

The Effect of Economic Growth, Local Own Revenue and General Allocation Funds on the Capital Expenditure Budget for Regency / City in Bali Province for the Period 2016 – 2018

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ABSTRACT - This study aims to determine whether the effect of Economic Growth, Local Own Income and General Allocation Funds on the Capital Expenditure Budget of Regency / City in Bali Province for the 2016-2018 Period.

This research uses descriptive research with a quantitative approach, measured using a method based on multiple linear regression with SPSS 25.00. The population of this study were all Regency / City Governments in Bali Province totaling 9 districts / cities for the period 2016-2018. The sample was determined based on the purposive sampling method, with the criteria for the realization of the APBD and Data on Economic Growth (GRDP). The data collection technique uses the documentation method in the form of books, journals, and websites. Hypothesis testing uses the t statistical test, the simultaneous f test, and the coefficient of determination.

The results of the study prove that (1) economic growth has no effect on the capital expenditure budget (2) local revenue has an effect on the capital expenditure budget, (3) general allocation funds have no effect on the capital expenditure budget.

Keywords: Capital Expenditure Budget, Economic Growth, Local Own Revenue, and General Allocation Fund

I. PRELIMINARY

With the issuance of Law Number 22 Year 1999 concerning regional government which was later revised by Law Number 32 Year 2004, giving broad powers to local governments to manage their own households with as little central government intervention as possible. Local governments have broad rights and authorities to use their financial resources according to the needs and aspirations of the developing community in the region.

The law affirms that regions have the authority to determine the allocation of resources into capital expenditures by adhering to the principles of appropriateness, needs and regional capabilities. The regional government together with the House of Representatives as the legislative body first determines the APBD General Policy

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(KUA) and the Temporary Budget Priority & Ceiling (PPAS) as guidelines in allocating resources in the APBD.

In the Regional Revenue and Expenditure Budget (APBD), the local government public sector budget is actually the output of resource allocation and the allocation of resources is a fundamental problem in public sector budgeting. Limited resources as the root of the main problem in allocating public sector budgets can be overcome with an economic science approach through various theories. The demand for changing the spending structure is getting stronger, especially in regions experiencing low fiscal capacity (Halim, 2001).

Original Regional Income is the original regional income consisting of the results of local taxes, regional levies, revenue from regional company profits and other legal revenues. According to Mardiasmo (2002), there are still many problems faced by local governments related to efforts to increase regional revenues. Limitations of infrastructure such as unresponsive facilities and infrastructure for investment raise the question of how PAD is actually allocated to the capital expenditure budget, is it due to low PAD or an inaccurate allocation?

In previous research with regard to the effect of local revenue, general allocation funds and total population on district / municipal expenditure in Jambi province, which was conducted by Andri Devita et al. In 2014, it was positive and significant for the capital expenditure of Jambi City / District. According to Mawarni et al (2014), simultaneously PAD and DAU have a positive and significant effect on the capital expenditure of districts or cities in Aceh province, but partially PAD has a positive effect, while DAU has a negative effect on capital spending.

The Bali economy in 2018 as measured by Gross Regional Domestic Product (PDRB) at the current price (adhb) was recorded at 234.43 trillion rupiah, while the GDP at constant prices (adhk) was recorded at 154.15 trillion rupiah. With the projected population of Bali in 2018 of 4.29 million people, the PDRB per capita adhb reaches 54.62 million rupiah.

The Regional Revenue Agency of Bali Province recorded that the realization of local revenue (PAD) in 2018 exceeded the target or reached 103.66%. The original regional income obtained by the local provincial government throughout 2018 reached IDR 3.65 trillion or IDR 250 billion greater than the target set.

In the era of fiscal decentralization, it is hoped that there will also be an increase in services in various sectors, especially the public sector. This service improvement is predicted to increase the attractiveness of investors to open businesses in the regions. This hope can of course be realized if there is a serious effort by the government by providing various supporting facilities. Therefore, from various types of regional expenditure budgets, the Regional Government allocates funds in the form of capital expenditure budgets in the APBD to increase fixed assets. This capital expenditure allocation is based on regional needs for facilities and infrastructure, both for the smooth implementation of government tasks and for public facilities.

The reason the researchers chose regencies / cities in the province of Bali is the increasingly rapid economy in Bali due to the very rapid development of tourism so that it is likely to have an effect on Regional Original Income, General Allocation Funds, Special Allocation Funds on Capital Expenditures. Good economic conditions will increase the income of the people in Bali so that it greatly affects the Regional Original Income in the Bali region. From this background the authors see the

phenomenon of the relationship between Regional Original Income and Capital Expenditures, which in this case the author links it to the General Allocation Fund, and the Special Allocation Fund which can be seen from regional assets.

So with this phenomenon the researchers took the topic "The Effect of Economic Growth, Local Own Revenue, and General Allocation Funds on the Capital Expenditure Budget of Regency / City in Bali Province for the 2016-2018 Period."

REVIEW OF PREVIOUS RESEARCH

Lontoh, at All (2016) In this study, the objective of this research is to see the effect of economic growth, local revenue, and general allocation funds on capital expenditure in Tomohon City. The data used are the Economic Growth Rate (PDRB at Constant Prices), Local Revenue Budget Funds, General Allocation Funds, and Capital Expenditure Budget Funds (10 Years Time Series Data from 2006-2015), the analysis method used is regression. multiple linear, table analysis, statistical test and classical assumption. Based on the test results, partially the Economic Growth and Local Own Revenue do not have a significant effect and for the General Allocation Fund it has a significant positive effect on the allocation of Capital Expenditures.

Susanti, and Fahlevi (2016) The purpose of this study is to examine the effect of regional revenue (PAD), general allocation funds (DAU), revenue sharing (DBH), and the level of decentralization on capital expenditure in districts / cities in the Aceh region. This research is all local governments in Aceh Region during 2011-2014. In Aceh, there are 23 districts / cities consisting of 18 districts and 5 cities. The method used in this research is a census. The data used is secondary data obtained by the Budget Realization Report from the Provincial Ministry of Finance. The analysis used is multiple linear regression analysis. The results showed that, together with local income, general allocation funds (DAU) and profit sharing funds (DBH) towards capital expenditures in districts / cities in the Aceh region. Local income. Has a positive effect on capital spending in districts / cities in the Aceh Region. General allocation funds have no effect on capital expenditure in districts / cities in the Aceh Region. Revenue sharing has no effect on capital expenditure in districts / cities in Aceh Region.

Ayem and Pratama (2018) The purpose of this study is to determine the effect of economic growth on capital expenditures in the Province of Yogyakarta Special Region. The Effect of General Allocation Funds for Capital Expenditures. This type of research is quantitative research. Technique data analysis using multiple regression test preceded by descriptive statistics, classical assumption test, namely normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. The results showed that positive economic growth had no significant effect on capital spending. Allocation Funds The general effect is not significant to capital expenditure.

II. BASIS OF THEORY AND HYPOTHESIS DEVELOPMENT

Capital Expenditures in Regional Budgets.

According to PP No. 24 of 2005 which has been amended to PP No. 71 of 2010 concerning government accounting standards, Expenditures are all expenditures and general cash accounts of the State / regions which reduce the equity of the current funds concerned that will not be repaid by the government. The classification of regional expenditures is based on Permendagri No. 21 of 2011 concerning the guidelines for Regional Financial Expenditure divided by:

1. Classification of Shopping by Function. Expenditure by function is a classification based on the main functions of the government in providing services to the community and to improve the harmony and integration of the management of state finances consisting of public services, order and peace, economy, environment, housing and public facilities, health, tourism, , and culture, education and social protection.
2. Classification of Expenditures according to Government Affairs. The classification of Government Affairs Expenditures consists of compulsory expenditure and optional affairs expenditure. The expenditure for the management of mandatory affairs is prioritized to protect and improve the quality of people's lives in an effort to fulfill regional obligations which are realized in the form of improving basic services, education, health, social facilities and adequate public facilities as well as developing a social security system. Expenditures according to elective affairs consist of agriculture, energy needs and mineral resources, marine tourism and trade fisheries, industry, and transmigration.
3. Classification of Expenditures according to Organization. Classification of Belanja according to Organization, namely classification based on the budget management unit.

According to Halim (2004), capital expenditure is expenditure whose benefits exceed one fiscal year and will increase regional assets or wealth and will increase routine expenditures such as maintenance costs. Munir (2003) in Darwanto (2007) also states the same thing. That capital expenditure has specific characteristics indicates that there are various considerations in its allocation.

Capital expenditures in the local budgets of regencies / cities in Bali are based on the APBD. The Bali regional government financial budget consists of regional revenue and expenditure budgets (Provincial APBD and Regency / City APBD) and central government finance in the regions (APBN in Bali), with the largest share being the Regency / City APBD budget.

Economic growth

Economic growth is the process of increasing output per capita produced by Gross Regional Domestic Product (PDRB) per capita (Boediono, 1985). The single most important measure in the economic concept is gross domestic product (GDP) which measures the total value of goods and services produced in a country or nationally and GRDP to measure the total value of goods and services produced in

a region or locally. GDP is used for many purposes but the most important thing is to measure the overall performance of an economy (Samuelson, 2004).

However, economic growth is one of the main features in the development process, this is necessary in connection with the fact that there is an increase in population. The increase in population automatically increases their needs for food, clothing, housing, education and health services. Changing prices is one of the problems economists have to solve when they use money as a yardstick. One of the measuring tools used in measuring the money value of goods and services is to use market prices for different goods and services (Samuelson, 2004).

Locally-generated revenue

Original Regional Income is one source of revenue that must be continuously spurred by its growth. In regional autonomy, the independence of the regional government is highly demanded in financing regional development and services to the community.

According to Halim (2004: 67), "Regional Original Revenue (PAD) is all regional revenue that comes from the original regional economic source. Article 157 of Law No. 32 of 2004 and Article 6 of Law No. 33 of 2004 explain that the source of Regional Original Income consists of:

1. Local Taxes,
2. Regional Retribution,
3. The results of the management of separated regional assets,
4. Others Legitimate Regional Original Income (PAD).

According to Mardiasmo (2002: 132), Regional Original Income is regional revenue from the regional tax sector, regional levies, the results of regionally owned companies, the results of separated regional wealth management, and other legitimate Regional Original Income.

General Allocation Fund

General Allocation Funds are funds originating from APBN which are allocated for the purpose of equitable distribution of finance between regions to finance their expenditure needs in the context of implementing decentralization. In connection with the financial balance between the central and regional governments, this is a consequence of the transfer of authority from the central government to regional governments. Thus, there is a significant transfer in the APBN from the central government to local governments, and local governments can freely use these funds whether to provide better services to the community or for other non-essential purposes.

General Allocation Fund is one of the tools for the central government as a means of equitable development in Indonesia which aims to reduce inequality in financing needs and control of taxes between the Central and Regions has been resolved by a financial balance between the Central and the Regions (with a profit sharing policy and a minimum General Allocation Fund of 25% from Domestic Receipts). With this balance, especially from the DAU, it will provide certainty for the regions in obtaining financing sources to finance the expenditure needs which are their responsibility.

The Effect of Economic Growth on Capital Expenditures

In a previous study conducted by Darwanto and Yustikasari (2007), they examined the effect of Economic Growth, Local Own Revenue, and General Allocation Funds on the Allocation of the Capital Expenditure Budget. The samples used were regencies / cities in Java and Bali in 2004-2005 on the grounds of data availability. The results of his research prove that the Economic Growth variable has a positive but insignificant relationship with the allocation of the capital expenditure budget, while the research stated by Wandira (2013) examines the effect of Economic Growth, Local Own Income, and General Allocation Funds on the Allocation of the Capital Expenditure Budget. The sample used is the Regency / City in West Java 2008-2010. The results of his research prove that the independent variables (the variable of economic growth, local revenue and general allocation funds) have a significant effect on the variable of capital expenditure.

In this study using realization data and for the capital expenditure budget variable for the following year using the budget year. Therefore, the first hypothesis is stated as follows:

H1: Economic growth has a significant effect on the allocation of the capital expenditure budget

The Effect of Local Own Revenue on Capital Expenditure

Thus, there is a relationship between Regional Original Income (PAD) and the allocation of capital expenditures. However, not all high-income regions are followed by good economic growth between original regional income (PAD) and the allocation of capital expenditures. Regional Original Income (PAD) is a source of financing for local governments in creating regional infrastructure. Regional Original Income (PAD) is obtained from the results of local taxes, the results of regional levies, the results of separated regional wealth management and other legal PAD (Mardiasmo, 2002).

Some studies suggest that income affects spending, others claim that spending affects income. However, in the case of local governments in Indonesia, the trend that has occurred so far is that income affects spending. This can be seen from the practice in regions where they wait for the certainty of the DAU first and then determine the allocation of expenditure in the APBD (Abdullah 2007).

Based on the theoretical basis and empirical findings above, the hypothesis can be stated as follows:

H2: Local Own Revenue has a significant effect on the allocation of the capital expenditure budget

The Effect of General Allocation Funds on Capital Expenditures

Sources of local government financing in the framework of financial balancing between central and regional governments are implemented on the basis of decentralization, deconcentration and assistance. The sources of funding for the implementation of decentralization consist of Regional Original Income (PAD),

Regional Loan Balancing Funds, and other legal receipts. Research conducted by Darwanto and Yustikasari (2007) and Putro (2010) shows that the general allocation fund (DAU) variable has a significant effect on the capital expenditure variable. This is because with the transfer of DAU from the central government, local governments can allocate their revenues to finance capital expenditures.

Several previous studies also conducted by Yovita (2011) and Abdul (2001) show that the DAU results have a significant positive effect on capital spending. In this study using realization data and for the capital expenditure budget variable for the following year using the budget year.

The theoretical basis and empirical findings above produce the following hypothesis:

H3: The General Allocation Fund has a significant effect on the allocation of the Capital Expenditure budget.

III. RESEARCH METHOD

Research Strategy

In this study, the strategy used is comparative causal, that is, research with problem characteristics in the form of a cause-and-effect relationship between two or more variables.

This research is included in quantitative research because in this study a lot of numbers are used and the analysis is carried out using statistics. This data is secondary data, namely data obtained indirectly. This research is also included in ex post facto research, namely research conducted to pass events that have occurred and then trace backward through the data to find factors that precede or find causes. which is possible for events that have been researched by (Alhamda, 2016: 5).

The data in this study were sourced from the Budget Year Realization Report data downloaded from the website of the Directorate General of Fiscal Balance, namely www.djpk.go.id and the Bali Province Central Bureau of Statistics (BPS).

Population and Sample

According to Sugiyono (2017) the research method is basically a scientific way to get data with specific purposes and uses. By using the research method, it will be known that the significant influence of the variables studied will produce conclusions that will clarify the description of the object under study. The population in this study is all Regency / City Governments in Bali Province totaling 9 Regencies / Cities for the period 2016-2018.

According to Sugiyono (2017), the sample is part of the number and characteristics of the population. If the population is large and it is impossible for the researcher to study everything that exists in the population, for example, limited funds, personnel, and time, the researcher can use a sample drawn from that population. The samples used in this study were all of Bali Regency / City Government.

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The sample data was taken using purposive sampling with the following criteria:

1. APBD realization report
2. Economic Growth Data

Data and Data Collection Methods

The data analyzed in this study is secondary data, sourced from the APBD Realization Report document obtained from the official website of the Director General of Regional Government Financial Balance www.djpk.go.id via the internet. From this APBD Realization report, data is obtained on the amount of realization of the capital expenditure budget, local revenue (PAD), and general allocation funds (DAU). Data on Gross Regional Domestic Product (GRDP) Per Capita were obtained from the Central Statistics Agency (BPS) of Bali Province.

The data collection technique is a method or systematic process in collecting, recording and presenting facts for specific purposes. The data collection techniques carried out by the author in this study are as follows:

1. Method of documentation.
2. Library Research

Dependent Variable or Bound Variable (Y)

According to Sugiyono (2017) the dependent variable is the output variable, criteria, and consequences or commonly referred to as the dependent variable. The dependent variable is the variable that is affected or which is the result of the independent variable.

Independent Variable (X)

In this study, the independent variables include:

1. Capital Expenditure Variable (Y)

According to Halim (2001), capital expenditures are expenditures for the acquisition of assets (fixed assets) that provide benefits for more than one accounting period. Capital Expenditures are for expenditures made in the context of purchasing / procuring or building tangible fixed assets that have a useful value of more than 12 (twelve) months to be used in government activities (In Permendagri No.59 of 2007). Measurement of Regional Capital Expenditure Based on the Percentage Result of the Regional Capital Expenditure. This variable indicator is measured by the formula:

$$\text{Capital Expenditure} = \text{Shopping for Land} + \text{Shopping for Equipment and Machinery} + \text{Shopping for Buildings and Buildings} + \text{Shopping for Roads, Irrigation and Networks} + \text{Shopping for Other Assets}$$

2. Economic Growth Variable (X1)

Economic growth is a continuous process of increasing per capita output in the long term and is one of the indicators of successful development, the higher the economic growth usually the higher the welfare of the community (Boediono, 1994). Economic growth is proxied by the Gross Regional Domestic Product (PDRB) per Capita Measurement of Regional Economic Growth by Percentage, which is calculated using the formula:

$$\text{Economic Growth} = (\text{GRDP-PDRBt-1}) / (\text{GRDP-1}) \times 100\%$$

Information :

GRDP: Current Year's Gross Regional Domestic Product

GRDP-1: Last Year's Gross Regional Domestic Product

3. Variable Regional Original Income (X2)

According to Halim (2001), PAD is revenue from regional sources itself, which is collected based on regional regulations with applicable laws and regulations consisting of Regional Tax Results (HPD), Regional Retribution (RD), Revenue from Regional Company Profits (PLPD) and other Legal Income (LPS). Measurement of Regional Income Result is the percentage result formulated by:

$$\text{PAD} = \text{HPD} + \text{RD} + \text{PLPD} + \text{LPS}$$

Information:

PAD: Local Own Revenue

HPD: Local Tax Results

RD: Local Retribution

PLPD: Revenue from Regional Company Profits

LPS: Other Legal Income

4. Variable General Allocation Fund (X3)

According to Halim (2001), the General Allocation Fund (DAU) is one of the transfers of Government funds to local governments originating from APBN revenues, which are allocated with the aim of equal distribution of financial capacity between regions to fund regional needs in the context of implementing decentralization (Law 23 of 2014) . The General Allocation Fund (DAU) is obtained by looking at the Balancing Fund in the Government Budget Realization Report. General Allocation Funds for provincial and regency / city areas can be stated as follows:

$$\text{DAU} = \text{Fiscal Gap} + \text{Basic Allocation}$$

Information :

DAU: General Allocation Fund

Where,

$$\text{Fiscal Gap} = \text{Fiscal Need} - \text{Fiscal Capacity}$$

Data Analysis Methods

In this study, researchers processed data using the Eviews 10 software program using panel data analysis. Panel data itself is generally a combination of cross section data (indicated by data from more than one individual) and time series (indicated by data from more than one time period observation).

The following steps are taken in the data analysis method, including:

1. Descriptive statistics

Are methods related to the collection and presentation of a data set so as to estimate the quality of the data in the form of variable types, summary statistics (mean, median, mode, standard deviation, etc.), distribution, and pictorial representations (graphs), without a probabilistic formula. whatever (Walpole, 1993, Correa-Prisant, 2000; Dodge, 2006).

Statistics is a method of organizing and analyzing quantitative data. In this study, a description of the existing data will obtain information on the effect of Economic Growth, PAD and DAU on the Bali Province Capital Expenditure Budget.

2. Classic Assumption Test

The Classical Assumption Test is a statistical requirement that must be performed on multiple linear regression analysis based on the ordinary least square. In OLS there is only one dependent variable, while for the independent variables there is more than one. To determine the accuracy of the model, it is necessary to test several classical assumptions, namely the normality test, multicollinearity test, heterosodasticity test and autocorrelation test.

a) Normality Test

Normality test aims to test whether in the regression model, confounding or residual variables have a normal distribution (Ghozali, 2013: 160). Normality test on Econometric views program (Eviews 9) using the Jarque-Bera test method. Jarque Bera is the statistical test for

find out whether the data is normally distributed. This test is used for measure the skewness and kurtosis of the data and compare it to if the data is normal (Winarno, 2017: 3).

b) Multicollinearity Test

Multicollinearity test is a condition which involves a linear relationship between independent variables (Winarno, 2017). The purpose of the multicollinearity test is to test whether the regression model finds a high or perfect correlation between the independent variables. A good regression model should not have a correlation between the independent variables (Priyatno, 2014: 99). Multicollinearity test between variables can be identified by using the correlation value between independent variables (Ghozali and Ratmono, 2013: 77).

c) Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another (Ghozali, 2013: 139). If the variance and residuals from one observation to another are fixed, then it is called Homoscedasticity and if it is different it is called Heteroscedasticity. A good regression model is heteroscedasticity. In this observation, to detect the presence of heteroscedasticity can be done by means of the Glejer test. Glejer test. The Glejer test is to regress the absolute residual value of the independent variable (Ghozali, 2016: 137)

d) Autocorrelation Test

Autocorrelation test is the relationship between the residuals of one observation and the residuals of other observations (Winarno, 2017). The autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding error in period t and confounding error in period t-1 (previous).

To detect the presence or absence of autocorrelation can be done by means of the Durbin-Watson test (DW test). The Durbin-Waston test is only used for level one autocorrelation (First order autocorrelation) and the community has an intercept (constant) in the regression model and there are no log variables between the independent variables (Ghozali, 2016: 107).

3. Panel Data Regression Analysis

The equation in testing the hypothesis as a whole in this study is as follows:

$$Y = \alpha + \beta_1PDRB + \beta_2PAD + \beta_3DAU + e$$

Information :

Y = Capital Expenditure (BM)

α = Constant

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β = Slope or regression coefficient or intercept

PDRD = Gross Regional Domestic Product (GRDP)

PAD = Regional Original Income (PAD)

DAU = General Allocation Fund (DAU)

e = error

4. Panel Data Regression Estimation Method

Panel data regression techniques in this study use three alternative approaches in the processing method, including

a) Common Effect Model (CEM)

The Common Effect Model (CEM) is the simplest model for estimating the parameters of the panel data model, by combining the date time series and cross sections as a single unit without seeing the difference in time and entity, the approach used is the Ordinary Least Square (OLS) method as a technique. his estimate. CEM ignores the existence of differences in entity and time dimensions or in other words, the behavior of data between entities is the same in various time periods (Rosadi, 2012: 272).

b) Fixed Effect Model (FEM)

Fixed Effect Model is a method used to estimate panel data, where the disturbance variables may be interrelated over time and between individuals. The Eviews 9 program itself recommends the use of the FEM model using the Ordinary Least Square (OLS) method approach as its estimation technique. According to Winarno (2017) Fixed effect is a single object, has a constant size for various time periods. This method assumes that there are differences between individual variables (cross-section) and these differences are seen from the intercept

c) Random Effect Model (REM)

The Random Effect Model (REM) is a model that estimates panel data where the disturbance (residual) variables may be interrelated over time and between entities. This model assumes that the error term will always exist and may be correlated throughout the time series and cross section. The approach used is the Generalized Least Square (GLS) method as an estimation technique. This method should be used in panel data if the number of entities is greater than the number of time periods (Rosadi, 2012: 274).

5. Panel Data Regression Model Selection Test

There are several tests to find out which model should or should be used in testing this panel data. Are as follows :

a) **Lagrange Multiplier (LM) Test**

Lagrange multiplier test is a test used to select the best approach between the Common Effect Model (CEM) and the Random Effect Model (REM) in estimating panel data. Random Effect significance based on the residual value of the OLS method. According to Gurajati and Porter (2012: 481)

The hypothesis used is:

H0: Common Effect Random (CEM)

H1: Random Effect Model (REM)

b) **Chow test**

According to Ghazali and Ratmono (2013: 269), the chow test is a test conducted to determine whether the Fixed Effect Model (FEM) is better than the Common Effect Model (CEM).

The hypothesis used is:

H0: Common Effect Model (CEM)

H1: Fixed Effect Model (FEM)

c) **Hausman Test**

According to Ghazali and Ratmono (2013: 289), this test aims to select whether the model used is the Fixed Effect Model (FEM) or the Random Effect Model (REM).

The hypothesis used is:

H0: Random Effect Model (REM)

H1: Fixed Effect Model (FEM)

6. Hypothesis Testing

Hypothesis testing in this study has two stages, namely the partial test (t-test) and determination test (R²) as follows:

a) **Partial Test (t test)**

The t test is used to determine the effect of the independent variable on the dependent variable individually (partially). The t test can be done by comparing the t count with the t table (Ghozali, 2016: 97). At a significant level of 5% with the testing criteria used as follows:

1. If $t_{count} < t_{table}$ and p-value. 0.05, then H0 is accepted and H1 is rejected, which means that one of the independent (independent) variables does not significantly affect the dependent variable.

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2. If $t_{count} > t_{table}$ and p value, 0.05 then H_1 is accepted and H_0 is rejected, which means that one of the independent variables affects the dependent variable (independent) significantly.

b) Determination Coefficient Test (R^2)

The coefficient of determination (R^2) test is used to measure the level of the model's ability to explain the dependent variable. The coefficient of determination is a model in explaining the dependent variable. The coefficient of determination is zero and one ($0 \leq R^2 \leq 1$). The small value of R^2 means that the ability of the independent variables to explain the variables is very limited because R^2 has weaknesses, namely there is a bias towards the number of independent variables included in the model. Each added one variable, R^2 will increase regardless of whether the variable has a significant effect on the dependent variable, so in this study using adjusted R^2 . If the adjusted R^2 value is closer to one (1), the better the model's ability to explain the dependent variable (Ghozali, 2016: 95).

IV. The Result

Descriptive Statistics Test Results

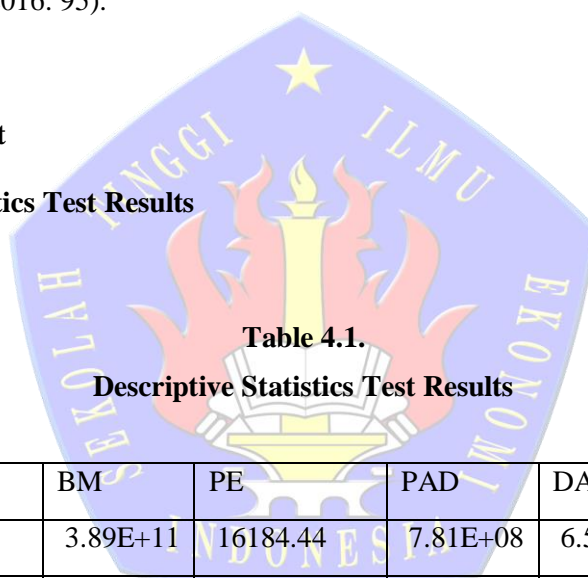


Table 4.1.
Descriptive Statistics Test Results

	BM	PE	PAD	DAU
Mean	3.89E+11	16184.44	7.81E+08	6.50E+08
Median	2.66E+11	14142.00	3.18E+08	6.50E+08
Maximum	1.60E+12	35284.00	4.56E+09	9.83E+08
Minimum	1.59E+11	3916.000	1.05E+08	3.30E+08
Std. Dev.	3.54E+11	10412.31	1.23E+09	1.77E+08
Skewness	2.442070	0.590558	2.328185	0.066368
Kurtosis	7.734579	2.018833	6.904752	2.705574
Jarque-Bera	52.05494	2.652438	41.54497	0.117344
Probability	0.000000	0.265479	0.000000	0.943016

Sum	1.05E+13	436980.0	2.11E+10	1.76E+10
Sum Sq. Dev.	3.27E+24	2.82E+09	3.94E+19	8.12E+17
Observations	27	27	27	27

(Sumber : Output Eviews 10)

Panel Data Regression Estimation Method

To find out the most efficient method of the three panel data regression models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM), each one needs to be tested with the following results

a) Common Effect Model (CEM)

In the common effect model only combines the cross section with the time series. The pooled least square approach is used to estimate the combination using the OLS (Ordinary Least Square) approach. This model does not pay attention to the dimensions of the company or time, so it can be assumed that the behavior between companies is the same in various time periods.

Table 4.2
Results of Panel Data Regression Model Common Effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PE	26.81894	13130272	4.304253	0.0000
PAD	9.669679	137.0250	3.570569	0.0001
DAU	-14.97537	654.4020	-0.022884	0.7819
C	3.635500	4.05E+11	0.896551	0.3792
R-squared	0.003337	Mean dependent var		3.894322
Adjusted R-squared	0.826662	S.D. dependent var		3.534908
S.E. of regression	3.765432	Akaike info criterion		56.28066
Sum squared resid	3.262239	Schwarz criterion		56.47264
Log likelihood	-755.7890	Hannan-Quinn criter.		56.33775
F-statistic	43.71705	Durbin-Watson stat		1.718301
Prob(F-statistic)	0.000001			

(Sumber : Output Eviews 10)

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b) Fixed Effect Model (FEM)

This technique assumes that there are differences in the intercept between companies (Gujarati, 2012: 242). Even though the intercept is different for each company, each intercept does not change over time (time variant), but the coefficient (slope) of each independent variable is the same for each company and over time. The following are the results of the regression using the fixed effect model.

Table 4.3
Results of Panel Data Regression Model Fixed Effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PE	22260450	13133903	1.694885	0.1108
PAD	-28.88340	128.2136	-0.225276	0.8248
DAU	750.3942	593.1769	1.265043	0.2252
C	-4.37E+11	4.04E+11	-1.081719	0.2965
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.527410	Mean dependent var	3.89E+11	
Adjusted R-squared	0.180844	S.D. dependent var	3.54E+11	
S.E. of regression	3.21E+11	Akaike info criterion	56.12707	
Sum squared resid	1.54E+24	Schwarz criterion	56.70300	
Log likelihood	-745.7155	Hannan-Quinn criter.	56.29833	
F-statistic	1.521817	Durbin-Watson stat	2.002351	
Prob(F-statistic)	0.221258			

(Sumber : Output Eviews 10)

c) Random Effect Model (REM)

The Random Effect Model is a regression estimation model assuming constant slope coefficients and different interceptions between individuals and over time. The following are the results of the regression using the random effect model.

Table 4.4
Results of Panel Data Regression Model Random Effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PE	2681894.	11195929	0.239542	0.8128
PAD	-9.669679	116.8386	-0.082761	0.9348
DAU	-14.97537	557.9959	-0.026838	0.9788
C	3.63E+11	3.45E+11	1.051449	0.3040
Effects Specification				
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			3.21E+11	1.0000
Weighted Statistics				
R-squared	0.003337	Mean dependent var		3.89E+11
Adjusted R-squared	-0.126662	S.D. dependent var		3.54E+11
S.E. of regression	3.76E+11	Sum squared resid		3.26E+24
F-statistic	0.025670	Durbin-Watson stat		1.218301
Prob(F-statistic)	0.994284			
Unweighted Statistics				
R-squared	0.003337	Mean dependent var		3.89E+11
Sum squared resid	3.26E+24	Durbin-Watson stat		1.218301

(Sumber : Output Eviews 10)

Panel Data Regression Model Selection

The step in determining the best model between the three equation models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM), needs to be tested using panel data regression, with the following results:

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a) **Lagrange Multiplier Test (Common Effect Model vs Random Effect Model)**

Lagrange multiplier test is a test to determine whether the random effect model is better than the common effect method (OLS) which is more appropriate to use.

Table 4.5
Model Test Results Using

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.021543 (0.8833)	1.517784 (0.2180)	1.539327 (0.2147)

(Source: Output Eviews 10)

Based on table 4:5 on the results of the Lagrange Multiplier test, the random effect vs common effect random (CEM) above, it is obtained that the Breusch- food cross section > 0.05 is $0.8833 > 0.05$, significant at $\alpha = 3\%$, then the H_0 hypothesis is accepted. which means the Common Effect Model (CEM) model. is more appropriate.

b) **Chow Test (Common Effect Model vs Fixed Effect Model)**

The chow test is used to select a more efficient approach between the common effect model and the fixed effect model.

Table 4.6
Model Test Results Using Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.079258	(8,15)	0.1055
Cross-section Chi-square	20.146980	8	0.0098

(Source: Eviews 10 Panel Data Regression Output Results)

Based on table 4.6 on the results of the chow test, common effect vs fixed effect above, it is obtained that the Fcount is 2.079258 and the probability value (P-value) is $0.1055 > 0.05$, significant at $\alpha = 3\%$, then the hypothesis H_0 is accepted which means the model Common Effect Model (CEM). Is more appropriate.

c) Hausman test (Random Effect Model vs Fixed Effect Model)

The Hausman test aims to compare the random effect model method with the fixed effect model. The result of this test is to find out which method should be chosen.

**Table 4.7
Model Test Results Using the Hausman Test**

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	15.874131	3	0.0012

(Source: Eviews 10 Panel Data Regression Output Results)

Hypothesis Testing Results

a) Panel Data Regression Analysis

Panel data regression analysis aims to test the extent of the influence of the independent variables on the dependent variable in which there are several companies in several time periods. The independent variable in this study is Local Own Income, Economic Growth, General Allocation Funds, while the dependent variable in this study is the Capital Expenditure Budget.

**Table 4.8
Panel Data Regression Test Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PE	26.81894	13130272	4.304253	0.0000
PAD	9.669679	137.0250	3.570569	0.0001
DAU	-14.97537	654.4020	-0.022884	0.7819
C	3.635500	4.05E+11	0.896551	0.3792

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R-squared	0.003337	Mean dependent var	3.894322
Adjusted R-squared	0.8262662	S.D. dependent var	3.534908
S.E. of regression	3.765432	Akaike info criterion	56.28066
Sum squared resid	3.262239	Schwarz criterion	56.47264
Log likelihood	-755.7890	Hannan-Quinn criter.	56.33775
F-statistic	43.71705	Durbin-Watson stat	1.718301
Prob(F-statistic)	0.000001		

(Source: Eviews 10 Panel Data Regression Output Results)

b) Partial Test (t test)

Table 4.9
T test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PE	26.81894	13130272	4.304253	0.0000
PAD	9.669679	137.0250	3.570569	0.0001
DAU	-14.97537	654.4020	-0.022884	0.7819
C	3.635500	4.05E+11	0.896551	0.3792

R-squared	0.003337	Mean dependent var	3.894322
Adjusted R-squared	0.826662	S.D. dependent var	3.534908
S.E. of regression	3.765432	Akaike info criterion	56.28066
Sum squared resid	3.262239	Schwarz criterion	56.47264
Log likelihood	-755.7890	Hannan-Quinn criter.	56.33775
F-statistic	43.71705	Durbin-Watson stat	1.718301
Prob(F-statistic)	0.000001		

(Source: Eviews 10 Panel Data Regression Output Results)

c) Multiple Determination Coefficient Test (R2)

Table 4.10
Multiple Determination Coefficient Test (R2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PE	26.81894	13130272	4.304253	0.0000
PAD	9.669679	137.0250	3.570569	0.0001
DAU	-14.97537	654.4020	-0.022884	0.7819
C	3.635500	4.05E+11	0.896551	0.3792
R-squared	0.003337	Mean dependent var		3.894322
Adjusted R-squared	0.826662	S.D. dependent var		3.534908
S.E. of regression	3.765432	Akaike info criterion		56.28066
Sum squared resid	3.262239	Schwarz criterion		56.47264
Log likelihood	-755.7890	Hannan-Quinn criter.		56.33775
F-statistic	43.71705	Durbin-Watson stat		1.718301
Prob(F-statistic)	0.000001			

The Effect of Economic Growth on Capital Expenditures

The partial regression test results using the Common Effect Model (CEM) show that economic growth has an effect on capital spending. This is evidenced by the results of the t test obtained by t count of 4.304253, namely $4.304253 > 2.06866$ so that $t \text{ count} > t \text{ table}$ with a probability of $0.0000 < 0.05$, meaning that the results show that the higher economic growth can affect the amount of capital expenditure to be issued. means that there is an influence between economic growth on capital expenditure in districts / cities in the province of Bali for the period 2016-2018. The results of the research that have been carried out are in line with the research conducted by Aryani and Kurnia (2019), which shows that there is an influence between economic growth variables on capital spending. In this study, economic growth is measured by comparing the difference between the Gross Domestic Product of the current year and the previous year and the Gross Domestic Product of the previous year.

In this study, economic growth has an effect on capital spending in the province of Bali in 2016-2018. This shows that economic growth is considered as the main reference in preparing capital expenditures. In addition, there are factors that influence, for example, the budget formulation process for each district / city which also considers the socio-

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political conditions in the region in addition to taking into account the regional macroeconomic conditions.

The Effect of Local Own Revenue on Capital Expenditures

The results of the partial regression test using the Common Effect Model (CEM) show that local revenue has an effect on capital spending. This is evidenced by the results of the t test obtained by t count of 3.570569, namely $3.570569 > 2.06866$ so that $t_{count} > t_{table}$ with a probability of $0.0001 < 0.05$, meaning that these results indicate that the higher Daera's Original Income can affect the amount of Capital Expenditures to be issued. means that there is an influence between local revenue on capital expenditure in districts / cities in the province of Bali for the period 2016-2018 ..

The results of the research that have been carried out are in line with the results of research conducted by Lestari, at All (2016), Ufi Rumefi (2018) and Syukri and Hinaya (2019) which state that there is an influence between local revenue on capital expenditure. In this study, PAD is measured by adding up all revenues derived from local taxes, regional levies, income from regional company profits and other legal revenues.

In this study, local revenue has an effect on capital expenditure. This gives an indication that the allocation of capital expenditures to local governments in Bali Province is determined by the local revenue earned. High PAD will affect development and developments in the regions which are realized in the form of the provision of facilities, infrastructure and infrastructure aimed at the public interest, so this will increase the allocation of capital expenditures.

The Effect of General Allocation Funds on Capital Expenditures

The partial regression test results using the Common Effect Model (CEM) show that the General Allocation Fund has no effect on capital expenditure. This is evidenced by the results of the t test obtained by tcount of -0.022884, namely $-0.022884 < 2.06866$ so that $t_{count} < t_{table}$ with a probability of $0.7819 > 0.05$, meaning that the General Allocation Fund has no effect on capital expenditure. Thus the hypothesis which states that the General Allocation Fund has an effect on capital expenditure can be rejected. which means that there is no influence between the general allocation funds on capital expenditures in districts / cities in the province of Bali for the 2016-2018 period.

The results of this study are in line with the results of research conducted by Syukri and Hinaya (2019), Lontoh, at All (2016), and Ayem and Pratama (2018) which show that there is no influence between general allocation funds on capital spending. In this study, general allocation funds are measured by adding up the fiscal gap and basic allocation.

Similar to PAD, DAU is a source of financing for capital expenditures for the provision of facilities and infrastructure in order to provide good public services from local governments to the community. DAU comes from APBN transfers which are allocated with the aim of equitable financial distribution between regions to finance their expenditure needs in the context of implementing decentralization between the General Allocation Fund (DAU) against the allocation of capital expenditures. Therefore, the smaller the DAU obtained, the smaller the allocation of regional capital expenditures. In

this study, general allocation funds have no effect on capital expenditure. This is because DAU is a "Block Grant", allowing regions to use them according to regional priorities and needs for improving services to the community in the context of regional autonomy. From the data processing and the results obtained indicate that the DAU received by the regions is only intended to finance routine expenses, such as for personnel expenditures and only a small amount is used for capital expenditures.

V. CONCLUSIONS, SUGGESTIONS & LIMITATIONS

Conclusions

The disclosure of conclusions that the researchers did is in accordance with the previous discussion as follows:

1. Economic growth has an influence on capital spending in the province of Bali in 2016-2018. In this study, economic growth is measured by comparing the difference between current Gross Domestic Product and the previous year. These results are the same as previous studies.
2. Local revenue has an effect on capital expenditure. This gives an indication that the allocation of capital expenditures to local governments in Bali Province is determined by the local revenue earned. The results of research that have been carried out are in line with the results of previous studies.
3. General allocation funds have no effect on capital expenditure. This is because DAU is a "Block Grant", allowing regions to use them according to regional priorities and needs for improving services to the community in the context of regional autonomy. The results of research that have been carried out are in line with the results of previous studies

Suggestion

From the above conclusions, the researcher provides suggestions to several parties as follows:

1. For Local Government
It is hoped that it can increase local revenue and maximize it with capital expenditures so that the welfare of the population of Bali province can be achieved.
From the research results, it is known that the local revenue has an effect on the capital expenditure of the province of Bali and economic growth, while the general allocation funds do not affect the capital expenditure of the province of Bali.
2. For the community
It is hoped that it can understand and benefit from the importance of capital spending in order to improve the welfare of the population of Bali province.

3. For researchers

It is hoped that understanding the importance of the capital expenditure budget and can understand this research in order to provide information in this study to future researchers.

Research Limitations and Further Research Development

In this study, there are several limitations and constraints that limit the scope of the research, including:

1. Limitations in this study for data processing that I did using Eviews 10 I studied by myself so that there may be sentences that are less than perfect in this study.
2. Factors that affect the Capital Expenditure Budget consist of only 3 variables, namely the effect of economic growth, local revenue, and general allocation funds. Meanwhile, there are many other factors that can affect the Capital Expenditure Budget.
3. Data obtained from the ministry of finance in the general allocation funds in nine districts / cities of Bali has no effect.

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