SPECIAL AUTONOMY FUNDS AND REGIONAL ECONOMIC GROWTH: AN EMPIRICAL STUDY IN ACEH

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Abstract: This study investigates the impact of Special Autonomy Funds (SAF) on regional economic growth in Aceh, Indonesia, a post-conflict province granted fiscal autonomy through Law No. 21/2001 and the 2005 Helsinki Agreement. Using a mixed-methods design, the research combines quantitative analysis of Gross Regional Product (GRP), employment, and poverty indicators from 2008–2022 with qualitative insights from 300 respondents, including government officials and community leaders. Regression results reveal that a 1% increase in SAF allocation corresponds to a 0.5% rise in GRP, underscoring SAF's multiplier effect. The findings further demonstrate that SAF-supported investments in infrastructure, education, and healthcare contributed to poverty reduction from 20.5% in 2010 to 15.4% in 2021, and reduced unemployment from 5.5% to 4.2%. Qualitative evidence highlights the role of governance, community participation, and accountability mechanisms in enhancing fund effectiveness, though challenges such as corruption and bureaucratic inefficiency persist. The study contributes to fiscal decentralization literature by providing empirical evidence on autonomy funds in a post-conflict setting and offers policy recommendations to strengthen transparency, align SAF with long-term development priorities, and foster sustainable regional growth. These insights are relevant not only for Aceh but also for other regions with similar autonomy frameworks.
Keywords: Special Autonomy Funds, economic growth, fiscal decentralization, Aceh, governance

Abstrak: Penelitian ini mengkaji dampak Dana Otonomi Khusus (DOK) terhadap pertumbuhan ekonomi regional di Aceh, sebuah provinsi pascakonflik yang memperoleh kewenangan fiskal melalui Undang-Undang Nomor 21 Tahun 2001 dan Perjanjian Helsinki 2005. Dengan menggunakan desain metode campuran, penelitian ini mengombinasikan analisis kuantitatif terhadap Produk Domestik Regional Bruto (PDRB), ketenagakerjaan, dan indikator kemiskinan periode 2008–2022 dengan wawancara kualitatif pada 300 responden, terdiri atas pejabat pemerintah dan tokoh masyarakat. Hasil regresi menunjukkan bahwa peningkatan 1% alokasi DOK berkorelasi dengan kenaikan 0,5% PDRB, menegaskan adanya efek pengganda. Temuan lebih lanjut menunjukkan bahwa investasi berbasis DOK di bidang infrastruktur, pendidikan, dan kesehatan berkontribusi pada penurunan tingkat kemiskinan dari 20,5% pada 2010 menjadi 15,4% pada 2021 serta penurunan pengangguran dari 5,5% menjadi 4,2%. Bukti kualitatif menegaskan peran tata kelola, partisipasi masyarakat, dan mekanisme akuntabilitas dalam meningkatkan efektivitas penggunaan dana, meskipun tantangan seperti korupsi dan inefisiensi birokrasi masih membatasi optimalisasi manfaat. Penelitian ini memperkaya literatur desentralisasi fiskal dengan menghadirkan bukti empiris dari konteks daerah pascakonflik, serta memberikan rekomendasi kebijakan untuk memperkuat transparansi, menyelaraskan DOK dengan prioritas pembangunan jangka panjang, dan mendorong pertumbuhan regional yang berkelanjutan.
Kata Kunci: Dana Otonomi Khusus, pertumbuhan ekonomi, desentralisasi fiskal, Aceh, tata kelola

Introduction

Special autonomy in Indonesia was introduced to address the unique socio-political conditions of certain regions, particularly those with a history of prolonged conflict. Through Law No. 21 of 2001, Aceh was granted special autonomy, enabling the province to manage its own revenues and allocate funds for development programs (Bappenas, 2020)[1]. The Helsinki Agreement of 2005

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[1]   Bappenas. (2020). National development planning agency report. Jakarta: Bappenas.

further strengthened this framework, granting Aceh unprecedented fiscal authority, particularly over natural resource revenues, with the expectation of promoting peace, stability, and economic recovery (Masykur, 2021)[2].

Within this framework, Special Autonomy Funds (SAF) serve as a crucial fiscal instrument for regional development. These funds are directed toward infrastructure, education, healthcare, and poverty reduction, contributing to a reported 4.5% provincial GDP growth in 2022 despite pandemic-related disruptions (BPS Aceh, 2023)[3]. However, questions remain about the effectiveness of SAF in generating sustainable economic growth.

Although SAF is recognized as vital for Aceh's post-conflict recovery, existing studies provide limited empirical evidence on its direct economic impact. Previous works largely emphasize budget absorption and governance efficiency without explicitly linking SAF to measurable growth outcomes (Mauliansyah, 2017)[4]. Moreover, challenges such as bureaucratic inefficiency, limited administrative capacity, and corruption hinder optimal fund utilization. Reports indicate that only 60% of allocated SAF was effectively utilized in 2021, raising concerns over governance and alignment with local development priorities (Transparency International, 2022)[5].

This study addresses these gaps by examining the relationship between SAF and regional economic growth in Aceh, with a focus on GDP growth, employment, and sectoral performance. It also investigates governance and institutional factors that influence the effective use of SAF. By integrating fiscal policy analysis with regional development perspectives, this research aims to provide evidence-based insights that are academically significant and practically relevant.

The findings contribute to the literature on fiscal decentralization and post-conflict regional development, highlighting the role of autonomy funds as a catalyst for economic transformation. For policymakers, the study offers recommendations on enhancing governance mechanisms, strengthening administrative capacity, and aligning SAF allocations with long-term development goals. Beyond Aceh, the insights are relevant for other regions with similar autonomy frameworks, providing lessons on how fiscal transfers can be designed and implemented to balance political stability and economic progress.

Methods
This study applies a mixed-methods design to examine the impact of Special Autonomy Funds (SAF) on Aceh's economic growth. Quantitative analysis uses GDP, employment, and budget data, while qualitative insights are drawn from interviews with government officials and community leaders. This integration captures both measurable outcomes and contextual perspectives (Creswell & Plano Clark, 2018; Tashakkori & Teddlie, 2020)[6].

Research Design and Data Collection
Primary data were obtained from 300 respondents (150 officials and 150 community members) selected through stratified random sampling to ensure representation. Structured surveys assessed perceptions of SAF effectiveness, while semi-structured interviews explored deeper

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[3] BPS Aceh. (2023). Aceh economic growth report. Banda Aceh: BPS Aceh.
[4] Mauliansyah, H. (2017). Pengaruh waktu penetapan anggaran, besaran sisa anggaran tahun sebelumnya (SiLPA), dan perubahan anggaran terhadap serapan anggaran pada pemerintah daerah (Studi pada pemerintah daerah kabupaten/kota Sumatera Utara) (Master's thesis, Universitas Syiah Kuala).
[5] Transparency International. (2022). Corruption perceptions index: Indonesia. https://www.transparency.org/en/cpi/2022/index/nzl
[6] Creswell, J. W., & Plano Clark, V. L. (2018). Designing and conducting mixed methods research (3rd ed.). SAGE Publications.

experiences. Secondary data were sourced from government statistics and reports, strengthening validity through triangulation (Creswell, 2014)[7]. Instruments were pretested to enhance clarity and reliability (Fowler, 2014)[8].

Data Analysis
Quantitative data were processed with SPSS using regression analysis to test the relationship between SAF allocations and economic indicators (Field, 2018)[9]. Qualitative data were coded thematically in NVivo to identify recurring narratives (Bryman, 2016)[10]. Results from both strands were synthesized to provide comprehensive insights.

Limitations
The study may be limited by self-reported bias and the availability of long-term economic data. Future research could employ longitudinal designs and household-level surveys to address these gaps.

Results and Discussion
Empirical Findings
This study employed a mixed-methods approach to examine the role of Special Autonomy Funds (SAF) in shaping Aceh's economic trajectory. Primary data were collected from 150 survey responses involving government officials and community leaders, while secondary data were drawn from the Aceh Provincial Statistics Office and the Ministry of Finance. The dataset covered SAF allocations between 2008 and 2022, alongside regional economic indicators such as Gross Regional Product (GRP), employment, and poverty.

The results show that SAF allocations have consistently increased since Aceh's special autonomy status was implemented in 2001. By 2021, the funds reached approximately IDR 8 trillion, marking a 15% increase from the previous year. Over the same period, Aceh's GRP rose from IDR 80 trillion in 2010 to IDR 120 trillion in 2021, while unemployment fell from 5.5% to 4.2% and poverty declined from 20.5% to 15.4% (Badan Pusat Statistik Aceh, 2022)[11]. Regression analysis revealed that a 1% increase in SAF was associated with a 0.5% rise in GRP, underscoring a multiplier effect. Qualitative evidence also indicated that SAF-supported investments in infrastructure, education, and healthcare were pivotal in stimulating economic activity and improving welfare outcomes (Sukma, 2021)[12].

Interpretation and Theoretical Context
The findings highlight a positive correlation between SAF and economic development. These results are consistent with fiscal decentralization theory, which emphasizes that devolved financial resources enable local governments to design policies tailored to community needs (Oates, 2021)[13]. They also align with earlier studies stressing that well-managed fiscal transfers enhance governance and service delivery, thereby supporting growth (Bahl & Linn, 2020)[14]. Stakeholder interviews further revealed that infrastructure projects, such as roads and bridges,

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[7]   Creswell, J. W. (2014). Research design: Qualitative, quantitative, and mixed methods approaches (4th ed.). SAGE Publications.

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[12]   Sukma, R. (2021). Infrastructure development in Aceh: The impact of special autonomy funds. Indonesian Journal of Development Studies, 9(2), 75–90.

[13]   Oates, W. E. (2021). Fiscal federalism: A theoretical perspective. Public Choice, 188(1–2), 1–20.

[14]   Bahl, R., & Linn, J. F. (2020). Fiscal decentralization and economic growth: A review of the evidence. Public Finance Review, 48(2), 159–184.

improved market access and expanded opportunities for local businesses, while vocational training programs strengthened workforce skills (Khalid, 2022)[15].

Implications for Policy
The evidence underscores the critical role of SAF as both a financial transfer and a catalyst for socio-economic transformation. Effective utilization has been supported by community involvement in project planning, monitoring systems that promote accountability (Fauzi, 2021)[16], and partnerships with NGOs. To sustain and expand these gains, Aceh's government should institutionalize transparent budgeting processes, strengthen oversight mechanisms, and establish a dedicated monitoring task force (Mansyur, 2022)[17].

In addition, prioritizing high-potential sectors such as agriculture and tourism could accelerate growth. A strategic plan with measurable outcomes, combined with stronger private-sector engagement, would help leverage SAF more effectively to stimulate job creation and income generation (Sari, 2023)[18].

Limitations and Future Research
Despite the robust dataset, several limitations remain. Survey-based data may reflect respondent bias, and the study's temporal scope of two decades limits assessment of longer-term structural effects. Future research should adopt longitudinal designs to capture enduring impacts and include qualitative studies on community-level experiences of SAF. Such approaches would deepen understanding of how fiscal transfers shape both economic and social outcomes in regions with special autonomy.

Conclusion
This study provides empirical evidence on the significant role of Special Autonomy Funds (SAF) in driving regional economic growth in Aceh. Between 2018 and 2022, SAF allocations increased from IDR 2.3 trillion to IDR 3.5 trillion, reflecting the government's strong commitment to regional development (Bappeda Aceh, 2022)[19]. The analysis revealed a positive correlation between SAF and key economic indicators, including Gross Regional Domestic Product (GRDP), employment creation, and investment inflows. Notably, infrastructure and education emerged as the sectors with the greatest impact, where new roads enhanced accessibility and educational facilities contributed to human capital development. During the same period, Aceh's GRDP growth averaged 5.4%, surpassing the national rate of 5.0%, underscoring SAF's contribution to regional economic resilience (Statistics Indonesia, 2023)[20].

Nevertheless, the effectiveness of SAF is not determined solely by financial magnitude but also by governance quality, transparency, and strategic resource allocation. The establishment of monitoring and evaluation frameworks has improved accountability and fostered public trust (World Bank, 2021)[21]. However, persistent challenges such as corruption, mismanagement, and limited community participation continue to constrain the optimal utilization of SAF. Addressing

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[16]   Fauzi, A. (2021). Community participation in the utilization of special autonomy funds in Aceh. Journal of Southeast Asian Economies, 38(1), 85–102.

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these challenges requires stronger institutional capacity and the inclusion of local communities in decision-making, thereby ensuring that development initiatives are better aligned with regional needs.

Future research should adopt longitudinal approaches to capture the long-term effects of SAF on economic growth and social development. Comparative analyses with other regions receiving autonomy funds may provide valuable insights into best practices and governance models. Moreover, qualitative inquiries into community perspectives would enrich the understanding of SAF's social impact and guide policymakers toward more inclusive and sustainable strategies. By integrating economic, social, and governance dimensions, subsequent studies can contribute to the refinement of SAF policies and enhance their role in fostering sustainable regional development.

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