The Effect of Local Own Revenue (PAD) and Balancing Funds (Daper) on Regional Government Capital Expenditures of West Java Province 2014 – 2017

Meta Prihastanti , Mr Drs. Dadang Rachmat Ak., M.Ak., CA
Indonesian College of Economics
Jakarta, Indonesia
mprihastanti@gmail.com;

Abstrak – *Regional Autonomy policy or Decentralization had been brought major changes to the pattern of regional government. The Regional Government is required to maximize the potential in managing the government, because with this Regional Autonomy The Regional Government has more dominant role than before. One of important issues in Regional Autonomy is the ability of Local Government to meet their expenditure needs. Moreover, The Local Government is required to have a development program that is evident in the community, including by prioritizing the allocation of capital expenditure.*

This study aimed to examine the effect of local revenue which is the original source of income from The Local Government and the balancing fund which is a transfer fund from The Central Government which is addressed by The Regional Government to the capital expenditure of the West Java Provincial Government. The population of this study was The Province of West Java from 2014 to 2017. The analysis model used was multiple linear regression. Using the Eviews statistical application to help data analysis and analysis techniques used are descriptive test, classic assumption test and hypothesis test. The data that use in this study is secondary data. Data is accessed and downloaded by the Ministry of Finance website.

The results of the f test prove that the influence of local revenue and balancing funds simultaneously have a significant effect on capital expenditure, from the results of t test shows that the variables of local revenue and balance funds have a significant effect on capital expenditure.

Keywords: *Local Revenue, Balancing Funds, Capital Expenditures*

I. PRELIMINARY

It is hoped that regional financial independence can be realized with the existence of regional autonomy because the central government realizes that the one who knows best about the condition or condition of the region is the regional government itself, both in terms of existing problems and sources of income that can be extracted by the regional government itself. The success of local governments in their efforts to increase their revenue will affect the ability of the regions to finance or finance regional expenditure needs. In addition to original regional income, the component of regional revenue is based on Law number 23 of 2014 which states that the source of regional development financing is not only local revenue, but also transfers from the central government in the form of balance funds. Balancing funds are at the core of the financial relationship between the central government and local governments . D ana equalization from the state budget in the form of DBH, General Allocation Fund and Special Allocation Fund aims to equalization ability fis c al to satiap area. The increase in regional revenue through the provision of balanced funds and the collection of non-balanced funds on the one hand will increase economic growth in the area. Financial balancing policies are emphasized on four main objectives, namely:

a. Provide a source of funds for the autonomous region to carry out the assigned functions which are their responsibility.
b. Reduce the gap fis c al between the central government and local government and among local governments.
c. Improving the welfare , the waiter 's publi k and to reduce inequalities welfare services and publi c between regions.
d. Increasing efficiency, effectiveness and accountability in the management of regional resources, especially financial resources.

Revenue and fund balance area is expected MAMP u fund or fund b elanja area that is at the core of local government expenditure in the period of one fiscal year containing costs costs incurred by local authorities in carrying out the work program of government. The composition of regional expenditures must be given the best possible attention to the needs of community facilities in order to increase public confidence in the performance of regional governments. If public trust increases, then of course, it can increase community contributions in paying local taxes, which are one of the original sources of regional income. So that in an effort to improve public services, the allocation of regional expenditures must also undergo changes, if you want to improve public services, you must make more use of the funds received from both local revenue and balance funds so that they are prioritized to the allocation of capital expenditures. A location of capital spending also aims to improve services publi k both facilities and infrastructure and that an increase in facilities which can stimulate an increase in economic activity of society which would further grow the investment area.

In exercising the authority of the Regional Government, the Central Government will transfer the balance funds consisting of the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Profit Sharing Fund. The policy for the use of all these funds is left to the Regional Government. Transfer funds from the central government are used effectively and efficiently by local governments in improving services to the public.

Based on the background description above, a study will be carried out with the title: "The Effect of Regional Original Income (PAD) and Balanced Funds (Daper) on the Capital Expenditures of the Regional Government of West Java Province 2014 - 201 7 " .

Formulation of the problem

Based on the background of the problems that have been described, the problems are formulated as follows:

1. Does local revenue affect the capital expenditure of the 2014 - 201 West Java Provincial Government 7 ?
2. Does the balance fund affect the capital expenditure of the West Java Provincial Government 2014 - 201 7 ?
3. Do local revenue and balancing funds simultaneously affect the capital expenditure of the West Java Provincial Government 2014 - 201 7 ?

II. FOUNDATION OF THEORY AND HYPOTHESIS DEVELOPMENT

Regional Autonomy

In Law Number 23 of 2014 concerning Regional Government , the meaning of Regional Autonomy and Autonomous Regions is as follows: " Regional Autonomy is the right, authority and obligation of an autonomous region to self-regulate and manage Government Affairs and the interests of local communities in the system of the Unitary State of the Republic of Indonesia. . "To strengthen Regional Autonomy, there is a mechanism for guidance, supervision, empowerment, and clear and firm sanctions. The existence of guidance and supervision as well as clear and clear sanctions require clarity of guidance tasks, supervision from the Ministry that carries out general guidance and supervision as well as non-ministerial government ministries / institutions that carry out technical guidance. The synergy between general guidance and supervision with technical guidance and supervision will empower Regions in the administration of Regional Government.

The guidance and supervision of regency / municipal regions requires clear and firm roles and authorities as representatives of the central government to carry out and carry out the functions of guidance and supervision of regency / municipal regions. Autonomous Regions, hereinafter referred to as Regions, are legal community units having territorial boundaries which are authorized to regulate and administer Government Affairs and the interests of the local community according to their own initiative based on the aspirations of the people in the system of the Unitary State of the Republic of Indonesia.

According to the explanation above, with the existence of regional autonomy or decentralization, local governments get increased rights and authority in line with increased responsibility for local government management , with this increased authority local governments are expected to be able to make work programs in accordance with their aspirations and needs. local community. Local governments must also be able to explore regional potentials to meet expenditure needs for their work programs.

Budget Regions

To run everything requires careful planning so that the desired goals can be realized as expected. This planning applies to every activity, especially for large activities and involves the interests of many people such as the implementation of local government. Very careful planning is needed so that the objectives of the local government to provide maximum service to the community can be achieved. One of the plans used by local governments is the making of the APBD. APBD is part of planning related to the budget used in implementing the wheels of government. In essence, the regional budget is one of the tools to improve public services and public welfare in accordance with the objectives of regional autonomy that are broad, real and responsible. As for the definition of budget according to M. Nafarin (2007 ; 20) "The budget is a

guideline for actions to be carried out by the government including plans for revenue, expenditure, transfers, and financing which are measured in rupiah units, which are systematically arranged according to certain classifications for one period" . From this understanding, it can be concluded that the budget is a financial activity plan consisting of income and expenses which in its implementation must be planned properly so that the stated objectives can be achieved.

The regional revenue and expenditure budget (APBD) as described in Law Number 23 of 2014 concerning financial balance between the central government and regional governments is stated in article 1 point (32) "Regional Revenue and Expenditure Budget, hereinafter abbreviated as APBD, is the annual regional financial plan. which is stipulated by Perda".

Regional Original Income (PAD)
Based on Law Number 23 of 2014 concerning Regional Government in Article 285 paragraph (1), Government Regulation Number 58 of 2005 concerning Regional Financial Management in Article 21 paragraph (1) and Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management in Article 26 paragraph (1). Local Revenue ad ne of the rights and powers of local government that is recognized as an addition to the value of net assets acquired from Local Taxes, Levies, results Peengelolaan Local Resources Separated and Other Local Revenue Legal, Definition of local revenues should not need anymore it becomes a debate and a problem because the laws and regulations have been written and it is clearly regulated, in its implementation the object of regional revenue is obliged to have a clear and firm legal basis whether it is collected or not. Law No. 28 of 2009 on Local Taxes and Levies , where the execution of his should be regulated by legislation local and regional governments are prohibited activity p emung uutan outside yan g has been determined by the legislation in force .

Local Own Revenue is divided based on the type of income in the Regional Revenue and Expenditure Budget structure divided into 4 (four) types, namely :

1. **Local Tax**
   Based on Law Number 28 of 2009 concerning Regional Taxes and Regional Levies . Regional Tax is an obligatory contribution to the Region that is owed by an individual or entity that is compelling based on a law, without receiving direct compensation and used for regional needs for the greatest prosperity of the people. Taxes are divided into 2 (two), namely:
   a) **Provincial Tax**
      Provisional taxes include: Motor Vehicle Tax (PKB), Transfer Fee for Motor Vehicles (BBNKB), Motor Vehicle Fuel Tax (PBBKB), Surface Water Tax and Cigarette Tax.

   b) **Regency / City Tax**
      Regency / City Taxes include: Hotel Tax, Restaurant Tax, Entertainment Tax, Advertising Tax, Street Lighting Tax, Parking Tax, Non-Metal Mineral Tax (Law 23/2014 on Regional Government is the authority of the Provincial Government), Groundwater Tax, Swallow's Nest Tax, Urban and Rural PBB, and Fees for Acquiring Rights on Land and Buildings. 11 (eleven) Tax objects in the implementation must be further regulated by Regional Regulations and the amount of the percentage of tax imposition is not allowed to violate the regulations concerning Regional Taxes.

2. **Regional Retribution**
   Based on Law Number 28 of 2009 concerning Regional Taxes and Regional Levies . Retribution, hereinafter referred to as Retribution, is a regional levy as payment for services or the granting of certain permits specifically provided and / or given by the Regional

Government for the benefit of private persons or Entities. Regional levies consist of 3 (three) types, namely :

a) **Public Service Retribution :**

Collection for services supplied or provided the regional government for the purpose of public benefit and interest and can be enjoyed by individuals or bodies. Public service levies include Health Service Retribution, Garbage / Cleaning Retribution, KTP and Capil Certificate Retribution, Funeral Levies / Corpse Ascension, Parking Levies on the Side of Public Roads, Market Services, Motor Vehicle Testing Levies, Fire Extinguisher Examination Retribution Maps, Recalibration Services, Toilet Suction Levies, Liquid Waste Treatment Levies, Education Service Fees, and Telecommunication Tower Control Levies

b) **Business Services Retribution**

Collection on services provided by local governments with the principle of covering commercial, using the services or take advantage of regional assets have not been used optimally and / or services by the regional government to the extent not provided adequately by the private sector. Business services include Retribution Retribution Pemakaia n Local Resources, Lévy Wholesale Markets or Shops. Auction Site Levies, Terminal Levies, Parking Special Levies, Lodging / Boarding / Villa Levies, Slaughterhouse Retribution, Port Service Retribution, Recreation and Sports Site Levies, Water Crossing Levies, and Regional Business Production Sales Levies.

c) **Certain Permits Retribution**

Collection on certain licensing services by the local government to an individual or agency that is intended for setting and monitoring the activity space utilization, use of natural resources, goods, infrastructure, facilities and certain facilities in order to protect the public interest and preserving the environment. Certain licensing levies include building permits levies, alcoholic drink sales site permits levies, nuisance permits levies, route permit levies, fishery business permit levies.

3. **Proceeds from the Management of Separated Regional Assets**

Types of income that include the share of return on equity participation in regional / BUMD-owned, government-owned / BUMN-owned and private-owned companies. The role of BUMD in increasing local revenue is very much needed in driving the economy. The performance of BUMD from the internal side, must be able to be the main driver of economic growth and development, while from the external side, BUMD is required to attract foreign and domestic investment so that economic growth in the regions provides a large multiplier effect . This type of income is in accordance with the Minister of Home Affairs Regulation Number 21 of 2011 concerning the Second Amendment to the Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Regional Financial Management Guidelines, including: Profit on Equity Participation in BUMD, Profit on Equity in BUMD and Profit on Equity Participation in Joint Venture / Private Owned Companies.

4. **Etc. The Legal Local Revenue**

Types of income that are budgeted to accommodate regional revenues that do not include types of regional taxes, regional levies and the results of separated regional wealth management. These types of income include: Proceeds from the sale of regional assets that are not separated, current accounts, deposit interest income, demands for regional compensation, commissions, deductions and differences in exchange rates, penalty income for late execution of work, tax penalty income, BPHTB penalty income, fine income Retribution, Income from Execution Results for Collateral, Income from Returns, Social Facilities and Public Facilities, Income

from the Implementation of Education and Training, Income from Sales Installments / Installments and Revolving Fund Management Results so that there is no different perception of Regional Original Income, it must be known which which becomes the authority of the Regional Government.

Balancing Fund

Transfer funds are at the core of the financial relationship between the central government and local governments. Transfer funds or balance funds are a source of regional revenue originating from the APBN to support the implementation of regional government authority in achieving the goal of granting autonomy to the regions, namely, especially improving services and improving community welfare. In general, the balancing fund constitutes the largest part in the financing of regional government activities and is technically regulated in Government Regulation Number 55 of 2005.

According Government Regulation No. 55 Year 2005 on Balancing Fund Balance Fund states that the purpose is to assist local authorities in the fund also aims to reduce inequality in funding sources between central and local government as well as to reduce the gap between local government funding.

The details of income included in the balance fund are contained in Law Number 33 of 2004 concerning Financial Balancing of the Central Government and Regional Governments, namely the Balancing Funds originating from the National Revenue and Expenditure Budget (APBN) consisting of Profit Sharing Funds (DBH), Funds General Allocation (DAU), and Special Allocation Fund (DAK).

1. **Profit Sharing Fund (DBH)**
   Profit Sharing Funds, hereinafter referred to as DBH, are funds sourced from certain APBN revenues allocated to producing regions based on certain percentage figures with the aim of reducing imbalances in financial capacity between the central and regional governments.

2. **General Allocation Fund (DAU)**
   General Allocation Funds are funds sourced from APBN revenues which are allocated with the aim of equal distribution of financial capacity among regions to fund regional needs in the context of implementing decentralization.

3. **Special Allocation Fund (DAK)**
   The meaning of DAK is regulated in Article 1 number 23 of Law Number 33 of 2004 concerning Financial Balance between Central and Regional Finance, which states that special allocation funds are funds sourced from APBN revenues allocated to certain regions with the aim of helping to fund special activities. which is a regional affair and in accordance with national priorities. This fund is earmarked to help finance the special needs of the region. In short, the Special Allocation Fund is a transfer that is specific in nature (specific grant) to meet the financing of special regional needs and / or national interests.

Capital Expenditures

Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management Article 53, capital expenditure is the APBD expenditure budget that is used for expenditures made in the context of purchasing / procuring or building tangible fixed assets that have a useful value of more than 12 months to be used in activities. government.

The capital expenditures made by the government to build health service facilities, improve the quality of education or improve transportation facilities will certainly benefit the community immediately. And when the community feels the benefits of this development, it will automatically grow public trust in the government which will encourage people to increase investment which in turn becomes a source of local revenue.

According to Law Number 23 of 2014 concerning regional government, it is explained that capital expenditure is divided into:

1. **Land Capital Expenditure**
   Land Capital Expenditures are expenses / expenses that are used for the acquisition / purchase / release of settlement, transfer of name and land lease, vacating, landfilling, leveling, land clearing, making certificates, and other expenses in connection with the acquisition of land rights and until the land is in a condition ready.

2. **Capital Expenditures for Equipment and Machinery**
   Equipment and Machinery Capital Expenditures are expenses / costs that are used to procure / add / replace, and increase the capacity of equipment and machines as well as office inventory that provide benefits for more than 12 (twelve) months and until the equipment and machines are in ready-to-use condition.

3. **Building and Building Capital Expenditures**
   Building and Building Capital Expenditures are expenses / costs that are used for procurement / addition / replacement, and include expenses for planning, supervision and management of building and building construction which add capacity until the said building and building are in a ready-to-use condition.

4. **Capital Expenditures for Roads, Irrigation and Networks**
   Capital expenditure for roads, irrigation and networks is expenditures / costs used for procurement, addition, replacement, improvement, construction, manufacture and maintenance, and includes expenditures for planning, monitoring and management of irrigation roads and networks that add capacity to the said irrigation roads and networks. ready to use.

5. **Other Physical Capital Expenditures**
   Other Physical Capital Expenditures are expenditures / costs that are used for the procurement / addition / replacement / improvement / construction / manufacture as well as maintenance of other Physical that cannot be categorized into the criteria for capital expenditures for land, equipment and machinery, buildings and buildings, and irrigation roads and networks. Included in this expenditure are capital expenditures for lease and purchase contracts, purchases of art goods, archaeological goods and goods for museums, livestock and plants, books, and scientific journals.

Relationship between Research Variables
The Effect of Local Own Revenue on Capital Expenditur

PP No. 58 of 2005 states that the APBD is prepared according to the needs of government administration and the ability of the regions to generate revenue. Every time the APBD is prepared, the allocation of capital expenditures must be adjusted to the needs of the region by taking into account the PAD received. So that if the Regional Government wants to increase capital expenditure for public services and public welfare, the Regional Government must explore PAD as much as possible. According to Akbar (2012) states that local revenue has a positive and significant effect on capital expenditure allocations. According to Sianipar (2011), the variable of Regional

Original Income has a significant effect on the allocation of capital expenditures. Based on the results of this study, it can indicate that the amount of PAD is a determining factor in determining the allocation of capital expenditures. The larger the PAD is received it will increase capital expenditure area.

Based on the theoretical basis and some of the research results above, the researcher establishes the following hypothesis:

H1: Local Own Revenue has a positive effect on Capital Expenditure Allocation .

The Effect of Balancing Funds on Capital Expenditures

According to Law Number 33 of 2004 concerning Central and Regional Financial Balancing , states that the Balancing Fund is a fund sourced from APBN revenues allocated to regions to finance regional needs in the context of implementing decentralization. The goal is to minimize or reduce the fiscal gap between the Government and Regional Governments and between Local Governments. The central government hopes that with fiscal decentralization or regional autonomy , regional governments can maximize or optimize their ability to manage their resources as best as possible . With the Balanced Fund from the Central Government, regions can focus more on using their own regional revenues to finance capital expenditures that support the goals of local governments, namely improving public services. Irvan (2016) states that in his research, balanced funds have a significant effect on capital spending in the city government of Bandung , according to Holzt-Eakin et al (1994), which states that there is a very close relationship between transfers in the central government and spending in local governments.
Based on the description above, the researcher determines the second hypothesis is:

H2: Balanced Fund (D aper) has a positive effect on Capital Expenditures.

Local Own Revenue and Balancing Fund simultaneously affect capital expenditure

Native Revenue and equalization funds are the main source of income in the region do the construction area. Adolph Wagner (1883) proposed a law known as "The Increasing of State Activity", known as Wagner's law, which states that government activity in the economy tends to increase. The size is expressed by an increase in government revenue, followed by an increase in expenditure of government in terms of providing services of goods and services publi k for society (Wildavsky , 1985; Tridimas 2001). In research, Kadafi (2013) states that local revenue and balancing funds simultaneously have an effect on capital expenditure.

From the description of the First Hypothesis (PAD) and the Second Hypothesis (DP) which have a significant influence on capital expenditure, the researcher sets the third hypothesis :

H3: Regional Original Income and Balancing Funds simultaneously influence capital expenditure .

Framework

The framework in this study is about the effect of Local Own Revenue, Balancing Fund and Local Original Income and Balancing Funds simultaneously on the allocation of the Regional Government capital expenditure budget . Figure 2 .1 presents a framework for the development of the hypothesis in this study.

Picture 2.1
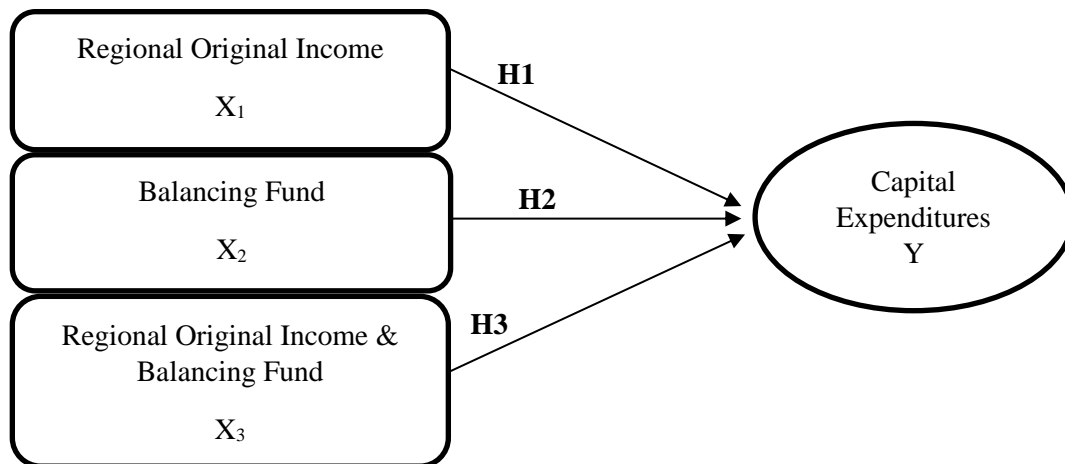
Hypothesis

Based on the framework above, the hypotheses presented in this study are as follows:

H1 : Local Own Revenue has a partial effect on Government capital expenditures

H2 : Balancing Fund has a partial effect on Government capital expenditure

H3 : Local Own Revenue and Balancing Fund simultaneously affect Government capital expenditures .

III. RESEARCH METHOD

This study uses a quantitative approach. The quantitative approach is also known as the traditional, positivist, experimental and empirical approach is research that emphasizes testing theories and / or hypotheses through research variables in numbers (quantitative) and performs data analysis with statistical procedures and or mathematical modeling in his research.

The research method is done by way of observations about the data revenue (PAD), the DBH and Capital Expenditure on the budget realization report of the districts and cities in West Java province fiscal year 2014-201 7 . This research was conducted to see the effect of Regional Original Income (PAD) and Balancing Funds on the Regional Government Capital Expenditure Budget .

Data and Data Collection Methods

The type of data used in this study is secondary data that is quantitative in nature and obtained by researchers from the Directorate General of Fiscal Balance , West Java Province. Secondary data used is time series data from Regional Original Income (PAD), Balancing Funds (Daper), and Capital Expenditures for Districts and Cities in West Java Province in 2014-201 7 . The data sources obtained are:

a. Data on Realization of PAD in Regencies and Cities of West Java Province for 2014-201 7 is sourced from the Directorate General of Fiscal Balance .
b. Actual Data Dana Pe r counterweight (Daper) District and City of West Java in 2014-201 7 sourced from the Directorate General of Financial Balance province of Jawa Barat.

c. Data on Realization of Capital Expenditures for Regencies and Cities of West Java Province in 2014-201 7 are sourced from the Directorate General of Fiscal Balance in West Java Province.

Data can be accessed via the website official of the Directorate General of Financial Balance Kement e rian Finance (*www.djpk.kemenkeu.go.id*)

Data Analysis Method

The independent variable is the independent variable that affects the dependent variable. Based on the description in the literature review and the results of previous research related to the effect of local government capital spending , the researchers specified the independent variables and operational definitions as follows:

a. Original Regional Income (PAD) as X_1

egional Original Income Can be formulated as follows:

PAD = PD + RD + PKDP + lain – lain PAD yang sah

Where:

PD = Local Tax

RD = Regional Retribution

PKDP = Management of Separated Regional Assets

And the trend of increasing PAD can be formulated as follows:

$$Persentase\ kenaikan\ PAD\ pertahun = \frac{\sum pad\,2015}{\sum pad\,2014} x\ 100\%$$

b. Balancing Fund (DP) as X_2

Balanced Fund (DP) is a fund sourced from APBN revenue which is allocated for the purpose of equal distribution of financial capacity between regions in the context of implementing regional autonomy. The data used in this research is the realization of the Regency / City Balancing Funds of West Java Province in 2014-201 7 . What is formulated:

Daper = DAU + DAK+ DBH

Where:

DAU = General Allocation Fund

DAK = Special Allocation Fund

DBH = Profit Sharing Fund

The formula for finding the percentage increase in Daper is as follows:

$$Persentase\ kenaikan\ DAPER\ pertahun = \frac{\sum daper\,2015}{\sum daper\,2014} x\ 100\%$$

The dependent variable is the dependent variable which is influenced by the independent variable. The dependent variable can be written in "Y" with the data used is Capital Expenditure according to the 2014-201 District and City Regional Budget Realization Report of West Java Province 7 . Capital Expenditure is formulated by:

BM = BT + BPM + BGB + BJIJ + BAL

Where:

BM = capital expenditure

BT = Shopping for Land

BPM = Equipment and Machinery Shopping

BGB = Shopping for Buildings and Buildings
BJIJ = Shopping for Roads, Irrigation and Networks
BAL = Other Asset Expenditures

nd the formula for finding the percentage increase in BM per year is as follows:

$$Persentase\ kenaikan\ BM\ pertahun = \frac{\sum bm2015}{\sum bm2014} x\ 100\%$$

On the research is also using panel data regression to analyze the influence of local revenues and the balance funds towards capital expenditure budgets counties and cities in West Java province. The tool that will be used for statistical testing is the Eviews 9 software . Data is entered into the software Microsoft Excel 2007 in the format .xlsx, and in imports to the software Eviews 9 to be tested. The thing that will be faced when using panel data is the slope and interception coefficients that are different in each space and each time period. Therefore, the assumption of interception, slope , and error needs to be understood because there are several possibilities that will arise, some of these possibilities indicate that the more complex the parameter estimation is so that several methods are needed to estimate the parameters, such as the common effect, fixed effect , and random effects (Widarjono, 2013).

Descriptive Statistics

Descriptive statistics are statistics that describe the phenomena or characteristics of data and are more related to the collection and summarization of data, as well as the presentation of summary results. Descriptive statistics are used to explain and describe variables based on data collected in a certain period.

Panel Data Regression Analysis

Modeling using panel data regression techniques can be done using three alternative approaches to processing methods. According to Widarjono (2009) these approaches, namely, Ordinary Least Square (OLS) / Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) as follows:

Selection of Panel Data Regression Model Estimates

Basically, the three panel data estimation techniques (models) can be chosen according to the research situation, seen from the number of individuals and research variables. However, there are several ways that can be used to determine which technique is the most appropriate in estimating panel data parameters. There are three tests for selecting panel data estimation techniques according to Widarjono (2007). First, the Chow Test is used to choose between the Commom Effect method or the Fixed Effect method . Second, the Hausman test which is used to choose between the Fixed Effect method or the Random Effect method . Third, the Lagrange Multiplier (LM) test is used to choose between the Commom Effect method or the Random Effect method .

Classic Assumption Test

The classical assumption test is required for multiple linear regression to reach the Best Linear Un] Estimator (BLUE) criterion . The classic assumption tests used include the autocorrelation test, multicollinearity, heteroscedasticity and to ensure that the resulting data is normally distributed.

Hypothesis Testing

Hypothesis testing is done by using multiple regression because it tests one dependent variable on more than one independent variable. Multiple regression analysis uses the F test to test several independent variables included in the model that have an influence on the dependent

variable, while the t test is to determine the effect of one independent variable in describes the dependent variable. R square , to see the percentage of influence of the independent variables included in the study on the dependent variable.

IV. RESULTS
Descriptive Testing

Based on results desk analysis ri ptif of research variable influence local revenues and equalization funds to Angg a ran a capital expenditure can be shown in the following table :

Tabel 4.1

Descriptive Test 2014 - 2017

Variable	YABM	XPAD	XDAPER
Mean	564,1	624,6	1.539,1
Maximum	2.045,7	3.065,1	3.220,9
Minimum	58,2	22,5	399,3
Std. Dev.	360,5	599,4	622,4

Source: the output of Eviews 9

The descriptive results of the original regional income have an average of Rp. 624 , 6 billion and a standard deviation of Rp. 5 99.4 billion . The highest Regional Original Income occurred at Rp. 3.065.1 billion, namely the City of Bandung in 201 7 and the lowest reached a value of Rp. 22.5 billion, namely Pangandaran Regency in 2014. While the descriptive results of the Balancing Fund   have an average of Rp. 1 .539.1 billion and a standard deviation of Rp. 622.4 billion . The highest Balancing Fund occurs at Rp. 3,220.9 billion, namely Bandung Regency in 201 6 and the lowest reached a value of Rp. 399.3 billion, namely Pangandaran Regency in 2014. Meanwhile, the results of the descriptive statistical analysis of capital expenditures, the average value of capital expenditures is Rp. 5 64 , 1 billion and a standard deviation of Rp . 3 60.5 billion . The highest capital expenditure value is Rp. 2,045.7 billion, namely the City of Bandung in 201 6 and the lowest value was Rp. 58.2 billion , namely Pangandaran Regency in 2014.

Multiple Linear Regression Equation Test Results

Multiple linear regression analysis is intended to test the extent and direction of the influence of the independent variables on the dependent variable. The independent variables in this study are Regional Original Income (PAD) and Balanced Fund (Daper). While the dependent variable is the Capital Expenditure Budget (ABM). The test results are shown in the table as follows:

Table 4.21

Dependent Variable: (YBM)

Method: Panel EGLS (Cross-section random effects)

Date: 12/20/19   Time: 13:46

Sample: 2014 2017

Periods included: 3

Cross-sections included: 27

Total panel (balanced) observations: 108

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
(XPAD)	0.396598	0.071634	5.536420	0.0000
(XDAPER)	0.663142	0.119302	5.558490	0.0000
C	-1.134763	0.897495	-1.264367	0.2099

Effects Specification

	S.D.	Rho
Cross-section random	0.234137	0.6050
Idiosyncratic random	0.189185	0.3950

Weighted Statistics

R-squared	0.660961	Mean dependent var	3.571533
Adjusted R-squared	0.652268	S.D. dependent var	0.329139
S.E. of regression	0.194090	Sum squared resid	2.938319
F-statistic	76.03115	Durbin-Watson stat	1.909786
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.771318	Mean dependent var	8.448009
Sum squared resid	7.031354	Durbin-Watson stat	0.798077

Source: the output of Eviews 9

> **BM = 0.396598PAD + 0.663142DAPER- 1.134763 + e**

The independent variables in this study are Regional Original Income (PAD) and Balanced Fund (Daper). While the dependent variable is the Capital Expenditure Budget (ABM).

Based on the results of all tests, the linear regression equation is obtained as follows:
Information:
BM   = capital expenditure budget
PAD   = Regional Original Income
Daper   = Balancing Fund
e   = Error Term

1. From the equation of the regression results, it can be explained that the constant value is -1.134763, which means that when the independent variables (PAD and Daper) are zero, the value of the variable value of Capital Expenditure (BM) is -1.134763.
2. The regression coefficient value of Regional Original Income (PAD) is 0.396598, this shows that if each PAD has increased by 1%, Capital Expenditures (BM) will increase by 0.396598, conversely if each PAD has decreased by 1% then Capital Expenditure (BM) decreased by 0.396598 assuming the regression coefficient for other variables was zero.

The coefficient is positive, meaning that there is a positive relationship between Regional Original Income (PAD) and Capital Expenditures (BM), the increasing Regional Original Income (PAD), the more Capital Expenditure (ABM) increases.

3. The regression coefficient value of Balancing Funds (DAPER) is 0.663142, this shows that if every 1% increase in the value of Balanced Funds, Capital Expenditures (BM) will increase by 0.663142, conversely if every 1% decrease in the value of Balanced Funds (DAPER) then Capital Expenditures (ABM)) decreased by 0.663142 with the assumption that the regression coefficient for other variables is zero. The coefficient is positive, meaning that there is a positive relationship between Balancing Funds (Daper) and Capital Expenditures, the more the Balancing Fund (DAPER) increases, the more Capital Expenditures (BM) are increased.

From the results of the regression equation research, it can be seen that the regression coefficient for the variable Regional Own-Owned Income (PAD) is positive at 0.396598, which means that Regional Original Income (PAD) has a positive and significant effect on the Capital Expenditure Budget.

From the results of the regression equation research for Balanced Funds, it can be seen that the regression coefficient for the Balanced Fund (DAPER) variable is positive at 0.663412, meaning that the Balanced Fund (DAPER) has a positive effect on the Capital Expenditure Budget.

From the simultaneous regression test results, it shows that the panel data regression of the Random Effect model obtained an Fcount of 76.03115 and a probability (F-statistic) of 0.000000. so that local revenue (PAD) and Balanced Fund (DAPER) together have a significant effect on capital expenditure (BM). These results are also supported by testing the coefficient of determination, the value of adjusted R2 is 0.652268 or 65% and it can be concluded that Local Own Income (X1) and Balanced Funds (X2) have an effect on the Capital Expenditure Budget (Y) by 65%. other variables outside this regression model.

V. CONCLUSION, IMPLICATIONS AND LIMITATIONS OF THE RESEARCH

Conclusion

Based on the results of research testing and discussion of the effect of local revenue and balance funds on capital expenditures in the regional government of West Java province, the authors draw the following conclusions at the end of this study :

1. The results showed that the original income significantly influence the Capital Expenditure P he Government Areas in West Java province in the period 2014-2017 .
2. The results show the balance of funds has a significant influence on the Capital Expenditure P he Government Areas in West Java province in the period 2014-2017 .
3. Local Revenue and D ana P erimbangan together - together or simultaneously significant effect on Capital Expenditure P he Government Areas in West Java province in the period 2014-2017 .

Advice

With all the limitations in doing this study the authors would like to give some advice to P he Government Areas of West Java province in particular and for subsequent research that the results of subsequent studies may provide better results than the results of research conducted by the author , as follows:

a. For The Government Provincial of West Java to further improve and explore the potential of the existing local revenue so as to maximize the allocation of capital expenditures for the welfare of the citizens of West Java .

b. For the Regional Government of West Java Province, it must be able to maximize the balance funds transferred from the Central Government to the Regional Government to take care of Regional capital expenditure needs.

c. For further researchers, it is expected that they will prepare costs, prepare more time and effort so that the research process runs smoothly, as expected and on time in presentation so that the research results are of higher quality.

Limitations and Further Research Development

The limitations in conducting this research are as follows:

1. In a second study using only the dependent variable and one independent variable only , namely pendap a tan native and fund balance as the dependent variable and capital expenditures as independent

2. The population sampled in this study is only in the province of West Java, not nationally comprehensive, the conclusions that have been drawn from this study cannot be applied to other cities / provinces because each province has a value of local revenue, balance funds, and different capital expenditures.

VI. REFERENCES

Abba, Mohammed. Ahmed Bawa Bello & Salihu Aliyu Modibbo. (2015). Expenditure And Internally Generate Revenue Relationship: An Analysis Of Local Government In Adamawa State, Nigeria. Journal Of Arts, Science & Commerce . Vol.3 No.1 PP 67-77

Abdul Halim. 2001. Regional Financial Management . Yogyakarta: UPP-AMP YKPN.

Abhimanyu. (2005). Analysis of the Effect of General Allocation Funds and Local Own Revenue on Regional Expenditure Predictions: An Empirical Study in the Regions of Central Java & DIY. JAAI , Vol . 08, No. 2, pp. 416 - 424

Adisasmita, Rahardjo, 2014, Regional Revenue & Budget Management,

Graha Ilmu, Yogyakarta.

Agus Widarjono . (2013). Econometrics: Introduction and its applications , Ekonosia, Jakarta.

Akbar, (2012). The Effect of Local Own Revenue and General Allocation Funds on Capital Expenditures. In Bandung City Government

Ambarita, Charles, 2009. The Effect of Balancing Funds and Fiscal Stress on Regional Expenditures in Regencies / Cities of North Sumatra Province, Thesis of USU's Postgraduate Economics Program, Medan.

Econometric and Statistical Analysis with Eviews , Third Edition. Yogyakarta: Publishing and Printing Unit (UPP STIM YKPN)

Anwar, Sanusi. 2014. Business Research Methodology . Jakarta: Four Salemba.

Budi Santosa, 2013 " The Effect of PAD and Regional Balancing Funds on Growth, Unemployment and Poverty in 33 Provinces in Indonesia " Journal of Economics and Business. Vol. 5, No. July 2, 2013

Deddi, Nordiawan Putra, Iswahyudi Sondi and Rahmawati, Maulidah. 2008. Government Accounting . Jakarta: Four Salemba.

De Gruyter, 2011 " The Growth Impact Of Intersector And Intergovernmental Allocation Of Public Expenditure: With Application To China" Ejournals EBSCO Vol.1 No.3 2011

http://keuda.kemendagri.go.id/artikel/detail/24-dana-perimbangan--sumber-pendapatan-daerah-terbesar : Dana Perimbangan, sumber Pendapatan Daerah Terbesar. Oleh tim website. Diunggah pada jumat, 02-Agustus 2013

http://www.djpk.kemenkeu.go.id/*Laporan Reaslisasi Anggaran 2014 – 2017*

Holtz-Eakin, Douglas, Harvey S. Rosen & Schuyler Tilly. 1994. Intertemporal Analysis of state in local government spending: Theory and test. Journal Of Urban Economics 35: 159-174

I Putu Irvan and Ni Luh Karmini, 2016 " The Effect of Regional Original Income, Balancing Funds on Economic Growth with Capital Expenditures as an Intervening Variable ". In the E-Journal of Development Economics at Udayana University Vol. 5, No.3 March 2016, ISSN 2303 - 0178.

John Lamb, 2013 *The Impact Of The Economy On The Budget Allocation Of Capital* " Ejournals EBSCO Vol.l No.1 in 2013

M Nafarin. 2007. Corporate Budgeting . Jakarta: Four Salemba.

Nachrowi D Nachrowi. 2006 , Econometrics , for Economic and Financial Analysis , First Edition, Jakarta: FE UI Publishing Institute

Ni Made Sukartini, Samsubar Saleh (2012), Testing Wagner's Law in the Indonesian Economy A Study of Central Government and Provincial Government Expenditure. Faculty of Economics and Business, Airlangga University / Gadjah Mada University. Journal of Business and Economics, March 2012, p. 1 - 24. ISSN: 1412 - 3126 Vol 19 No. 1

Panji, I Putu Barat, Indrajaya, I Gusti Bagus, 2016 " The Effect of Balancing Funds on Economic Growth and Poverty Levels in Bali Province ". E-Journal of Development Economics, University of Udayana, [Sl], mar. 2016. ISSN 2303-0178 Vol. 5, No. 3, March 2016 (pp. 316 - 384)

Pelealu, AM 2013 *"The Influence of Special Allocation Funds (DAK) and Regional Original Revenue (PAD) on the Capital Expenditures of the City Government of Manado for 2003-2012"* . EMBA Journal . Vol. 1 (4): 1189-1197. ISSN 2303-1174

Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management, including: Profit on Equity Participation in BUMD, Profit on Equity Participation in BUMD and Profit on Equity Participation in Joint Venture / Private Owned Companies.

Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management Article 53

Government Regulation Number 58 of 2005 . About Regional Financial Management

Government Regulation Number 97 of 2012 . *Retribution for Traffic Control and Retribution for Permit Extension to Employ Foreign Workers*

PP Number 55 of 2005. Concerning *Balancing Funds*.

West Java Province in Figures 2017 Published by BPS West Java Province Printed CV. Filindo

Rosy Puspita Sari and I Gusti Bagus Indrajaya, 2014 *"Influence of Regional Original Income (PAD) and Balancing Funds on Regional Expenditure Allocation of Bandung Regency"* E-Journal of Development Economics, University of Udayana, Vol. 3, No. 10, October 2014 (pp.431 - 484) [Sl], oct. 2014.ISSN 2303-0178.

Samad, R. Putra & Rita Yani Iyan. 2013 *"Analysis of the potential for local revenue and the balancing fund for the fogapaten rokan downstream"* Journal of Socio-Economic Development. Vol.3 8: 103-122

Sub-Directorate for Regional Financial Data, Directorate of EPIKD , Source: Local Government

Law No. 12 of 2011 *concerning the Formation of laws and regulations.*

Law No. 23/2014 *on Regional Government.*

Law No . 28 of 2009 *concerning local taxes and levies.*

Law No. 33 of 2004 concerning *Financial Balance between the Central Government and Regional Governments.*

Wildavsky, A. (1985), *The Logic of Public Sector Growth, State and Market: The Politics of Public and the Private. JE Lane (Ed). London, Sage*

Wing Wahyu Winarno. (2011). Ghozali, Imam. 2013. Application of *Multivariate Analysis with the SPSS Program . Seventh Edition. Semarang: Diponegoro University Publishing Agency.*

Yuwono et al. 2005 "Regional Autonomy Management " Building Regions based on a New Paradigm, Publisher GL. GAPPS Diponegoro University, Semarang