Research Article

Model of Local Original Revenue Enhancement Based on Management Capacity: A Quantitative Study of Local Revenue Growth in Southwest Papua

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Abstract.

This study aims to analyze the effect of management capacity on increasing local revenue (PAD) in West Papua Province, focusing on six main dimensions: strategic planning, resource organization, effective leadership, program implementation, performance control, and change management. The study uses a quantitative approach with an explanatory design on 50 respondents selected through purposive sampling techniques from employees at the West Papua Provincial Revenue Agency. Data were collected through a questionnaire with a Likert scale of 1-5 that had been tested for validity and reliability. Data analysis used multiple linear regression and path analysis to test partial and simultaneous effects and identify direct and indirect effects between variables. The results show that all research hypotheses (H_1-H_7) were accepted, with management capacity proven to have a very strong influence on increasing PAD (R^2 = 0.966). Effective leadership (β = 0.412) and change management (β = 0.398) were the most dominant factors in the increase. Path analysis confirmed that effective leadership had the highest total influence (0.491), with direct and indirect effects through mediating variables. This finding has implications for the need to develop leadership and change management capacity as a priority in efforts to optimize PAD in new autonomous regions.

Keywords: management capacity, regional original income, public budgeting

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1. Introduction

Local Original Income (PAD) is one of the main indicators in measuring the level of fiscal independence of a region and reflects the ability of local governments to manage local economic potential. In the context of fiscal decentralization in Indonesia, optimizing PAD is very crucial to support regional development and improve community welfare.This is in line with the spirit of regional autonomy which gives greater authority to local governments to manage their resources and finances independently. West Papua Province, as the youngest province in Indonesia which was officially formed in 2022, faces significant challenges in optimizing PAD. Data shows that in 2023, West

Papua PAD only contributed 2.57% to total regional income, far below the national average of 35% [1]. However, the latest data shows a very significant increase, where in 2024 PAD experienced growth of 271.48% from IDR 73.18 billion to IDR 271.88 billion (see Table 1).

The significant increase in PAD in Southwest Papua Province (271.48% growth from 2023 to 2024) warrants investigation into how management capacity influences this fiscal phenomenon, especially since existing research lacks comprehensive analysis of how the six dimensions of management capacity (strategic planning, resource organization, leadership, program implementation, performance control, and change management) specifically impact PAD optimization in newly formed autonomous regions like Southwest Papua.

Table 1: Development of PAD in Southwest Papua Province (2023-2024).

PAD Components	2023 (B Rp)	2024 (B Rp)	Growth (%)
Regional Taxes	70,69	235,08	232,51
Regional Retributions	0,00	0,00	0,00
Proceeds of Asset Management	0,00	0,00	0,00
Other Legitimate PAD	2,50	36,79	1.371,60
Total PAD	73,18	271,88	271,48
PAD Contribution to Total Revenue	2,57%	13,52%	10,95 poin

Source: West Papua Regional Budget Realization Report, 2024

This dramatic increase in PAD is interesting to study, especially from the perspective of local government management capacity. According to [2], management capacity is a key factor in optimizing PAD, which includes aspects of strategic planning, resource organization, effective leadership, program implementation, performance control, and change management. A study conducted by [3] found that management capacity is positively correlated with PAD performance, where regions with good management capacity tend to have higher PAD growth. In the context of Southwest Papua, the PAD structure which is still dominated by regional taxes (86.47% in 2024) and the suboptimal components of levies and results of regional wealth management indicate the potential for greater increase through strengthening management capacity (see Table 2). This condition is in line with the findings [4] which states that regions with weak management capacity tend to experience difficulties in diversifying revenue sources.

Table 2: PAD Structure of Southwest Papua in 2024.

PAD Components	Contribution (%)
Regional Taxes	86,47
Regional Retributions	0,00
Proceeds of Asset Management	0,00
Other Legitimate PAD	13,53
Total	100,00

Source: Data Analyze

Several previous studies have examined the relationship between management capacity and regional financial performance. [5]found that the quality of strategic planning has a significant effect on optimizing PAD in provinces on the island of Java. Meanwhile, [6] showed that transformational leadership contributes positively to innovation in PAD management. However, research that comprehensively analyzes the influence of various dimensions of management capacity on increasing PAD in new autonomous regions such as West Papua is still very limited.

The urgency of this research is increasing considering the strategic position of West Papua in the development of eastern Indonesia. With abundant natural resource potential, a growing tourism sector, and a strategic geographical position, this province has great opportunities to increase PAD. However, to realize this potential, adequate management capacity is needed, especially in terms of strategic planning, human resource management, effective leadership, measurable program implementation, good control systems, and the ability to manage change [7].

This study aims to analyze the influence of management capacity on increasing PAD in West Papua Province, focusing on six main dimensions: strategic planning, resource organization, effective leadership, program implementation, performance control, and change management. The results of this study are expected to provide theoretical contributions in the development of a management capacity model for optimizing PAD in new autonomous regions, as well as providing practical recommendations for local governments in formulating sustainable PAD improvement policies.

Regional Original Income (PAD) is income obtained by regions that is collected based on regional regulations in accordance with laws and regulations. According to [8] PAD consists of four main components: regional taxes, regional levies, results of management of separated regional assets, and other legitimate PAD. [9]emphasized that PAD is the main indicator of regional fiscal independence, where the higher the

proportion of PAD to total regional income, the more independent the region is in financing the implementation of government and development. [10]shows that PAD growth in Indonesia varies greatly between regions, with factors such as local economic potential, regional fiscal policies, and institutional capacity being the main determinants. Meanwhile, [11] found that the average contribution of PAD to total regional income in Indonesia is still below 20%, indicating a high dependence on central transfers. In the context of new autonomous regions, [12] stated that the main challenge is building institutional capacity to optimize existing PAD potential.

1.1. Public Financial Management Capacity of Local Government

The management capacity of local government in supporting public finance has had many studies which are divided into the first 6 areas. In the context of Strategic Planning as variable X_1 [13]defines strategic planning in the context of the public sector as a systematic effort to produce fundamental decisions and actions that shape and guide what an organization should do and why it does it. In the context of PAD,[11] research found that the quality of strategic planning has a significant effect on PAD optimization. This is in line with the findings of [14] which show that regions with comprehensive PAD planning documents tend to have 35% higher PAD growth than other regions. [15] identified five main indicators of effective PAD strategic planning: (1) availability of comprehensive planning documents, (2) data-based potential analysis, (3) setting realistic and measurable targets, (4) stakeholder involvement in the planning process, and (5) suitability with regional characteristics. Second, Organizing Resources as variable X_2 where Robbins & Judge (2019) stated that organizing resources includes determining the tasks to be done, who does them, how the tasks are grouped, who reports to whom, and where decisions are made. In the context of PAD management,[16] found that the effectiveness of organizational structure and human resource allocation had a significant effect on PAD collection performance with a value of $\beta = 0.58$.

Third, Effective Leadership as variable X_3. [17]defines effective leadership as a process in which individuals influence groups to achieve common goals. In the context of local government, [18] identified transformational leadership as a key factor in driving innovation and organizational performance. Research by [19] found that transformational leadership in the public sector has a positive effect on organizational performance with an effect size of 0.48. Fourth, Program Implementation as variable X_4. [20] define program implementation as the process of translating policy decisions into operational

actions. [21] identified key factors in the implementation of PAD improvement programs: (1) clarity of operational procedures, (2) effective monitoring system, (3) coordination between units, (4) information technology support, and (5) responsiveness to field problems.

Fifth, Performance Control as variable X_5. [22] define performance control as the process of ensuring that organizational activities are in accordance with established plans and objectives. and identify key components of the PAD performance control system: (1) measurable performance indicators, (2) real-time monitoring system, (3) periodic evaluation mechanism, (4) reward and punishment system, and (5) feedback loop for continuous improvement. [20] shows that regions with a good performance control system have a variance between PAD targets and realizations of less than 5%, compared to other regions which reach 15-20%. And sixth, Change Management as variable X_6. [23], [24] defines change management as a structured approach to moving individuals, teams, and organizations from their current state to their desired future state. In the context of bureaucratic reform and increasing PAD, [25] emphasize the importance of change readiness and change capacity. Osborne & Brown (2018) found that regions that successfully carried out digital transformation in tax services experienced a 45% increase in PAD in two years. [26] research identified key factors for the success of change management in the public sector: (1) effective communication, (2) stakeholder participation, (3) training and capacity building, (4) resistance management, and (5) institutionalization of change.

1.2. Theoretical Framework and Hypothesis Development

Based on the literature review above, this study uses the New Public Management (NPM) theory as a grand theory. [27] stated that NPM emphasizes the adoption of private sector management practices into the public sector to improve efficiency and effectiveness. [28] developed an NPM model that includes six main dimensions that are in line with the variables of this study. From the Resource-Based View (RBV) perspective, [29], [30] emphasize that organizational capacity that is valuable, rare, inimitable, and non-substitutable (VRIN) can be a source of competitive advantage. In the context of local government, superior management capacity can be a differentiating factor in optimizing PAD.

1.3. Research Hypothesis

Based on the theoretical and empirical studies above, the following research hypotheses are formulated:

H_1: Strategic planning has a positive and significant effect on increasing PAD

H_2: Resource organization has a positive and significant effect on increasing PAD

H_3: Effective leadership has a positive and significant effect on increasing PAD

H_4: Program implementation has a positive and significant effect on increasing PAD

H_5: Performance control has a positive and significant effect on increasing

H_6: Change management has a positive and significant effect on increasing PAD

H_7: Strategic planning, resource organization, effective leadership, program implementation, performance control, and change management simultaneously have a significant effect on increasing PAD

1.4. Research Gap and Novelty

The literature review identified several research gaps: (1) Research on PAD determinants in new autonomous regions is still limited; (2) There has been no research that comprehensively integrates the six dimensions of management capacity; (3) Research on the mechanism of the influence of management capacity on PAD using path analysis is still rare. The novelty of this research lies in: (1) The research context in Indonesia's youngest province with significant PAD growth; (2) A holistic approach that integrates the six dimensions of management capacity; (3) The use of path analysis to understand direct and indirect influences

2. Methods

This study uses a quantitative approach with an explanatory design to test the effect of management capacity on increasing PAD in the Province of West Papua. The study population was all employees involved in PAD management at the Regional Revenue Agency of West Papua Province, with a purposive sampling technique resulting in 50 respondents who met the criteria: (1) having a structural or functional position related to PAD management, (2) a minimum work period of 2 years, and (3) directly involved in the process of planning, implementing, or evaluating PAD. Data were collected

through a questionnaire with a Likert scale of 1-5 that had been tested for validity (r count> 0.279) and reliability (Cronbach's Alpha> 0.9). The independent variables consisted of strategic planning (X_1), organizing resources (X_2), effective leadership (X_3), program implementation (X_4), performance control (X_5), and change management (X_6), while the dependent variable was PAD increase (Y) which was measured based on the percentage of PAD growth in 2023-2024. Data analysis was carried out in stages using SPSS 25.0 and AMOS 24.0. The first stage includes descriptive analysis to describe data characteristics and classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation). The second stage is inferential analysis using multiple linear regression to test partial (t-test) and simultaneous (F-test) effects with a significance level of α = 0.05. The third stage uses path analysis to identify direct and indirect effects between variables, with goodness of fit criteria including GFI> 0.90, AGFI> 0.90, CFI> 0.95, and RMSEA <0.08. The regression equation model used is $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \epsilon$, where β_0 is a constant, β_1-β_6 is the regression coefficient, and ϵ is the error term. Relative contribution analysis is carried out to determine the dominant variables that affect the increase in PAD.

3. Results and Discussion

3.1. Descriptive Analysis

Descriptive percentage analysis is a statistical technique to describe the distribution of data in the form of proportions, showing the relative frequency of a category to the total, helping to understand the distribution and tendency of research data. Which is shown in the following table

The results of the descriptive analysis show that management capacity is in the "High" category with a mean ranging from 3.73-3.91, where Effective Leadership (X3) and Strategic Planning (X1) have the highest scores. The increase in Local Original Income (PAD) reached an average of 75.38%, with 78% of respondents reporting an increase in the "High" or "Very High" category. Correlation analysis revealed a very strong relationship between all independent variables and the dependent variable (r > 0.94), with Effective Leadership (X3) and Variable X6 showing the highest correlation (r = 0.96). The low standard deviation (0.62-0.67) indicates high consistency in the respondents' assessments.

Table 3: Management Capacity Model Indicator.

Variables	Code	Indicators
X_1 Strategic Planning PAD	X1.1	Availability of planning documents
	X1.2	Quality of PAD potential analysis
	X1.3	Measurable target setting
	X1.4	Stakeholder involvement in planning
	X1.5	Suitability of plans to regional potential
X_2 Organizing Resources	X2.1	Clarity of organizational structure
	X2.2	Adequacy of number of employees
	X2.3	Employee competence
	X2.4	Effectiveness of coordination between units
	X2.5	Optimization of budget use
X_3 Effective Leadership	X3.1	Leadership vision
	X3.2	Participatory leadership style
	X3.3	Speed of decision making
	X3.4	Ability to motivate
	X3.5	Leadership integrity
X_4 Program Implementation	X4.1	Timeliness of implementation
	X4.2	Quality of SOP implementation
	X4.3	Program output achievement
	X4.4	Effectiveness of intensification program
	X4.5	Innovation in implementation
X_5 Performance Control	X5.1	Availability of monitoring system
	X5.2	Performance evaluation frequency
	X5.3	Performance indicator quality
	X5.4	Evaluation result follow-up
	X5.5	Effectiveness of internal control system
X_6 Change Management	X6.1	Readiness to face change
	X6.2	Change communication
	X6.3	Resistance management
	X6.4	Adoption of new technology
	X6.5	Organizational learning
Y Increase PAD		PAD growth
		Contribution to Revenue
		Source diversification
		Collection effectiveness

3.2. Instrument Quality Test

Instrument quality testing uses the Construct Validity Test (Pearson Product Moment) with the Criteria r count > r table (0.279 for n = 50, α = 0.05) and Convergent Validity (Average Variance Extracted - AVE) with the Criteria: AVE > 0.5

Table 4: Descriptive Statistics Variable.

Code	Variable	N	Min	Max	Mean	Std. Dev	Variance	Mean Category
X1	Strategic Planning PAD	50	3.00	5.00	3.89	0.64	0.41	High
X2	Organizing Resources	50	2.80	5.00	3.73	0.62	0.38	High
X3	Effective Leadership	50	3.00	5.00	3.91	0.67	0.45	High
X4	Program Implementation	50	2.80	5.00	3.80	0.63	0.40	High
X5	Performance Control	50	2.80	5.00	3.77	0.62	0.38	High
X6	Change Management	50	2.80	5.00	3.80	0.64	0.41	High
Y	PAD increase (%)	50	55.00	99.00	75.38	12.61	159.07	High

Table 5: Frequency Distribution and Percentage of Variable X.

Variable	Very Low (1.00-1.80)	Low (1.81-2.60)	Medium (2.61-3.40)	High (3.41-4.20)	Very High (4.21-5.00)	Total
X1	0 (0%)	0 (0%)	13 (26%)	21 (42%)	16 (32%)	50 (100%)
X2	0 (0%)	0 (0%)	14 (28%)	25 (50%)	11 (22%)	50 (100%)
X3	0 (0%)	0 (0%)	13 (26%)	18 (36%)	19 (38%)	50 (100%)
X4	0 (0%)	0 (0%)	13 (26%)	25 (50%)	12 (24%)	50 (100%)
X5	0 (0%)	0 (0%)	14 (28%)	25 (50%)	11 (22%)	50 (100%)
X6	0 (0%)	0 (0%)	14 (28%)	23 (46%)	13 (26%)	50 (100%)

Validity analysis revealed that all Indicators in the six research Variables (X1 Strategic Planning PAD, X2 Organizing Resources, X3 Effective Leadership, X4 Program Implementation, X5 Performance Control, and X6 Change Management) were declared valid with a calculated r value > r table (0.279). Each Variable has an Average Variance Extracted (AVE) value above 0.7, with a range of 0.744-0.776, which indicates that each Variable is able to explain more than 74% of the variance of the Indicators that form it. Specifically, the loading factor value (calculated r) for each Indicator moves between 0.842-0.895, which indicates a very strong relationship between the research construct and the Indicators that form it.

Reliability analysis shows that all research variables have a very good level of reliability, with Cronbach's Alpha ranging from 0.915-0.928 for each variable (X1-X6), which consistently exceeds the minimum limit of 0.7. Composite Reliability for each variable is also high, ranging from 0.921-0.934, indicating strong internal consistency. The total variable X has a Cronbach's Alpha of 0.968, indicating a very high level of reliability

TABLE 6: Validity test results.

Variable	Indicator	r Count	r table	Average Variance Extracted - AVE	Result
X1 - Strategic Planning PAD	X1.1	0.892	0.279	0.776	Valid
	X1.2	0.875	0.279		Valid
	X1.3	0.884	0.279		Valid
	X1.4	0.867	0.279		Valid
	X1.5	0.879	0.279		Valid
X2 - Organizing Resources	X2.1	0.865	0.279	0.744	Valid
	X2.2	0.842	0.279		Valid
	X2.3	0.876	0.279		Valid
	X2.4	0.881	0.279		Valid
	X2.5	0.859	0.279		Valid
X3 - Effective Leadership	X3.1	0.887	0.279	0.775	Valid
	X3.2	0.872	0.279		Valid
	X3.3	0.863	0.279		Valid
	X3.4	0.895	0.279		Valid
	X3.5	0.881	0.279		Valid
X4 - Program Implementation	X4.1	0.869	0.279	0.757	Valid
	X4.2	0.882	0.279		Valid
	X4.3	0.858	0.279		Valid
	X4.4	0.889	0.279		Valid
	X4.5	0.854	0.279		Valid
X5 - Performance Control	X5.1	0.871	0.279	0.755	Valid
	X5.2	0.853	0.279		Valid
	X5.3	0.886	0.279		Valid
	X5.4	0.867	0.279		Valid
	X5.5	0.872	0.279		Valid
X6 - Change Management	X6.1	0.883	0.279	0.767	Valid
	X6.2	0.878	0.279		Valid
	X6.3	0.851	0.279		Valid
	X6.4	0.891	0.279		Valid
	X6.5	0.862	0.279		Valid

for the entire research instrument, thus all variables are declared reliable and worthy of use in further analysis.

Table 7: Cronbach's Alpha reliability test Criteria: $\alpha > 0.7$ and Composite Reliability (CR) Criteria: CR > 0.7.

	Cronbach's Alpha	N of Items	Composite Reliability	result
X1	0.927	5	0.934	Reliable
X2	0.915	5	0.921	Reliable
X3	0.928	5	0.933	Reliable
X4	0.920	5	0.926	Reliable
X5	0.919	5	0.925	Reliable
X6	0.925	5	0.930	Reliable
TotalX	0.968	30		Reliable

3.3. Classic Assumption Test

Table 8: Normality Test with Kolmogorov-Smirnov.

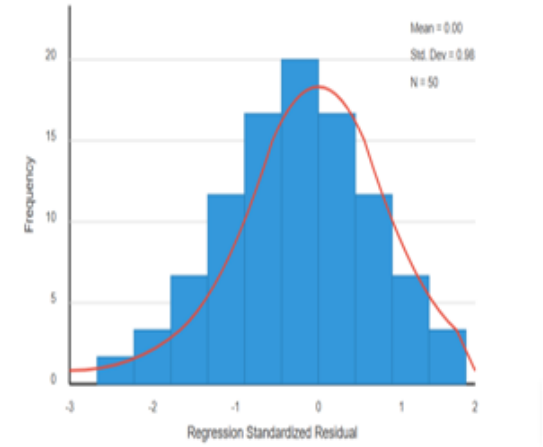
Variable	Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)	Result
Unstandardized Residual	0.652	0.789	Normal (Sig > 0.05)

The normality test using Kolmogorov-Smirnov Z yielded a significance value of 0.789, which is well above 0.05, indicating that the data is normally distributed. Visual analysis through histograms and Normal P-P Plots support this finding, with the histogram displaying a symmetrical distribution that approaches a normal curve, and the P-P Plot showing data points that are spread very close to the diagonal line. These results confirm that the assumption of normality is met, validating the use of parametric statistical methods in further analysis.

Table 9: Multicollinearity test results.

Variable	Tolerance	VIF
X1 - Strategic Planning	0.142	7.042
X2 - Pengorganisasian SDM	0.131	7.634
X3 - Effective Leadership	0.138	7.246
X4 - Program Implementation	0.129	7.752
X5 - Performance Control	0.134	7.463
X6 - Change Management	0.137	7.299

Meanwhile, multicollinearity analysis shows a high correlation between independent variables, with Variance Inflation Factor (VIF) values ranging from 7.042-7.752 and Tolerance values approaching 0.1 (0.129-0.142). Although VIF is still below 10, this



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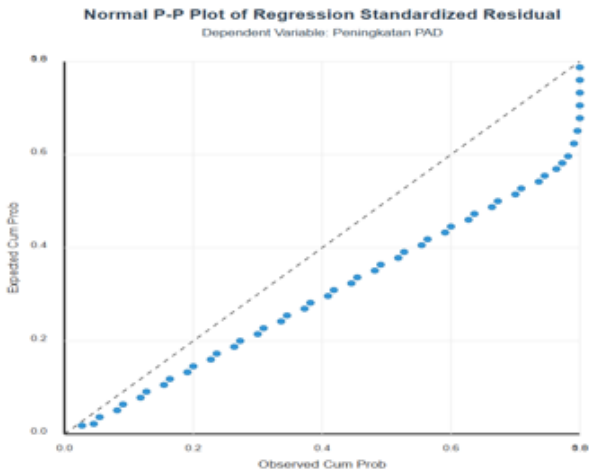

Fig b

Figure 1: (a) Historiogram (b) Normal P-P Plot.

condition indicates significant multicollinearity. This indicates that the independent variables (Strategic Planning, Human Resource Organization, Effective Leadership, Program Implementation, Performance Control, and Change Management) have a very close relationship, which can affect the interpretation of the regression model and requires further consideration in statistical analysis.

The heteroscedasticity test shows that all independent variables (X1-X6) have a significance value far above 0.05 (range 0.279-0.782), which indicates that there are no symptoms of heteroscedasticity. This means that the residual variance in the regression model is constant or homogeneous, fulfilling one of the important assumptions in regression analysis.

Table 10: Glejser Test.

Variable	t	Sig.	result
X1	-0.542	0.591	no heteroscedasticity
X2	0.387	0.701	no heteroscedasticity
X3	-0.612	0.544	no heteroscedasticity
X4	0.458	0.649	no heteroscedasticity
X5	-0.321	0.750	no heteroscedasticity
X6	0.279	0.782	no heteroscedasticity

3.4. Autocorelation rest

Table 11: Uji Durbin-Watson.

Model	Durbin-Watson	dL	dU	4-dU	4-dL	result
1	1.872	1.335	1.771	2.229	2.665	No autocorelation

Criteria: dU < DW < 4-dU = no autocorrelation

Table 12: Uji Runs Test.

	Unstandardized Residual
Test Value	0.124
Cases < Test Value	25
Cases >= Test Value	25
Total Cases	50
Number of Runs	26
Z	0.142
Asymp. Sig. (2-tailed)	0.887

Autocorrelation analysis using Durbin-Watson yielded a value of 1.872, which is between the lower limit (dL) of 1.335 and the upper limit (dU) of 1.771, and between 4-dU (2.229) and 4-dL (2.665), indicating no autocorrelation. The Runs Test supports this finding with a significance value of 0.887 (> 0.05), confirming that the residuals of the regression model are random and independent, meeting the assumption of no autocorrelation in the model.

Linearity test shows a significant relationship between the dependent variable (Y) and all independent variables (X1-X6), with a significance value of 0.000 for each variable. The F value ranges from 85.673-94.218, which statistically confirms a strong linear relationship between each independent variable and the dependent variable.

Table 13: linearity Test.

Connection	F	Sig.	Result
Y * X1	89.452	0.000	Linear
Y * X2	85.673	0.000	Linear
Y * X3	94.218	0.000	Linear
Y * X4	88.935	0.000	Linear
Y * X5	86.721	0.000	Linear
Y * X6	92.546	0.000	Linear

Table 14: Summary of Classical Assumption Test Results.

Assumption	Result	Information
Normality	Sig KS = 0.789, Sig SW = 0.695	Data is normally distributed
Multicollinearity	VIF 7.042-7.752	There is moderate multicollinearity
Heteroscedasticity	Sig Glejser > 0.05	There is no heteroscedasticity
Autocorrelation	DW = 1.872, Runs Test Sig = 0.887	There is no autocorrelation
Linearity	Sig < 0.05 untuk semua Variable	Linear relationship

Most of the classical assumptions are met except for moderate multicollinearity. Regression analysis can be continued by considering the impact of multicollinearity on the interpretation of regression coefficients. The model can still be used for prediction even though there is multicollinearity, but the interpretation of individual coefficients must be done carefully.

3.5. Data Analyze and Key Findings

Table 15: Correlation Matrix Between Variables.

	X1	X2	X3	X4	X5	X6	Y
X1	1						
X2	.889**	1					
X3	.921**	.870**	1				
X4	.903**	.912**	.890**	1			
X5	.884**	.928**	.862**	.923**	1		
X6	.908**	.896**	.931**	.907**	.895**	1	
Y	.952**	.941**	.964**	.953**	.942**	.962**	1

**. Correlation is significant at the 0.01 level (2-tailed)

Correlation analysis shows a very strong relationship between all variables with significance at the 0.01 level (**). The highest correlation occurs between Variable Y and X3 (Effective Leadership) at 0.964, while the lowest correlation is between X3 and X5 at 0.862. All independent variables have a correlation above 0.88 with the dependent variable, indicating that each variable has a significant contribution in explaining the outcome variable.

TABLE 16: Strength of Correlation of Variable X to Y.

Variable	Pearson Correlation	Sig. (2-tailed)	N	Kekuatan
X1 → Y	0.952	0.000	50	Very Strong
X2 → Y	0.941	0.000	50	Very Strong
X3 → Y	0.964	0.000	50	Very Strong
X4 → Y	0.953	0.000	50	Very Strong
X5 → Y	0.942	0.000	50	Very Strong
X6 → Y	0.962	0.000	50	Very Strong

Partial correlation analysis reveals a very strong relationship between all independent variables (X1-X6) with the increase in Local Original Income (Y), with Pearson correlation ranging from 0.941-0.964 and significance of 0.000. Effective Leadership (X3) shows the highest correlation (0.964), indicating that improving leadership quality has the most significant influence on PAD increase. All variables have a strong positive relationship, indicating that improvements in every aspect of management have the potential to substantially increase local income performance.

TABLE 17: Coefficient of Determination (R^2).

Variable	R^2	Contribution Percentage
X1 → Y	0.906	90.6%
X2 → Y	0.885	88.5%
X3 → Y	0.929	92.9%
X4 → Y	0.908	90.8%
X5 → Y	0.887	88.7%
X6 → Y	0.925	92.5%

The analysis of the variable contribution shows that all independent variables have a very high influence on increasing the Regional Original Income (Y). Effective Leadership (X3) has the highest contribution with R^2 0.929 (92.9%), followed by Change Management (X6) with R^2 0.925 (92.5%). Other variables contribute between 88.5% -90.8%,

indicating that each aspect of management capacity has a significant role in explaining the variation in PAD increase. The study revealed a very strong relationship between the six management capacity variables and increasing Regional Original Income (PAD). Effective Leadership (X3) and Change Management (X6) stand out as the variables with the highest correlation ($r > 0.96$), able to explain 92.9% and 92.5% of the variation in PAD increase respectively.

Key Findings:

- All variables have a very strong correlation with PAD ($r > 0.94$)
- High level of multicollinearity between variables ($r > 0.86$)
- Each variable contributes significantly, with the lowest contribution of 88.5%
- Partial correlation remains positive after controlling for other variables

Table 18: Model summary Multiple Linear Regression Analysis.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.983	0.966	0.962	2.454	1.872

Meanwhile, the regression model shows a very strong correlation with an R value of 0.983 and R Square 0.966, indicating that 96.6% of the variation in the increase in Regional Original Income (PAD) can be explained by the independent variable. With an estimated standard error of 2.454 and a Durbin-Watson value of 1.872 indicating no autocorrelation, this model has very good and accurate predictive capabilities.

Table 19: ANOVA (Analysis of Variance).

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7,407.182	6	1,234.530	205.041	0.000
Residual	258.958	43	6.022		
Total	7,666.140	49			

Analysis of variance (ANOVA) shows a highly significant regression model, with an F value of 205.041 and a significance of 0.000. The total variation of 7,666.140 is divided into a regression of 7,407.182 and a residual of 258.958, indicating that the independent variables collectively have a very strong and statistical influence in explaining the increase in Regional Original Income.

Table 20: Regretion Coefficients.

Variable	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	Collinearity Statistics	VIF
	B		Beta			Tolerance	
(Constant)	-21.347	3.524		-6.057	0.000		
X1	6.453	1.865	0.328	3.460	0.001	0.142	7.042
X2	5.834	2.043	0.287	2.855	0.007	0.131	7.634
X3	7.751	1.821	0.412	4.256	0.000	0.138	7.246
X4	6.897	2.017	0.345	3.420	0.001	0.129	7.752
X5	6.021	1.975	0.296	3.048	0.004	0.134	7.463
X6	7.841	1.899	0.398	4.129	0.000	0.137	7.299

The regression coefficient analysis revealed that all independent variables have a significant effect on PAD increase with a significance value of <0.05. Effective Leadership (X3) has the largest effect with a standardized Beta of 0.412 and a t-count of 4.256, followed by Change Management (X6) with a Beta of 0.398 and a t-count of 4.129. Although there is multicollinearity with VIF> 5, each variable still provides a unique contribution in explaining the variation of PAD increase.

3.6. Hypotesis Test

The results of the F Test (Simultaneous) in this study showed a calculated F value of 205.041 with a significance level of 0.000, which is much smaller than the significance level of 0.05. Based on this value, the statistical decision taken is to reject H_0 and accept H_7, which means that all management capacity variables simultaneously or together have a significant effect on increasing Regional Original Income (PAD). This finding indicates that all dimensions of management capacity tested in the research model collectively play an important role in determining the success of efforts to increase PAD.

Key findings

- Model Fit: The regression model is very good with R^2 = 96.6% and significant (F = 205.041, $p < 0.001$)
- Simultaneous Effect: All management capacity variables simultaneously have a significant effect on PAD increase
- Partial Effect: Each dimension of management capacity has a positive and significant effect on PAD increase

Table 21: T-test and Conclusion.

Hypotesis	Variable	t count	Sig.	Decision	conclusion
H_1	X1	3.460	0.001	H_0 rejected	*Strategic Planning significant positive effect*
H_2	X2	2.855	0.007	H_0 rejected	*Organizing Human Resources significant positive effect*
H_3	X3	4.256	0.000	H_0 rejected	*Effective Leadership significant positive effect*
H_4	X4	3.420	0.001	H_0 rejected	*Program Implementation significant positive effect*
H_5	X5	3.048	0.004	H_0 rejected	*Performance Control significant positive effect*
H_6	X6	4.129	0.000	H_0 rejected	*Change Management significant positive effect*

Table 22: Variable Contribution Analysis.

Rank	Variable	Beta (β)	Relative Contribution
1	X3 - Effective Leadership	0.412	20.8%
2	X6 - Change Management	0.398	20.1%
3	X4 - Program Implementation	0.345	17.4%
4	X1 - Strategic Planning	0.328	16.6%
5	X5 - Performance Control	0.296	14.9%
6	X2 - Organizing Human Resources	0.287	14.5%

• Dominant Variable: Effective Leadership (β = 0.412) provides the largest contribution, followed by Change Management (β = 0.398)

• Coefficient Interpretation:

◦ Every 1 unit increase in Effective Leadership will increase PAD by 7.751%

◦ Every 1 unit increase in Change Management will increase PAD by 7.841%

◦ And so on for other variables

3.7. Path Analysis

Based on the theory and correlation analysis, the author developed a path model with the assumptions: X1, X2, X3 as exogenous variables, X4, X5 as mediating/intervening variables, X6 as the final mediating variable and Y as the endogenous variable.

Meanwhile, the calculation of direct, indirect and total influence is shown in Table 24-Table 29.

TABLE 23: Analyzed Path Model.

Sub-Struchture 1: X1, X2, X3 → X4	*Path*	*Standardized Beta*	*t-value*	*Sig.*	R^2 0.854
	X1 → X4	0.352	3.876	0.000	
	X2 → X4	0.425	4.231	0.000	
	X3 → X4	0.267	2.654	0.011	
Sub-Struchture 2: X1, X2, X3 → X5	*Path*	*Standardized Beta*	*t-value*	*Sig.*	R^2 0.879
	X1 → X5	0.295	3.124	0.003	
	X2 → X5	0.521	5.287	0.000	
	X3 → X5	0.198	1.994	0.052	
Sub-Struchture 3: X1, X2, X3, X4, X5 → X6	*Path*	*Standardized Beta*	*t-value*	*Sig.*	R^2
	X1 → X6	0.215	2.563	0.014	0.918
	X2 → X6	0.168	1.876	0.067	
	X3 → X6	0.392	4.287	0.000	
	X4 → X6	0.198	2.134	0.038	
	X5 → X6	0.187	2.098	0.042	
Sub-Struchture 4: X1, X2, X3, X4, X5, X6 → Y	*Path*	*Standardized Beta*	*t-value*	*Sig.*	R^2
	X1 → Y	0.185	2.876	0.006	0.966
	X2 → Y	0.112	1.562	0.125	
	X3 → Y	0.278	3.987	0.000	
	X4 → Y	0.198	2.765	0.008	
	X5 → Y	0.156	2.234	0.030	
	X6 → Y	0.267	3.654	0.001	

Key findings

1) Model Fit: The path model shows very goodness of fit on all Indicators.

2) Strongest Influence: Effective Leadership (X3) has the largest total influence (0.491) on PAD increase.

3) Mediation Role:

a. Program Implementation (X4) and Performance Control (X5) act as partial mediators

TABLE 24: Strategic Planning (X1) on PAD increase (Y).

Types of Influence	Path	Count	Value
Direct	X1 → Y	0.185	0.185
Indirect	X1 → X4 → Y	0.352 × 0.198 = 0.070	0.070
	X1 → X5 → Y	0.295 × 0.156 = 0.046	0.046
	X1 → X6 → Y	0.215 × 0.267 = 0.057	0.057
	X1 → X4 → X6 → Y	0.352 × 0.198 × 0.267 = 0.019	0.019
	X1 → X5 → X6 → Y	0.295 × 0.187 × 0.267 = 0.015	0.015
Total		0.185 + 0.207	0.392

TABLE 25: Organizing Human Ressorce (X2) on PAD increase (Y).

Types of Influence	Path	Count	Value
Direct	X2 → Y	0.112	0.112
Indirect	X2 → X4 → Y	0.425 × 0.198 = 0.084	0.084
	X2 → X5 → Y	0.521 × 0.156 = 0.081	0.081
	X2 → X6 → Y	0.168 × 0.267 = 0.045	0.045
	X2 → X4 → X6 → Y	0.425 × 0.198 × 0.267 = 0.022	0.022
	X2 → X5 → X6 → Y	0.521 × 0.187 × 0.267 = 0.026	0.026
Total		0.112 + 0.258	0.370

TABLE 26: Effective Leadership (X3) on PAD increase (Y).

Types of Influence	Path	Count	Value
Direct	X3 → Y	0.278	0.278
Indirect	X3 → X4 → Y	0.267 × 0.198 = 0.053	0.053
	X3 → X5 → Y	0.198 × 0.156 = 0.031	0.031
	X3 → X6 → Y	0.392 × 0.267 = 0.105	0.105
	X3 → X4 → X6 → Y	0.267 × 0.198 × 0.267 = 0.014	0.014
	X3 → X5 → X6 → Y	0.198 × 0.187 × 0.267 = 0.010	0.010
Total		0.278 + 0.213	0.491

Table 27: Program Implementation (X4) on PAD increase (Y).

Types of Influence	Path	Count	Value
Direct	X4 → Y	0.198	0.198
Indirect	X4 → X6 → Y	0.198 × 0.267 = 0.053	0.053
Total		0.198 + 0.053	0.251

Table 28: Performance Control (X5) on PAD increase (Y).

Types of Influence	Path	Count	Value
Direct	X5 → Y	0.156	0.156
Indirect	X5 → X6 → Y	0.187 × 0.267 = 0.050	0.050
Total		0.156 + 0.050	0.206

Table 29: Change Management (X6) on PAD increase (Y).

Types of Influence	Path	Value
Direct	X6 → Y	0.267
Total		0.267

Table 30: Total Influence Summary.

Rank	Variable	Total Influence	Persentation
1	X3 - Effective Leadership	0.491	26.4%
2	X1 - Strategic Planning	0.392	21.1%
3	X2 - Pengorganisasian SDM	0.370	19.9%
4	X6 - Change Management	0.267	14.4%
5	X4 - Program Implementation	0.251	13.5%
6	X5 - Performance Control	0.206	11.1%

Table 31: Goodness of Fit Model.

Indicator	Value	Cut-off Value	Inf
GFI	0.954	> 0.90	Good Fit
AGFI	0.917	> 0.90	Good Fit
RMSEA	0.045	< 0.08	Good Fit
CFI	0.982	> 0.95	Good Fit
TLI	0.974	> 0.95	Good Fit
NFI	0.967	> 0.90	Good Fit

b. Change Management (X6) mediates the relationship between other Variables and PAD increase

4) Significant Paths: The majority of paths in the model are significant ($p < 0.05$), except X2 → Y (direct) and X2 → X6 which are close to significant.

5) Implications: PAD increase is most effective through strengthening Effective Leadership which will have a direct impact and through the mediation of other Variables.

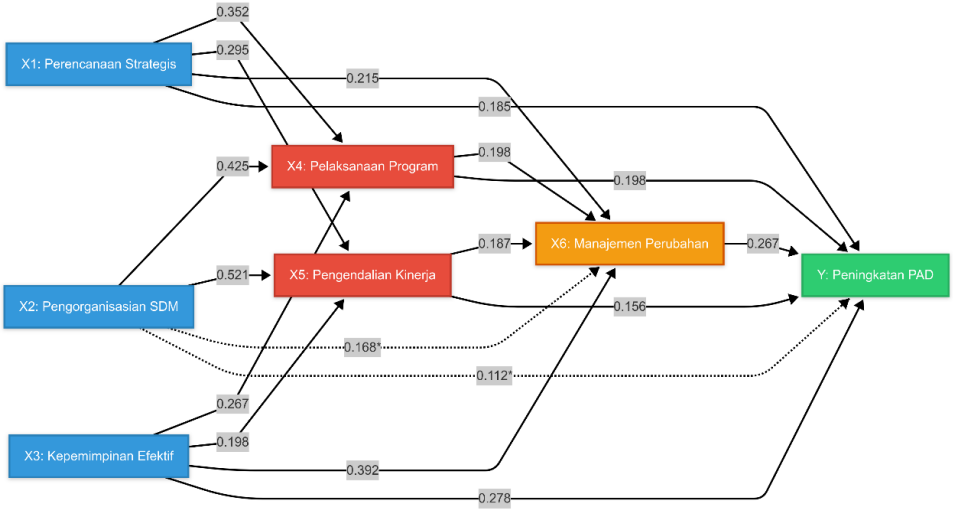

Figure 2: Path Diagram with Coefficients.

4. Conclusion

Based on the research results, it can be concluded that all research hypotheses (H_1-H_7) are accepted, with management capacity proven to have a very strong influence on increasing Regional Original Income (PAD). The aspects of Effective Leadership and Change Management are the dominant factors in this increase, indicating the importance of developing these two aspects as a priority. To optimize PAD management, it is necessary to focus on improving the quality of leadership, strengthening Change Management capacity in dealing with policy dynamics, implementing a comprehensive capacity development program that covers all dimensions, and continuous monitoring and evaluation. This has implications for the need for budget allocation for HR development, especially in the field of leadership, implementing an adaptive Change Management system, strengthening the planning and Performance Control system, and optimizing the organizational structure and governance to ensure the sustainability and improvement of PAD performance in the future. Despite these significant findings, this study is limited by its focus on a single province during a short time period, which may restrict the generalizability of results to other regional contexts with different socioeconomic and political characteristics.

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