Determinant of Capital Expenditure and Regional Economic Growth In Central Java Indonesia

Harnovinsah [1], Fajar Trian Hesti Irawati [2]

[1]Faculty Economic and Business Universitas Mercu Buana, West Jakarta, Indonesia
[2]Faculty Economics and Business Universitas Mercu Buana, West Jakarta, Indonesia

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Abstract: This research examines the effect of Original Local Government, Allocation General Funds, Allocation Special Funds, and Remaining Budget Financing on Capital Expenditures and their impact on Regional Economic Growth in the Regional Government / Municipal Government Central Java. The sampling method used is the purposive sampling method. The total respondents in this research were 35 local government / municipal government respondents in Central Java in 2015-2019. The analytical method is used in linear regression analysis. The test results show that the Original Local Government, Allocation General Fund, Allocation Special Fund, and Remaining Budget Financing affect the Capital Expenditures. As a result, the Capital Expenditures influence the Regional Economic Growth in the next year.

Keywords: Original Local Government, Allocation General Funds, Allocation Special Funds, Remaining Budget Financing, Capital Expenditures, Regional Economic Growth

1. Introduction

The development of public sector accounting in Indonesia is increasingly rapid, with a new era in implementing regional financial management. Furthermore, since the implementation of regional autonomy and fiscal decentralization in 2001, there has been a shift in authority from central to regional governments. It is indicated by the increasing authority of the regions in providing public services, accompanied by increased funding from the center to the regions. For regional financial management, human resources are needed, and economic resources in finance are outlined in a local government budget. Regional finance is a public document with the right to be known by the public. Therefore, the regional government must publish every regional financial report. Regional Revenue and Expenditure Budgeting is the main policy instrument for local governments. The regional budget is also used as a tool to determine the amount of income and expenditure. In addition, it assists in decision making and development planning, as well as authorizing future spending.

The absorption of slow and incomplete regional spending shows a flawed planning process and, at the same time, results in the accumulation of funds as idle funds. Significant idle funds are economically unfavorable because they will pass up regional spending opportunities to stimulate the regional economy. The low realization of regional expenditures financed by the Special Allocation Fund is caused by malfunctioning planning and implementation of activities in the regions. Still, it is also influenced by policies taken by the central government, particularly those related to planning and budgeting mechanisms, transfer mechanisms to regions, and stipulation—late technical guidance for special allocation funds, which impacts local government performance. The appropriate local budget should be a multiplier effect that can create a cycle of economic growth in Indonesia that is more positive and good. However, regional budgets have so far been more for employee expenditure. At present, the Allocation General Fund provided by the regional government is mostly used for personnel expenditure.

Research on Regional Revenue, General Allocation Funds, Special Allocation Funds, and Over Time Budget Financing on Capital Expenditures and Capital Expenditures has influenced regional economic growth. Achmad David (2015) Regional Original Revenue, General Allocation Fund, and Special Allocation Fund simultaneously affect Capital Expenditure. Still, only Regional Revenue has a significant influence on Capital Expenditure, whereas the General Allocation Fund and the Special Allocation Fund do not affect capital expenditure. Ida Mantayani (2013) General Allocation Funds, Regional Original Revenue, and Excessive Budget Financing simultaneously affect Capital Expenditure, and based on partial testing, it is known that General Allocation Funds, Regional Original Revenues do not affect Capital Expenditures and the excess budget financing has a significant effect on capital expenditure. Resiana Sukmawati et al. (2016) explains that the influence of Regional Original Revenue and the excess of the Budget Financing on Capital Expenditures simultaneously with donations, there is a positive and partially significant effect on Regional Original Revenues on Capital Expenditures and contributions, a positive and partially significant effect Remaining Budget Financing of Capital Expenditures with donations. However, this research contradicts research conducted by Miftakhul Khasanah (2015) which concluded that original local government revenue, general allocation funds, allocation special funds simultaneously influence Capital Expenditure and original local government revenue, general allocation funds partially influence Capital Expenditures while special allocation funds do not affect Regional Economic Growth.

2. Literature Review

Agency Theory

Jensen and Meckling (1976) revealed Agency theory. Agency theory states that an agency relationship is an agreement (contract) between two parties, namely the principal and agent. In this theory, the principal authorizes the agent to make a principal decision. In agency theory, there are differences in interests between agents and principals, so it is possible that the agent does not always take the best course of action for the principal's interests because there are many things to consider in developing an area. The Regional House of Representatives will oversee the government's performance through the budget. This form of supervision follows agency theory where the local government is an agent, and The Regional House of Representatives is the principal.

Stakeholder Theory

Gray (2001) stakeholders are parties interested in a company or organization that can influence or be affected by the activities of a company or organization. The stakeholders include the community, employees, government, suppliers, capital markets, and others. It can compare Ghozali's (2015) stakeholders to those who influence making decisions or an organization's existence.

Regional Revenues and Expenditures Budget

Achmad Fauzi (2014) Regional Revenue and Expenditures Budget is a regional government program that will be implemented in the coming year, which is realized in one form of money. Alteng Syafruddin (2018) and Harnovinsah et.al (2020) Regional Revenue and Expenditures Budget is a work plan or regional government work program for a particular work year. It contains revenue plans and expenditure plans during the work year. R.A. Chalit (2015) Regional Revenue and Expenditures Budget is a concrete form of a comprehensive regional financial work plan that links local government revenue and expenditure expressed in terms of money to achieve the planned objectives within a certain period in one fiscal year. Suparmoko (2015) Regional Revenue and Expenditures Budget is a budget that lists detailed statements about the type and amount of revenue, the type and amount of state expenditure expected within a certain year.

Original Regional Revenue

It is one of the sources of financing for the regions, implementing regional autonomy as regulated in Law Number 34 of 2004 concerning Intergovernmental Financial Balancing. Original Regional Revenue is always associated with the regional authority to collect local taxes or other levies such as user charges. In contrast, Regional Original Income can also come from other sources such as the share of profits from the profits of regional-owned enterprises. However, the results are still relatively small. Halim (2004) regional income increases assets and decreases debt arising from various current accounting activities. Increased capital investment (capital expenditure) is expected to improve the quality of public services, which in turn will be able to increase the level of public participation (contribution) to development as reflected in an increase in Original Local Government Revenue (Mardiasmo, 2002).

General Allocation Fund

General Allocation Funds are funds sourced from Domestic revenue at the national revenues allocated to equitable distribution of financial capacity between regions to fund regional needs in the context of decentralization. General Allocation Funds play a role in horizontal equalization by closing the fiscal gap between the financial needs and the region's economic potential. General Allocation Funds is often called unconditional assistance (unconditional grants) because it is a type of transfer between levels of government that is not tied to a particular expenditure program. According to Law number 33 of 2004, the portion of the General Allocation Funds is determined to be at least 26% (twenty-six percent) of the Net Domestic Revenue stipulated in the Domestic revenue at the national. Meanwhile, the proportion of General Allocation Fund's distribution for the Province and Regency / City is determined according to the balance of authority between the province and district/city. Therefore, General Allocation Funds is a "Block Grant," which means its use is left to the regions following the priorities and needs of the region to improve services to the community in the context of regional autonomy.

Special Allocation Fund

Suparmoko (2002) Special Allocation Funds are funds sourced from Budget Of National Shopping Income revenues allocated to specific regions to help fund special activities that are regional affairs and following national priorities—prioritized to assist regions with financial capacity below the national average, to fund the provision of physical infrastructure and facilities for basic public services that are already regional affairs. Special needs are needs that are difficult to estimate by the general allocation formula and or needs that are national commitments or priorities. Special Allocation Funds can be allocated from the Domestic revenue at the national to certain Regions to finance funds in the Domestic revenue at the national, referred to as certain regions, which have special needs. Special Allocation Fund is an allocation from the State Revenue and Expenditure Budget to certain provinces or districts/cities to fund special activities that are the affairs of the Regional Government and following national priorities. The Special Allocation Fund is used to finance investment in procurement and or improvement of infrastructure and physical facilities economically for the long term. In certain circumstances, the Special Allocation Fund can assist the costs of operating and maintaining certain infrastructure and facilities for a limited period, not exceeding 3 (three) years.

Remaining Budget Financing

According to Minister of Domestic Affairs Number 13 of 2006, Remaining Budget Financing is the difference in realizing budgetary revenues and expenditures during one budget period. The remainder of the previous year's budget was sourced from receipts from the General Allocation Fund, balancing funds and savings made by other receipts of official regional revenues. In addition, it also comes from savings in spending and obligations to third parties until the end of the year that has not been resolved, as well as remaining funds for follow-up activities. The remaining excess of the budget is an indicator that describes the efficiency of government spending. The remaining excess of the budget occurs if there is a surplus in the APBD. It shows the occurrence of positive Net Financing, where the Income component is greater than the Financing Expenditure component (Puslitbang NTT, 2008). The remaining excess of the budget is an indicator that describes the efficiency of government spending. The remaining excess of the budget occurs if there is a surplus in the APBD. It shows the occurrence of positive Net Financing, where the Income component is greater than the Financing Expenditure component (NTT Research and Development Center, 2008).

Capital Expenditures

Government Regulation Number 71 of 2010, Capital Expenditures are budget expenditures for acquiring fixed assets and other assets that provide benefits for more than one accounting period. Capital Expenditures include capital expenditures for acquiring land, buildings and buildings, equipment, and intangible assets. Capital Expenditures are carried out in capital formation, which adds fixed assets/inventory that provides benefits for more than one accounting period, including expenses for maintenance costs that are to maintain or increase the useful life, increase the capacity and quality of assets. According to Law No. 32 of 2004 Article 167 paragraph 1, regional expenditure protects and improves people's lives. It is manifested in improving basic services, education, providing health care facilities, social facilities, adequate public facilities, and developing a social security system. The higher the expenditure, the local government should provide better and quality services. Capital Expenditures are budget expenditures used in the framework of obtaining or adding fixed assets and other assets that benefit more than one accounting period and exceed the minimum capitalization limit of fixed assets or other assets determined by the government where the assets are used for the daily operations of work units and not for sale.

Hypothesis

Regarding the above thought framework, the hypotheses proposed in this study are:

H_1: Local Revenue influences Capital Expenditures
H_2: General Allocation Funds affect Capital Expenditures
H_3: Special Allocation Funds affect Capital Expenditures
H_4: The Remaining Budget Financing affects Capital Expenditures
H5: Capital expenditure affects regional economic growth

3. Methodology

This research is quantitative research with an associative hypothesis to examine the relationship between two or more variables (Sugiyono, 2009: 100). The population of this study was the local government / municipal government in Central Java in 2015-2019 as many as 35 respondents. The sample in this study uses a purposive sampling method. The sample selection process describes the nature or characteristics of a particular phenomenon to reach a needed conclusion. The data processing method uses the SPSS 20 program.

Definition of Variable Operationalization and Variable Measurement

Six variables are tested for their influence in this research: regional own-source revenues, general allocation funds, special allocation funds, remaining budget expenditures, capital expenditure, and regional economic growth. The six variables are classified into two groups as follows:

Capital Expenditures

Capital Expenditures, which are budget expenditures used in the context of obtaining or adding fixed assets and other assets that provide benefits for more than one accounting period and exceed the minimum capitalization limit of fixed assets or other assets determined by the government where the assets are used for daily operations a work unit and not for sale (PMK No. 91 / PMK.06 / 2007). Realization of expenditure budget is carried out in the context of capital formation, which adds fixed assets/inventory that provides benefits over one accounting period, including expenses for maintenance costs that are to maintain or increase the useful life, increase the capacity and quality of assets. Calculation of Capital Expenditures using the formula:

Capital Expenditures = Land Expenditures + Capital Expenditures Equipment and Machinery + Capital Expenditures Buildings and Buildings + Capital Expenditures Irrigation and Network Roads + Other Physical Expenditures Expenditures.

Regional Economic Growth

The value of economic growth is a quantitative measure that describes the development of a regional economy in a particular year. Economic growth is proxied by GRDP using a ratio scale. For example, according to Kuncoro (2002), using the formula:

Economic growth = (PDRBt - PDRBt - 1 (PDRBt - 1x 100%)

Original Local Government

According to Bastian (2002), Regional Original Revenue is Regional Original Revenue consisting of Regional Tax Results, Regional Levies, Revenues from Profit of Regional Enterprises, and Legitimate Revenues. Local Original Revenues in this study can be known from the Realization Report of Regency / City Regional Government Budgets in Central Java Province from 2013 to 2017. The formula for calculating Regional Original Revenues:

Original Local Government = Local tax + Regional levies + Results of management of separated regional wealth + Other legal Original Local Government Revenue.

Allocation General Fund

Allocation General Fund is a general transfer of funds from the central government to regional governments to address horizontal inequality with equitable distribution of financial capacity between regions (Halim, 2004). The Allocation General Fund is sourced from the Domestic revenue at the national, which is allocated to equal distribution of financial capacity between regions to fund regional needs in the context of implementing decentralization (Law No. 33 of 2004). To calculate General Allocation Fund for districts/cities on the basis of allocation according to Suparmoko (2002), the formula for calculating General Allocation Fund for districts/cities on the basis of allocation is as follows:

Allocation General Fund = (% x weight) x (Regency / City General Allocation Fund)

Allocation Special Fund

Allocation Special Funds are funds sourced from the Domestic revenue at the nations allocated to specific regions to help fund special activities, which are regional affairs and following national priorities. The amount of Allocation Special Funds is determined annually in the Domestic revenue at the national. Allocation Special Funds is allocated to specific regions to fund special activities, which are regional affairs. These special activities must be following the functions stipulated in the Domestic revenue at the national. Thus, the Special Allocation Fund becomes a very important fund for the regions in helping to fund programs that become national priorities, especially in the context of the building, improving and fulfilling public service facilities and infrastructure in regions that are national priorities in the fields of education, health, infrastructure (roads, irrigation, and clean water), marine and fisheries, agriculture, regional government infrastructure, and the environment.

Remaining Budget Financing

Remaining Budget Financing is the excess difference between the realization of revenue and expenditure and financing receipts and disbursements in Local government budget / Domestic revenue at the national during one reporting period (Regulation Government 71 of 2010 concerning Government Accounting Systems). Remaining Budget Financing is an indicator that illustrates the efficiency of government spending because Remaining Budget Financing will only be formed if there is a surplus in the Local government budget and at the same time a positive Net Financing, where the Revenue component is greater than the Financing Expenditure component. The greater the Remaining Budget Financing produced by an area, the lower the Capital Expenditure allocation, and the smaller the Remaining Budget Financing made by an area, the higher the Capital Expenditure allocation. The better management and high expenditure of an area, the smaller the Remaining Budget Financing produced.

Remaining Budget Financing = Surplus / Deficit + Financing

Analysis Method

Multiple Regression Analysis

Multiple regression analysis, according to Sugiyono (2011: 277), is used by researchers if the researcher intends to predict how the state (rise and fall) of the dependent variable (criterium), if two or more independent variables as predictors factors are manipulated (increased in value). Multiple Linear Analysis is used to find out the functional relationship of the variable Y (the dependent variable) with the variables X_1, X_2, X_3, X_4 (independent variables) and can be expressed in an equation:

$Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$

$Y_2 = \alpha + \beta_5 Y_1 t + e$

Coefficient of Determination (adjusted R^2)

The adjusted R^2 value measures the goodness of fit on how far the model's ability to explain the variation of the dependent variable. The adjusted R^2 value is a summary measure that shows how well the sample regression line matches the population data. The coefficient of determination is between zero and one. A small adjusted R^2 value means that the ability of independent variables to explain the dependent variable is minimal (Ghozali, 2009).

Model compatibility is said to be "better" if the adjusted R^2 value gets closer to 1 (one). The percentage of influence of regional original income variable, general allocation fund, special allocation fund, the remaining budget financing towards Capital Expenditures and the Impact on Regional Economic Growth is known from the magnitude of the regression equation determination.

Model Conformity Test (F Test)

Model suitability test or statistical test F aims to determine the feasibility of multiple regression models, whether the effect is significant or not, and the significance level used is 0.05. Suppose the probability of F is less than 0.05. In that case, the regression model can be used to predict the independent variable, or in other words, the dependent variable simultaneously influences the dependent variable. Conversely, suppose the probability value F is more significant than 0.05. In that case, the regression model cannot be used to predict the dependent variable, or in other words, the independent variable simultaneously does not affect the dependent variable.

Partial Test (T-Test)

The regression coefficient is used to determine the effect of partially independent variables on the dependent variable. Testing the regression results was carried out using the t-test at a confidence level of 95% or $\alpha = 5\%$.

Results And Discussion

1) Multiple Regression Analysis

Table 1. Results of Multiple Regression Analysis

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	-2,987	2,071	-1,443	,151
	Original	,427	,062	6,858	,000
	General	,395	,097	4,066	,000
	Special	,151	,032	4,702	,000
	Remaining on Capital Exp	,132	,053	2,463	,015

Sumber: Output olahan data SPSS 20

Based on table 1, the regression equation that can be formulated is as follows:

$Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$
Capital Exp = -2,987 + 0,427 X_1 + 0,395 X_2 + 0, 151 X_3 + 0,132 X_4 + e

For Variable X_1, where the coefficient of 0.427, the positive direction indicates that if the variable X_1 increases by 1%, it will cause an increase in the value of the variable Y for the value of the coefficient of 0.406.

Table 2. Results of Multiple Regression Analysis

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	-1,071	,582	-1,842	,067
	Capital Exp	-,049	,022	-2,271	,024

Source: SPSS 20 processed data output

Based on table 2, the regression equations that can be formulated are as follows:

$Y_2 = \alpha + \beta 5\ Y_1\ t + e$
Growth Economic = -1,071 - 0,049 Y_1 + e

The Growth Economic variable has a coefficient value of -1,071 with a negative direction. This shows that if capital expenditure falls 1% will cause an increase in the value of economic growth received worth the coefficient.

2) **Determination Coefficient Test (R^2)**

Table 3.Determination Coefficient Results

Model	R^2
Original, General, Special, and Remaining on Capital Exp	0,670
Capital Exp on Economic Growth	0,263

Source: SPSS 20 processed data output

Based on table 3, it is known that the results of the coefficient of the determination of original local revenue, general allocation funds, special allocation funds, and the remaining excess budget financing to capital expenditure are worth 0.670 or 67.0%. It can indicate that the diversity of the variable Capital Expenditure can be explained by the variable Local Revenue, General Allocation Funds, Special Allocation Funds, and the Remaining Budget Financing of 67.0%. In comparison, the remaining 33.0% is contributed by other variables not discussed in this research. The R-square model influences local own-source revenue, general allocation funds, special allocation funds, and the remaining excess budget financing and capital expenditure on the economic growth of 0.263 or 26.3%. At the same time, the remaining 73.7% is contributed by other variables not discussed in this research.

3) F-Test (Simultaneous Test)

Table 4. F Test Results of regional revenues, general allocation funds, special allocation funds, remaining financing, and capital expenditure on economic growth

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	0,387	5	0,077	11,567	0,000
Residual	1,085	162	0,007		
Total	1,472	167			

Source: SPSS 20 processed data output

Based on table 4, the estimation results produce a significance value of 0.00. Using the value of $\alpha = 0.05$ shows that the original regional income, general allocation funds, special allocation funds, the remaining excess budget financing and capital expenditures on economic growth simultaneously or together significantly influence capital expenditure ($\alpha = 0.05$).

4) T-Test (Partial Test)

Table 5. T-Test Result of regional revenues, general allocation funds, special allocation funds, remaining financing, and capital expenditure on economic growth

Eks	End	*Standardized*	statistics	Prob.
Original	Capital	0,406	6,858	0,000
General	Capital	0,241	4,066	0,000
Special	Capital	0,255	4,702	0,000
Remaining	Capital	0,142	2,463	0,015

Source: SPSS 20 processed data output

As shown in table 5, the results are obtained that in terms of own local revenue, general allocation funds, special allocation funds, the remaining excess budget expenditure has a positive effect on capital expenditure.

Table 6. Results T-Test Capital Expenditure on Economic Growth

Eks	End	*Standardized*	Statistic	Prob.
Capital	Economic	-0,264	-2,271	0,024

Source: SPSS 20 processed data output

As shown in table 6, the results show that capital expenditure negatively affects economic growth. Hypothesis testing has been carried out, and it can be put forward some discussion below

5) Indirect significance testing

Table.7. Indirect Significance Testing

Independent	Dependent	Intervening	Estimate (Indirect)	S.E.	T	Sig.
Original	PE	BM	-0,107	0,019	-5,748	0,000
General	PE	BM	-0,064	0,026	-2,433	0,008
Special	PE	BM	-0,067	0,010	-6,638	0,000
Remaining on Capital Exp	PE	BM	-0,037	0,014	-2,615	0,005

The results of the calculation of indirect effects through the Sobel test can be explained as follows:

1. Regional Original Revenue to Economic Growth through Capital Expenditures produces a T statistics value of -5.748 with a probability of 0,000. The test results show that the likelihood is <alpha (5%). It means that there is a significant indirect effect on the Regional Revenue to Economic Growth through Capital Expenditures. It is known in table 4.18 that there is no direct effect of Regional Original Revenues on Economic Growth. It shows that Capital Expenditure can fully mediate the influence of Regional Original Revenues on Economic Growth.

   Regional Original Revenue to capital expenditure produces an estimated value (indirect) of -0.107 with a probability level of 0,000. This reveals that capital expenditure has the effect of weakening the Original Regional Revenues to economic growth.

2. The General Allocation Fund towards Economic Growth through Capital Expenditures produces a T statistics value of -2,433 with a probability of 0.008. The test results show that the likelihood is <alpha (5%). It means that there is a significant indirect effect on the General Allocation Fund on Economic Growth through Capital Expenditures. However, in table 4.18, there is no direct effect of the General Allocation Fund on Economic Growth. It shows that capital expenditure can fully mediate the influence of the General Allocation Fund on Economic Growth.

   The General Allocation Fund for capital expenditure generates an estimated value (indirect) of -0.064 with a probability level of 0.008. Thus, it reveals that capital expenditure weakens the General Allocation Fund on economic growth.

3. The Special Allocation Fund towards Economic Growth through Capital Expenditures produces a T statistics value of -6,638 with a probability of 0,000. The test results show that the likelihood is <alpha (5%). It means that there is a significant indirect effect on the Special Allocation Fund on Economic Growth through Capital Expenditures. However, in table 4.18, there is no direct effect of the Special Allocation Fund (on Economic Growth. It shows that capital expenditure can fully mediate the influence of the Special Allocation Fund on Economic Growth.

Special Allocation Funds for capital expenditure produce an estimated value (indirect) of -0.067 with a probability level of 0,000. It reveals that capital expenditure has the effect of weakening the Special Allocation Fund on economic growth.

4. Remaining Budget Financing on Economic Growth through Capital Expenditures produces a T statistics value of -2,615 with a probability of 0.005. The test results show that the likelihood is <alpha (5%). It means a significant indirect effect of the excess budget financing on economic growth through capital expenditure. It is known in table 4.18 that there is no direct effect of excess budget financing on economic growth. It shows that capital expenditure can fully mediate the influence of excess budget financing on economic growth.

The remaining Budget Financing for capital expenditure produces an estimated value (indirect) of -0.037 with a probability level of 0.005. It reveals that capital expenditure has the effect of weakening the excess budget financing for economic growth

Hypothesis testing has been carried out, and it can put forward several discussions below:

1) Effect of Regional Original Revenues on Capital Expenditures

The results of this study are consistent with the results of previous studies conducted by Achmad David (2015), Santika Adhi (2017) that the Regional Original Revenue influences Capital Expenditures. Therefore, high Original Regional Revenue is expected to be able to improve the construction of facilities and infrastructure so that the regional government can finance all regional needs, so that the goal of regional autonomy is achieved, namely improving the welfare of the community, improving public services, and increasing competitiveness.

2) Effect of General Allocation Funds on Capital Expenditures

The results of this study are consistent with the results of previous studies conducted by Ida Mantayani (2013) that the General Allocation Fund affects Capital Expenditures. Therefore, with the increase in the General Allocation Fund, it is expected to increase capital expenditures to fund local government needs so that the implementation of decentralization can be achieved, namely for the distribution of financial capacity between regions.

3) Effect of Special Capital Expenditure Allocation Funds

The results of this study are consistent with the results of previous studies conducted by Achmad David (2015), Santika Adhi (2017) that the Special Allocation Fund affects Capital Expenditures. With the increase in the Special Allocation Fund, it is expected that Capital Expenditures will also increase so that regions with financial capacity below the national average are able to fund the provision of facilities and infrastructure for basic services, which are the obligations of regional governments.

4) Remaining Budget Financing for Capital Expenditures

The results of this study are consistent with the results of previous studies conducted by Ida Mantayani (2013) and Resiana Sukmawati (2016) that the Remaining Budget Financing affects Capital Expenditures. Remaining Budget Financing is an indicator that illustrates the efficiency of government spending because Remaining Budget Financing will only be sure if a surplus occurs in the APBD. Therefore, the value of Remaining Budget Financing should be 0 (zero). Still, the Remaining Budget Financing is formed because of exceedances in receiving balance funds, exceeding other receipts of regional legal income, exceedances of receipt of financing, expenditure savings, third-party obligations until the end of the year have not been resolved the remaining funds for continued activities.

5) Capital Expenditures on Economic Growth

The results of this study are consistent with the results of previous studies conducted by Prima Rosita (2016) that capital expenditure affects economic growth. With the increase in capital expenditure, economic growth will also increase and vice versa. Economic growth is very influential on the welfare of society, so The Local Government must managed capital expenditure as well as possible to enhance development and economic growth. But currently, capital expenditure is mainly used for routine spending, especially for personnel expenditure. Therefore, The Local Government should prioritize the development and improvement of public infrastructure and advice.

4. Conclusion

Based on the formulation of the problem, testing the hypothesis, and the discussion presented in the previous chapter, It can draw the following conclusions:

1. Regional Original Revenues have a significant positive effect on Capital Expenditures due to decentralization, which results in the Regional Government / Pemmkot being able to explore regional revenues intended to fund regional needs to improve the procurement of facilities and infrastructure.
2. The General Allocation Fund has a significant positive effect on Capital Expenditures because the General Allocation Fund reduces financial differences and funding capabilities between regions. In this way, the granting of General Allocation Funds between regions is not the same amount. Therefore, the implementation of decentralization can be achieved, namely, to distribute financial capacity between regions.
3. The Special Allocation Fund has a significant positive effect on Capital Expenditures because the Special Allocation Fund is funding sourced from the State Revenue and Expenditure Budget. The special allocation fund aims to finance special needs in the regions which are part of the national program. So that regions with financial capacity below the national average can fund the provision of facilities and infrastructure for essential services responsible for the regional government.
4. The excess of budget use significantly affects capital expenditure because the remaining excess of the previous year's budget covers the budget deficit if the revenue realization is smaller than the actual expenditure. Therefore, the Financing Budget is an indicator that describes the efficiency carried out by the government in budget execution.
5. The excess budget balance can be used as a security for the regional budget when receiving regions at the beginning of the year had not yet reached the target and covered the budget deficit. By maximizing the use of the remaining funds, it will maximize the budget to cover expenditures goods/services at the beginning of the year and cover the deficit financing. Realization is expected can achieve regional spending in line with the quality output generated and reduce financing originating from debt. Therefore the participation of all government officials is required through planning and dissemination with the lowest unit, the budget user work unit, along with and supervising the use and management of the remaining budget funds is more stringent and responsible.
6. Capital Expenditures have a significant effect on regional economic growth because if the Local Government cannot manage capital expenditure properly, it will harm Economic Growth. Moreover, economic growth is very influential on the welfare of society, and so economic growth as well as possible to enhance economic development regionally**.**

Recommendation

This research has several limitations that require improvement and development in subsequent studies. Limitations in this study are:

1. The research period is concise five years (2015-2019), and the Economic Growth data reviewed is the data of the following 1 (one) year, which causes the sample used in this study to be limited.
2. The independent variables in this study are only limited to Regional Original Revenue, General Allocation Funds, Special Allocation Funds, Over Time Budget Financing, which causes the possibility that other factors may affect capital expenditure.

   Based on the limitations in this study, several suggestions can be considered that can be considered for further research.

1. It is hoped that further researchers can expand the research object by using different regional government / City government, not only regional government / City government Central Java but all regional government / City government in Indonesia.

2. For further researchers, it is recommended to add independent and dependent variables that are likely to influence the Capital Expenditure Budget.
3. Regional governments are expected:
   a. Savings on capital expenditure allocation for routine employee expenditure
   b. The Remaining Budget Financing figure in the realization of financial statements should be 0 (zero) because Remaining Budget Financing is an indicator that illustrates the efficiency of government spending
   c. Increasing Local Revenue by developing the potentials and sectors of the regional economy to be more independent in funding all government activities in the context of implementing regional autonomy.

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