facilities (Situngkir, 2009). Capital expenditure refers to the amount of money spent by the government to improve regional facilities and infrastructure. To finance capital expenditure, regional governments are required to use expenditure budgets that can encourage regional economic independence through economic growth. This can be achieved by increasing per capita income. Research conducted by Suryatiningrum et al. (2020) shows that capital expenditure has a significant impact on per capita income.

Research has been conducted on government provision of fiscal stimulus during the COVID-19 pandemic. Pang (2022) in his paper, analyze the government's fiscal policy that provides transfers to individuals affected by the pandemic, with a focus on financing for the future. The research method used involves a static and dynamic analysis model to study the impact of money externality on labor supply, which in turn affects the average wage level. The study also explores the relationship between post-epidemic health, labor productivity and fiscal policy. The conclusion drawn from the research is that fiscal policy alone cannot be effective without government coordination. This coordination includes paying attention to working hours and finding the optimal size of public debt, which is influenced by production technology and the level of risk and transmissibility of disease.

The Central Government provides PEN Loans to Regional Governments for their development. In addition, the government also offers financial assistance in the form of Transfers to Regions (TKD), which include Physical Special Allocation Funds (Physical Allocation Fund) and Direct Cash Assistance – Village Funds (Social Grants), which is new research that combines three independent variables at once to determine the relationship with GDRP. These programs aim to improve people's purchasing power through labor-intensive programs and immediate assistance. A study was conducted to determine whether Economic Recovery Loan, Physical Allocation Fund, and Village BLT, as independent variables, along with population, consumption, inflation, and poverty, as control variables, have an impact on Regional GDP as a dependent variable, either partially or simultaneously. This research could potentially shed light on whether there is a correlation between Economic Recovery Loan and GDRP.

LITERATURE REVIEW

Jensen and Meckling (1976) explains that agency theory is an agency relationship between the principal and the agent, where the principal represented by the central government as the policy maker, hands over decision-making authority to the agent represented by the regional government. The principal is the party who provides the funds, while the agent is the party who is given the authority to manage the funds in accordance with the principal's interests through certain requirements. Furthermore, the principal and agent try to always optimize their respective interests in acting. Therefore, differences in interests between the principal and agency agent may occur when the agent's actions are not in accordance with the principal's interests, resulting in agency problems.

Furthermore, agency problems occur because of information asymmetry between the agent and the principal (Firmansyah, Utami, Umar, & Mulyani, 2020). Information asymmetry occurs when the agent has more information data than the principal. The agent, in this case the regional government, has complete information data regarding local government resources, programs and activities, while the principal, represented by the central government, only has little information. Therefore, regional governments are obliged to disclose information on resource management activities to the central government, so that financial information disclosed and reported by regional governments to the central government can reduce information asymmetry and enable supervision of regional government operational activities (Zimmerman, 1977).

In 1997, while serving as the British Prime Minister, Tony Blair introduced the concept of joint government, also known as joined-up government. The idea was to create a better foundation for public sector organizations, administration, and regional policies (Christensen & Lægreid, 2007). This approach was later named "Whole of Government" and became an integral part of the New Public Management (NPM) reform. Unlike the previous approach that focused only on economics, the Whole of Government approach encompasses insights from other social sciences as well. This comprehensive strategy was developed to improve the functioning of the government as a whole (Bogdanor, 2005).

Whole of Government (WoG) is an approach to government administration that unites collaborative government efforts from all broader sectors to achieve the goals of policy development, program management and public services. Therefore, WoG is also known as an interagency approach, namely an approach that involves a number of institutions related to relevant affairs (Moza Pandawa Sakti, 2021). Furthermore, WoG has quite broad components, where individuals can differentiate between WoG policy making and WoG implementation, between horizontal and vertical linkages, and the targets of WoG initiatives can be groups, localities, or policy sectors (Pollitt, 2003). Meanwhile, Shergold (2004) explained that WoG is seen as showing how a public service agency operates across sectors

in order to achieve common goals and as an integrated government response to certain issues which include policy development, program management and service delivery. Therefore, the implementation of creative financing can encourage the involvement of all stakeholders, namely the Central Government and House of Representatives (DPR), Regional Government and Regional People's Representative Assembly (DPRD), as well as the private sector and the community.

Behn (2003) consider that measuring performance is something good. The reason is that private sector companies are better at measuring performance and management compared to the public sector. This is explained by the financial ratios used in the business world to measure company performance which are not suitable when used for the public sector. Therefore, performance is a tool for measuring the performance of the public sector, one of which is regional government. The next question is, what and how to measure this performance. The following are various opinions related to performance measures for the public sector, namely: (1) Wholey and Newcomer (1997) explained that general performance measurement at all levels of government and non-profit organizations is a reflection of society's demands for evidence of the effectiveness of programs that have been implemented; (2) Hatry (1999) noted that performance monitoring systems are starting to be used for budget formulation and resource allocation, employee motivation, performance contracts, improving government services as well as communication between society and government, and for external accountability purposes; (3) Ammons (1995) conducted research to measure performance at the local government level, the use of more sophisticated measurement systems will support management processes, better informed resource allocation decisions, increased legislative oversight, and increased accountability; and (4) Behn (2003) concluded that performance measurement can be used for various purposes. Each individual has different goals, for example a board member has different goals from a shareholder or journalist.

Economic Recovery Loan are one form of financing for Regional Governments in order to fund priority activities, one of which is handling the impact of the Covid-19 pandemic. The Central Government has relaxed the guarantee limits for Economic Recovery Loan to encourage the acceleration of regional economic recovery (Kemenkeu, 2021). According to PMK Number 105/2020, Economic Recovery Loan given to Regional Governments must meet several criteria and requirements, including being affected by the Corona Virus Disease 2019 (COVID-19) pandemic, having recovery programs and/or activities regional economy that supports the PEN Program, the remaining amount of Regional Loans plus the amount of loans to be withdrawn does not exceed 75% of the total general revenue of the previous year's APBD, and meets the regional financial capacity ratio value to repay regional loans of at least 2.5 (two point five).

Economic Recovery Loan in 2020 do not incur interest, while the following year there is interest but is still subsidized by the Central Government. Therefore, many regional governments are encouraged to make Economic Recovery Loan. Based on Article 23 PMK Number 43/PMK.07/2021, the Directorate General of Fiscal Balance is asked to carry out monitoring and evaluation regarding economic and social benefits, job creation and absorption of domestic/local labor, as well as the use of domestic/local raw materials. Therefore, the aim of Economic Recovery Loan is expected to have an impact on increasing GDRP per region that receives these benefits (Purnomoratih, 2021; Irfan Sofi et al., 2023). Moreover, GDRP is an important indicator to determine the economic conditions in an area in a certain period, both on the basis of current prices and on the basis of constant prices. GDRP is basically the amount of added value produced by all business units in a certain area, or the total value of final goods and services produced by all economic units in a certain area (Umiyati, 2014). Based on the argument, the first hypothesis (H_1) is defined as follows: *Economic Recovery Loan have a positive effect on GDRP.*

Based on Law Number 33 of 2004 as amended by Law Number 1 of 2022, Special Allocation Funds (DAK) are allocated in accordance with Government policy to fund certain programs, activities and/or policies with the aim of achieving national priorities, accelerating regional development, reducing disparities public services, encouraging regional economic growth, and/or supporting the operationalization of public services. The Physical Allocation Fund is intended to support the development/procurement of regional public service facilities and infrastructure.

As an effort to recover the national economy from the impact of the Corona Virus Disease 2019 (COVID-19) pandemic, the government reallocated the budget, including the Special Allocation Fund (DAK). This is stated in Presidential Regulation Number 123 of 2020 concerning Technical Instructions for Physical Special Allocation Funds. In order for these funds to be right on target, their use must still pay attention to accountability. Labor-intensive policies were optimized during the Covid-19 pandemic for the community so that the Physical Allocation Fund policy is expected to create jobs. Accelerating the absorption of the Physical Allocation Fund budget is the key to economic recovery, therefore relaxation of distribution has been carried out which previously required output achievement reports so that realization is expected to be optimal. Physical Allocation Fund is allocated following Government policy to fund certain programs, activities, and/or policies to support the development/procurement of regional public service facilities and infrastructure for encouraging regional economic growth (Manduapessy, 2020; Paseki et al., 2014; Wardhana et al., 2013). Meanwhile, GDRP at constant prices shows the added value of goods and services which is calculated using prices in effect in a particular year as the base year. GDRP at current prices is used to determine the economic resource capacity, shifts and economic structure of a region. Meanwhile, constant GDRP is used to determine real economic growth from year to year or economic growth that is not influenced by price factors (BPS, 2022). Based on argument, the second hypothesis (H_2) is formulated as follows: *Physical Allocation Fund is positively associated with the GDRP.*

Based on Law Number 20/2019 concerning APBN FY 2020, Village Funds are funds sourced from the APBN intended for villages which are transferred through the district/city APBD and used to finance government administration, implementation of development, community development, and community empowerment. Village Funds allocated to each village according to PMK Number 205/2019, are obtained through calculations consisting of basic allocation, affirmative allocation, performance allocation and formula allocation. The distribution of Village Funds is carried out in 3 (three) stages, namely stage I is distributed as early as January, stage II is distributed as early as March and stage III is distributed as early as June with percentages for each stage of 40%, 40% and 20%, while the criteria for independent villages are distributed in 2 (two) stages, namely January and March at the earliest with 60% and 40% respectively (PMK Number 40/2020 in conjunction with PMK Number 50/2020).

According to PMK Number 40/2020, Village Funds are intended, among other things, for Social Grants, which is the provision of cash to poor or underprivileged families in villages sourced from village funds in order to reduce the economic impact caused by the COVID-19 pandemic. If the Village Government does not budget for and does not carry out Village BLT activities, it will be subject to sanctions in the form of stopping the distribution of Village Funds for Phase III of the current fiscal year. However, in PMK Number 40/2020 there is an exception nomenclature, namely that the imposition of sanctions does not apply if based on the results of special Village deliberations/incidental deliberations there are no prospective Village BLT beneficiary families who meet the criteria. Therefore, this program may increase GDRP (Haya & Suman, 2023; Risa et al., 2021; Sofi, 2021). Based on the explanation, the third hypothesis (H_3) is structured as follows: *Social Grant is positively associated with the GDRP.*

RESEARCH METHODS

Research can be classified in various ways and points of view (Abrar, 2018). This research uses quantitative research methods emphasizing analysis on numerical data from the start of data collection and the appearance of the results (Arikunto, 2006). Based on the type of problem study, this research is correlation research, which determines whether or not there is a relationship or influence between two or more variables. The causal correlation research used in this research uses a linear regression formula. The data collection method uses purposive sampling, namely the samples selected are provincial, district, and city areas that receive Economic Recovery Loan. This research consists of an independent variable, namely Economic Recovery Loan, Physical Allocation Fund and Social Grant, as well as a dependent variable, namely GDRP and control variables consisting of population and consumption, inflation, and poor people.

The data analysis method is carried out through several stages. The first stage is carried out through model choice, including the Chow, Hausman, and Lagrange Multiplier Test. The second stage is running classic assumption, which consists of normality, multicollinearity, heteroscedasticity, and autocorrelation. The final stage is through significance and interpretation tests.

The aim of estimating the multiple linear regression model is to predict the parameters of the regression model, namely the constant value (α) and regression coefficient (βi). The constant is usually called the intercept, and the regression coefficient is usually called the slope. Panel data regression has the same objective as multiple linear regression: predicting intercept and slope values. Using panel data in regression will produce different intercepts and slopes for each entity/company in each period. Based on the general equation above, the analysis of the influence of Economic Recovery Loan on Regional GDP is built using the following equation model:

$$\mathbf{GDRP}_{i,t} = \alpha + \beta_1 \mathbf{ERL}_{i,t} + \beta_2 \mathbf{PAF}_{i,t} + \beta_3 \mathbf{SG}_{i,t} + \beta_4 \mathbf{CON}_{i,t} + \beta_5 \mathbf{INF}_{i,t} + \beta_6 \mathbf{PP}_{i,t} + \beta_7 \mathbf{POP}_{i,t} + \varepsilon$$

Where: $GDRP_{i,t}$ is Gross Domestic Regional Product, $ERL_{i,t}$ is Economic Recovery Loan, $PAF_{i,t}$ is Physical Allocation Fund, $BLT_{i,t}$ is Social Grant, $CON_{i,t}$ is Consumption, $INF_{i,t}$ is Inflation, $PP_{i,t}$ is Poor People, and $POP_{i,t}$ is Population.

RESULTS AND DISCUSSION

The data that has been obtained is processed and analyzed using the STATA version 13 application. The software can be used to solve problems related to data in the form of panel data. The first thing to do was declare the panel data using the syntax (tsset year code, yearly). Next, the most appropriate estimation model is selected, through the Chow test, Hausman test, and Lagrange Multiplier test. The Chow test is carried out to determine the Fixed Effect (FE) or Random Effect (RE) model most appropriate for estimating panel data. Next, the Hausman test is a statistical test to choose between the FE or RE model, which is most appropriate for estimating panel data. Meanwhile, the Lagrange Multiplier tests whether the RE model is better than the Common Effect (CE) method used to estimate panel data.

Panel data regression is done to analyze the impact of Economic Recovery Loan on GDRP. Verbeek (2008) argues several advantages to running panel data models compared to cross-section or time series data (Abrar, 2018). First, panel data makes the number of observations more significant because there is a combination of cross-section and time series data. Furthermore, Hsiao (2014) technically explains that the panel data model provides informative data, reduces collinearity between variables, and increases the degree of freedom to increase efficiency.

Table 1. Descriptive Statistics

Variable	Mean	Standard Deviation	Min	Max	Data Source
GDRP	171,000.000	559,000.000	1,470.000	3,440,000.000	CBS
Economic Recovery Loan	156.000	615.000	0.000	5,860.000	DGFB
Physical Allocation Fund	134.000	121.000	17.200	815.000	DGFB
Social Grant	183.000	444.000	0.000	2,700.000	DGFB
Consumption	49,800.000	156,000.000	564.000	1,160,000.000	CBS
Inflation	1.936	0.979	-0.180	4.390	CBS
Poor People	272,390.800	760,164.800	4,430.000	4,572,730.000	CBS
Population	2,757,641.000	8,028,637.000	66,653.000	49,900,000.000	CBS

Table 2. Model Testing Results

No.	Test	Hypothesis	Test Result	Conclusion
1	Chow	H_0: CEM H_1: FEM	Prob>F = 0.000	Reject H_0 because the probability is <5%, so continue the Hausman test
2	Hausman	H_0: REM H_1: FEM	Prob>Chi2 = 0.000	Reject H_0 because the probability is <5%, so the model chosen is FEM

Furthermore, the panel data estimation method explicitly includes elements of individual heterogeneity so that panel data is better for studying adjustment dynamics. It is related to repeated observations of the same cross-section, so that panel data studies dynamic changes better (Firdaus, 2018). Table 1 presents descriptive statistical data for eight variables. There are 130 observation data obtained from provinces, districts, and cities that received Economic Recovery Loans from the central government for the 2020-2021 period. This research consists of an independent variable, namely Economic Recovery Loan, Physical Allocation Fund, and Social Grant, as well as a dependent variable, namely GDRP, and control variables consisting of population and consumption, inflation, and poor people.

Economic Recovery Loan figures were obtained in the form of billions of rupiah which came from financing data managed by the Directorate General of Fiscal Balance (DGFB), while Physical Allocation Fund, and Social Grant figures in the form of billions of rupiah were obtained from BUN Budget Realization Report BA-999.05 (DGFB). Meanwhile, GDRP, population, consumption, inflation, and poor people data come from Central Bureau of Statistics (CBS) websites where consumption figures are in billions.

The Economic Recovery Loan variable, as one of the leading independent variables, has the smallest value of 0 and the most significant value of 5.860 billion. The standard deviation value of this variable is 615 billion or higher than the average value of 156 billion, which means that the Economic Recovery Loan variable has a quite high variation. Based on Table 2, we can identify the most appropriate estimation model between CE, FE, and RE. The first test is the Chow test with the result Prob>F of 0.000 (reject H_0 because Prob>F is under 0.050), so it is continued with the Hausman test. The Hausman test result is Prob>Chi2 of 0.000, reject H_0 because Prob>Chi2 is under 0.050, so the model chosen is FEM. Furthermore, Table 3 shows the classical assumption testing stages have been carried out. Overall, it has met the minimum stages of class assumptions. Therefore, the FEM model is the most appropriate to choose. Based on Table 4, we can interpret the effect of each independent variable on the dependent variable.

Table 3. Classical Assumption Test Results

No	Test	Hypothesis	Test Result	Conclusion	Treatment
1	Non-Multicollinearity	Not occur Multicollinearity	There are several variables that have an independent var correlation > 0.800, so there is a multicollinearity problem	Does not meet	Estimation with GLS
2	Non-Autocorrelation	H_o: Autocorrela-tion does not occur H_1: An Autocorre-lation problem occurred	No testing carried out	No testing is required because it uses panel data	Performing autocorrelation testing on cross-sectional or panel data would have no significant meaning
3	Non-Heteroskedasticity	H_o: Heteroskedas-ticity does not occur H_1: Heteroskedas-ticity problem occurs	Prob>chi2= 0.000 Reject H_0 because the probability is <5%, so there is a heteroscedasticity problem or the variance of the error is not constant	Does not meet	Estimation with GLS
4	Normality	H_o: Normally Dis-tributed Residuals H_1: Residuals are not normally distributed	Prob>chi2= 0.000 Reject H_0 because probability < 5%	Does not meet	Since the sample size is large, we can disregard the normality assumption (>30)

Table 4. Panel Regression Results

Variable	Coef.	Std. Err.	p>|z|
Economic Recovery Loan	289.153	1.857	0.000
Physical Allocation Fund	273.412	6.626	0.000
Social Grant	-1,054.900	17.482	0.000
Consumption	-2.719	0.072	0.000
Inflation	0.000	*(omitted)*	
Poor People	-49,500,000.000	12,100,000.000	0.000
Population	154,000,000.000	2,084,115.000	0.000
Observations	130.000		
r^2 within	0.786		

The primary independent variable, namely Economic Recovery Loan, has a coefficient of 289.153, which means that for every 1 unit increase in Economic Recovery Loan, on average, GDRP will increase by 289.153. The probability of this variable is 0.000 or less than 0.010, which means that the Economic Recovery Loan variable partially has a very significant positive effect on GDRP. Economic Recovery Loans distributed by the central government have significantly impacted sustainable economic development, particularly in areas affected by COVID-19. In line with Pang (2022), the COVID-19 pandemic has caused hundreds of millions of infections and has wreaked havoc on the global economy since

January 2020. To overcome this health and economic crisis, governments worldwide have issued large debts and made extensive fiscal provisions to fight the COVID-19 pandemic.

Meanwhile, the Physical Allocation Fund variable has a coefficient of 273.412, which means that for every 1 unit increase in Physical Allocation Fund, the average GDRP will increase by 273.412. As for the probability of this variable being 0.000 or less than 0.010, the Physical Allocation Fund partially positively influences GDRP. These results align with previous research regarding the impact of Physical Allocation Fund on GDRP conducted by Sisilia and Harsono (2021). The results of his research concluded that Physical Allocation Fund had a significant influence on economic growth represented by GDRP for the 2010-2019 period.

Last but not least, the Social Grant variable has a coefficient of -1054.900, which means that for every increase in Social Grant, the average GDRP will decrease by 1054.900. As for the probability of this variable being 0.000 or less than 1 unit, the Social Grant partially has a significant negative influence on GDRP. In previous research, Sofi (2021) concluded that the distribution of the Social Grant could help the community's economic recovery. This is indicated by the division between outcome and output of 114.930%, which means that the implementation of the Social Grant has been very effective. However, there are several obstacles, including budget limitations, mismatch in recipient data, and lack of distribution facilities. The last, a result of the goodness of fit (R^2) calculation obtained a value of 0.786, meaning that the independent variables consisting of Economic Recovery Loan, Physical Allocation Fund, Social Grant, Consumption, Poor Population, and Population in the estimation model were able to explain 78.560% the variation of the dependent variable is GDRP. In contrast, the rest is explained by other variables not included in the model.

CONCLUSION

In a comprehensive analysis employing panel data regression, it has been elucidated that Economic Recovery Loans exert a considerably positive and substantial influence on the Gross Domestic Regional Product (GDRP). This observation is quantified by the finding that an augmentation in Economic Recovery Loans correlates with a concomitant average increment in the GDRP. Likewise, the allocation of funds towards physical development projects, denoted as the Physical Allocation Fund, similarly manifests a positive and significant impact on the GDRP. An increase in this fund is intricately linked with an average upward trajectory in the GDRP. In contrast, the allocation of Social Grants displays an inverse relationship with the GDRP. The analysis indicates a notable negative influence, wherein an escalation in Social Grants inversely correlates with a decrease in the GDRP, on average. Moreover, a holistic assessment of the combined effects of Economic Recovery Loans, Physical Allocation Funds, Social Grants, overall Consumption, the demographic proportion of the Poor Population, and the general Population unveils a substantial collective impact on the GDRP. The adjusted R2 value of the model underscores its robust explanatory power, revealing that these variables collectively account for a significant majority of the variations observed in the GDRP, serving as the pivotal dependent variable in this model. This analysis highlights that the residual variance in the GDRP is attributable to external variables not encapsulated within the current model framework.

As long as the COVID-19 pandemic has not ended, Economic Recovery Loan can continue in order to accelerate economic recovery for regions affected by COVID-19 because the Economic Recovery Loan provided have had a significant effect in two consecutive years on increasing GDP in the recipient regions. Furthermore, the central government's provision of Economic Recovery Loan should be more selective so that regional governments as beneficiaries are regional governments affected by the COVID-19 pandemic. In this research, there are still limitations, including the need to add independent variables for future research

to increase the adjusted R^2 value so that the model built can better explain variations in GDRP as the dependent variable.

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