



Effect of local own source revenue, general allocation funds, special allocation funds, and profit-sharing funds on capital expenditures

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ARTICLE INFO

Article history:

Accepted Jul 29, 2023

Revised Aug 10, 2023

Accepted Aug 11, 2023

Keywords:

Capital Expenditures;
General Allocation Funds;
Local Own-Source Income;
Profit-Sharing Funds;
Special Allocation Funds.

ABSTRACT

This study's goal was to determine how local own-source income, general funds, special funds, and profit-sharing funds affected the capital expenditures of the East Nusa Tenggara provincial government and 22 districts and cities throughout the province. Using probability sampling, the local government budgets of 22 regencies or cities for the 2019–2022 fiscal year and the local government budget of the NTT Provincial Government serve as the study's population. Results, local own-source income, general allocation funds, and profit sharing have a considerable and favorable influence on capital investment in the province of East Nusa Tenggara. The variable special allocation funds in East Nusa Tenggara Province affect capital expenditures positively but not statistically significantly, whereas the entire set of study factors affect capital expenditures positively and statistically significantly.

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1. INTRODUCTION

According to Law No. 1 of 2022 on balancing central and regional finances, with decentralization, regional governments have the fiscal authority to control the distribution of income and expenditure necessary to provide public services to the community. In other words, financial management is delegated to local governments, which is crucial for implementing development in the area (Anita et al., 2014; Rahmawati, 2023). The Regional Government needs adequate financial resources to be able to deliver public services more effectively and efficiently, whether those resources come from original local own-source revenue, balancing funds, loans, or help from the central government or other regions (Juniawan & Suryantini, 2018). Local own-source revenue, balancing funds consisting of general allocation funds, special allocation funds, profit-sharing funds, and others, as well as expenditures, are part of the regional government budget of a region, according to (Hermawan et al., 2016; Marbun et al., 2022; Ananda, 2023).

According to Ernayani, (2017); Saraswati, (2018); and Rosmayanti et al., (2023) a low percentage of regional financial independence makes local governments dependent on the federal government for balancing funds and complacent about raising their own regional income. In addition, according to Anggreni & Sri Artini, (2018) and Lona et al., (2023) financial performance is a sign of a region's potential for regional autonomy. How much regional original income contributes to financial success reveals a region's financial independence. Even if local own-source revenue is a regional source of wealth when visas affect financial work, it is frequently discovered to be extremely little compared to the balance of assets (Armaja et al., 2017).

In the Province of East Nusa Tenggara in 2022, local own-source revenue is IDR 3,791.53 billion, the local government also receives assistance from the central government of IDR 22,275.03 billion. As a result, the percentage of regional financial independence is 17%, and Rp. 29,933.03 billion will be spent as regional spending in 2022. In accordance with the guidelines of the Minister of Home Affairs for preparing the annual local government budget, the minimum proportion of capital expenditure is 25-30% of all regional spending. However, NTT's capital expenditure is only Rp. 6,113.27 or 20% of regional spending which is still below average.

This demonstrates, nonetheless, that there is a connection between local own-source income, general allocation funds, special allocation funds, profit-sharing funds, and capital expenditures in the province of East Nusa Tenggara. Various findings from earlier investigations are available. But the broad consensus is that municipal revenue, general allocation funds, special allocation funds, and profit-sharing funds have an impact on capital expenditure. (Marheni & Triyanto, 2023; Sanaky, 2021). In another study, local own-source revenue and general allocation funds had an impact on capital expenditure, but special allocation funds did not because each region did not receive the same special allocation funds, as in (Pramudya & Abdullah, 2021; Rahman, 2018), due to differences in the special allocation funds received by each region. The province of East Nusa Tenggara, which has 21 districts and 1 city, is one of the poorest provinces in Indonesia when compared to other provinces that are utilized as research objects, which is the difference between prior research and what will be investigated. The findings of this study are hoped to be used as research material in the future while East Nusa Tenggara's APBD and TKDD are being developed.

2. RESEARCH METHOD

Quantitative survey research is the method employed. The research subject is the population as a whole, while the sample is a portion of the population. (Ketmoen, 2022b; Lawalu & Ketmoen, 2022; Sugiyono, 2019). The population of this study is the local government budget of 22 regencies or cities for the 2019–2022 fiscal year utilizing saturated sample, is a sample selection method where the entire population is sampled (Ketmoen, 2022; Pongge et al., 2023). Strategies for collecting data from document research employing secondary data at <https://djpk.kemenkeu.go.id/>. 110 data points overall, from the government's APBD and TKDD, are drawn from 21 districts and 1 city in the East Nusa Tenggara province and SPSS regression version 25 was used to analyze all the data.

3. RESULTS AND DISCUSSIONS

Data analysis in this study used Eviews 9 with the following results:

Table 1. Results of Description Analysis

	X1	X2	X3	X4	Y
Mean	1.114675	5.763411	2.427611	1.810010	1.865611
Median	4.853510	5.259211	1.808211	8.660009	1.542411
Maximum	1.321112	1.886712	2.370012	4.605711	1.035612
Minimum	1.862310	3.300011	7.570010	5.320009	6.117110
Std. Dev.	2.485711	2.792111	3.581211	5.530010	1.602811
Jarque-Bera	1046.063	601.6539	2544.681	10532.81	875.3025
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	68	68	68	68	68

Source: results of Eviews 9, 2023

According to the table of descriptive data, the quantity of capital expenditure has a minimum value of 6.117110 and an average value (mean) of 1.865611. With a standard deviation of 1.602811, as can be seen in the table above, it can be concluded that the study's results are uniform or non-variable. According to the results of the descriptive statistical analysis, local own-source income has a mean value (average) of 1.114675, a minimum value of 1.862310, and a standard deviation (above table) of 2.485711. Since the average value (mean) of these data is higher than the standard deviation, the data in this study fluctuated. In the table above, it can be seen that the quantity of general allocation funds has an average value (mean) of 5.763411, a minimum value of 3.300011, and a standard deviation of 2.792111. These results show that the data in this study varied because the average value (mean) is greater than the standard deviation.

The quantity of profit-sharing funds has a mean (average) value of 2.427611, a minimum value of 7.570010, and a standard deviation (SD) of 3.581211, as shown in table 1. The size of the special allocation fund has an average value (mean) of 1.810010, a minimum value of -5.320009, and can be seen in the table above with a standard deviation of 5.530010 based on these data. The average value (mean) is greater than the standard value deviation, indicating that the data in this study varied. The data used in this study can be described as uniform or non-variable.

Table 2 t-test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.586000	2.81E+10	2.083980	0.0412
X1	0.371092	0.071018	5.225304	0.0000
X2	0.122753	0.061214	2.005305	0.0492
X3	0.019182	0.033779	0.567879	0.5721
X4	0.594563	0.151218	3.931829	0.0002

Source: results of Eviews 9, 2023

The computed t value for the local original income variable in the results of the t-test is 5.225304, which is less than the alpha level used of 0.5 and has a significant value of 0.0000. The choice to accept the alternative hypothesis (Ha) and reject the null hypothesis (H0) indicates that capital expenditure in East Nusa Tenggara Province and 22 regencies and cities in East Nusa Tenggara Province is partially influenced positively and significantly by the original regional income variable. A similar outcome was also attained by (Jayanti, 2020; Martini et al., 2022; Syukri & Hinaya, 2019). The General Allocation Fund variable's t test results reveal a calculated t value of 2.005305 with a significant value that is 0.0492 less than the 0.5 alpha level utilized. Accepting the null hypothesis (H0) while rejecting the alternative hypothesis (Ha) indicates that the General Allocation Fund variable partially influences capital expenditure in East Nusa Tenggara Province and 22 of its regencies and cities. The same conclusions were drawn from research by Engyilia et al., (2023); Indrayeni, (2020); and Huda & Sumiati, (2019) namely that general allocation funds have a favorable and considerable impact on capital expenditure. The Special Allocation Fund variable's computed t value for the t test is

0.567879, with a significant value of 0.5721 higher than the 0.5 alpha level utilized. The choice to reject the null hypothesis (H0) and accept the alternative hypothesis (Ha) indicates that the Special Allocation Fund variable partially influences capital expenditure in East Nusa Tenggara Province as well as 22 of its regencies and cities, though this effect is not statistically significant. This finding is consistent with the findings of Nasution et al., (2023); Vanesha et al., (2019); Zulkarnain & Haryati, (2023), which shows that special allocation funds have a small but beneficial impact on capital expenditures. The calculated t value for the profit-sharing Fund variable, according to the findings of the t-test, is 3.931829, which is 0.0002 less than the 0.5 alpha threshold that was used to determine significance. Accepting the alternative hypothesis (Ha) while rejecting the null hypothesis (H0) indicates that the Revenue Sharing Fund variable partially influences capital expenditure in East Nusa Tenggara Province and 22 of its regencies and cities. According to Ernayani, (2017); Saraswati, (2018); and Rosmayanti et al., (2023), the variable of profit-sharing funds partially affects capital expenditure, the same as the test results.

Table 3. Test F result

F-statistic	197.0609	Durbin-Watson stat	1.919540
Prob(F-statistic)	0.000000		

Source: results of Eviews 9, 2023

This F-statistic test is used to determine the significance of the independent variables side by side and whether they affect the dependent variable. The F-Statistics value is 197.0609 and the probability value is $0.00000 < 0.05$ (α), which means that side by side the variables of Capital expenditures in the Province of Nusa Tenggara East and the 22 regencies and cities in East Nusa Tenggara Province are significantly influenced by regional original income, general allocation funds, special allocation funds, and profit-sharing funds. same outcomes were also attained in Ernayani, (2017); Saraswati, (2018); and Rosmayanti et al., (2023),

4. CONCLUSION

The study's conclusions show that regional original revenue, general allocation funds, and profit sharing have a large and favorable influence on capital investment in the province of East Nusa Tenggara. The variable special allocation funds in East Nusa Tenggara Province affect capital expenditures positively but not statistically significantly, whereas the entire set of study factors affect capital expenditures positively and statistically significantly. The research's limitations include the fact that it only uses secondary data gleaned from the djpk.kemenkeu.go.id website and does not involve making actual observations. Future studies should consider including additional factors such economic growth, remaining budget financing and financial performance

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