

**ANALYSIS OF DIFFERENCES IN THE EFFECT OF REGIONAL ORIGINAL INCOME, GENERAL ALLOCATION FUNDS, AND SPECIAL ALLOCATION FUNDS ON REGIONAL CAPITAL EXPENDITURES IN REGENCIES AND CITIES IN CENTRAL JAVA IN PRE-PANDEMIC CONDITIONS AND THE NEW NORMAL ERA**

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**Abstract**

This research aims to examine the impact of regional original income, general allocation funds, and special allocation funds on regional capital expenditures in Central Java in pre-pandemic conditions and the new normal era. The analysis was carried out in 2018 and 2019, before the Covid-19 pandemic, and in 2020 and 2021, during the new normal era. The APBD realization findings for each district and city in Central Java can be found in the Directorate General of Fiscal Balance (<https://djpk.kemenkeu.go.id>), which serves as the data source for this research. A total of 35 regencies and cities were sampled, with 29 regencies and six towns. Multiple linear regression analysis, validity testing, reliability testing, classical assumption testing, and the OLS (Ordinary Least Squares) method are utilized in the study, which is assessed to use the Statistical Package for the Social Sciences (SPSS). This research finds Regional Original Income, General Allocation Funds, and Special Allocation Funds for Regional Capital Expenditures in Central Java. In the two years preceding the pandemic, 2018 and 2019, the Regional Original Income variable had a significant effect. In contrast, the variables for the General Allocation Fund and the Special Allocation Fund indicated having no significant effect. Regional Original Income, General Allocation Funds, and Special Allocation Funds have a significant effect on Central Java Regional Capital Expenditures in the new normal era, which begins in 2020 and continues through 2021.

**Keywords: Regional Original Income, General Allocation Fund, Special Allocation Fund, Regional Capital Expenditure.**

**1. Introduction**

According to PP No. 12 of 2019, article 55, paragraph (1), a capital expenditure is a budget expenditure utilized to acquire fixed and other assets with benefits that extend beyond a single accounting period. It is hoped that these capital expenditures will positively affect the development of the local area over the long term. Based on the news reported from detik.com, Sri Mulyani stated that the placement of the Regional Government's funds in banking as of May 2022 was Rp 200 trillion, a growth from the positions in 2021 and 2020 of Rp 172 trillion and Rp 165 trillion, respectively. The expenditure category with the highest actualization in 2022 is personnel expenditure at 28.7%, while the expenditure category with the lowest fulfillment is capital expenditure at 6.0%. With this low capital expenditure, it is necessary to carry out more capital expenditure in the following years; However, the population still requires basic infrastructure, there are regions without public bathing, washing, and toilet facilities, and other issues necessitate more capital expenditure funds.

According to research on Regional Original Revenue performed by Ayem, and Pratama (2018), Regional Original Revenue has little effect on capital expenditure. This is consistent with what Suryani and Pariani's (2018) research discovered: Regional Original Income has little impact on capital expenditure. Vanesha et al. (2019) reported that Regional Original

Income had no significant effect on capital expenditure. However, studies by Muttaqin et al. (2021), Rizal et al. (2019), Huda et al. (2019), Pattawe et al. (2017), and Jouzar Faro Ishak (2022), among others, found that their studies on the impact of regional original income on regional capital expenditures had a massive effect.

Furthermore, to Regional Original Income, which influences Regional Capital Expenditures, there is also the General Allocation Fund, which has a similar impact. According to research conducted by Suryani and Pariani (2018), Juniawan and Suryantini (2018), Vanesha et al. (2019), and Huda and Sumiati (2019), the General Allocation Fund has a considerable impact on Regional Capital Expenditures. This contradicts the findings of Ayem and Pratama (2018) and Pramudya and Abdullah (2021), who concluded that the General Allocation Fund has no massive effect on Regional Capital Expenditures.

Special Allocation Funds are another type of fund that affects regional capital expenditures in furthermore to Regional Original Income, General Allocation Funds, and Special Allocation Funds. According to research by Juniawan and Suryantini (2018) and Pramudya and Abdullah (2021), the Special Allocation Fund substantially impacts Regional Capital Expenditures. In contrast, Ayem and Pratama (2018), Vanesha et al. (2019), and Huda and Sumiati (2019) all concluded that the Special Allocation Fund has no massive effect on Regional Capital Expenditures.

According to information from <https://djpk.kemenkeu.go.id/>, Central Java's capital expenditure was successfully realized in 2018 and 2019 before the Covid-19 pandemic struck Indonesia, at 99.81% in 2018 and 91.84% in 2019. However, since the pandemic hit, there has been a noticeable drop in the actualization of capital expenditures in 2020, which was only 66.58 %. The realization of capital expenditures in Central Java will increase by 83.90 % in 2021, however. Therefore, the years considered in this research are 2018-2021, two years before the pandemic and two years after. Based on this information, it would be interesting to examine the influence of the Covid-19 pandemic on Central Java's capital expenditures before and after the pandemic.

## 2. Literature Review

### A. Stewardship Theory

Stewardship theory was first proposed by Donaldson and Davis (1997), and it characterizes a circumstance where managers are not encouraged by specific goals but are more concentrated on their primary efficacy goals for the benefit of the organization. Stewardship theory, which the researchers in this research use, was developed to characterize a situation in which managers act in the interests of the owner and stewards. It clarifies that this theory has psychological and sociological roots. In their research on the public sector, Bahri and Anwar (2018) suggest that as the mandate giver, the principal is responsible for supervising and monitoring the stewards' performance of their duties. The steward, who is also the government, must optimize the community's responsibility or mandate for interpretation and implementation to operate smoothly and effectively.

### B. Regional Capital Expenditure

Capital Expenditure is a budget line item for the acquisition of fixed assets and other assets that offers benefits for multiple accounting periods (Abdul Halim, 2013).

Capital Expenditure consists of the following:

a. Land Capital Expenditure

The term "land capital expenditures" refers to expenses incurred for the procurement, purchase, acquisition, settlement, transfer of title, and lease of land, as well as for discharging, enclosing, leveling, maturing, making certificates, and other costs associated with the acquisition of land ownership until the land in question is positioned and in a state that is ready for use.

b. Equipment and Machinery Capital Expenditure

Capital expenditures for tools and machinery are expenses for the acquisition, addition, replacement, and capacity building of equipment and machinery, as well as office inventory that offers a benefit for more than one year, and until the intentional equipment and machinery is in a ready state.

c. Building and Building Capital Expenditure

Capital expenditures for buildings and buildings are expenses for acquisition, additions, and replacements, as well as costs for planning, monitoring, and managing a construction or building that expands capabilities until the buildings in question are in ready-to-use condition.

d. Road, Irrigation, and Network Capital Expenditure

Capital expenditures for roads, irrigation, and networks are expenses for the acquisition, addition, regeneration, and improvement of advancement, manufacture, and maintenance, as well as expenditures for planning, monitoring, and managing roads, irrigation, and networks that add capacity to roadways and irrigation. The web in question is in a ready-to-use condition.

e. Other Fixed Assets Capital Expenditure

Other fixed asset capital expenditures are expenses involved for the acquisition, addition, replacement, growth, advancement, manufacture, and maintenance of other fixed assets that cannot be classified according to the criteria for land, equipment, machinery, warehouses, and buildings, as well as roads, irrigation facilities, and networks. Other fixed asset capital expenditures encompass lease and consider purchasing contracts, art goods, and archaeological goods for museums, livestock, plants, books, and scientific journals.

C. Locally-generated revenue

Regional Original Income, or Locally-Generated Revenue, comprises all regional revenues derived from the original regional economy, according to research carried out by Halim and Kusuf (2013). Regional Original Income can be categorized into four categories:

a. Local tax

The definition of a regional tax, according to Undang-Undang Number 28 of 2009 regarding Regional Taxes and Regional Levies, is a mandatory payment to the region obligated to pay by a person or an organization that seems to be coercive under the law, with no direct compensation and is utilized for regional purposes. For the people's greatest prosperity.

b. Regional Retribution

What is referred to as a levy is a regional levy as payment in specific facilities or authorizes that have been provided and granted by the Regional Government for the benefit of particular individuals or entities, according to Undang-Undang Number 28 of 2009 concerning Regional Taxes and Regional Levies.

c. Results of Regional Wealth Management Separation

Regional Original Revenue is Regional Revenue originally derived from Regional Taxes resulting from Regional Levies, the results of the management of entirely separate Regional assets, and other legitimate Regional Original Revenues that aim to offer the Regions the flexibility to explore funding options in the implementation of regional autonomy as an expression of the principle of restricted freedom. Decentralization (Undang-Undang No.33 of 2004). (Undang-Undang No.33 of 2004).

d. Other Legitimate Regional Original Income

Other legitimate local revenues are those derived from sources outside the local government. Other fair local payments account for regional revenues not listed above.

D. General Allocation Fund

The General Allocation Fund is a fund derived from APBN revenues to distribute financial capacity among regions equitably and finance regional needs to carry out decentralization (Undang-Undang No.33 of 2004).

E. Special Allocation Fund

The Special Allocation Fund aims to alleviate the financial burden of special activities borne by local governments. The Special Allocation Fund seeks to ease the financial burden of special activities conducted by local governments.

### 3. Research Method

This research implemented secondary data as its primary source. Beginning with validity tests, reliability tests, classical assumption tests, multiple linear regression analysis, and the OLS (Ordinary Least Square) method, the data analysis method then proceeds to the OLS (Ordinary Least Square) procedure. Purposive sampling was used for the sampling process.

This research's population was collected from a total of 35 regencies and cities in Central Java, including 29 regencies and six towns. This research sample is the 2018-2021 APBD realization report published on DJPK's website [www.djpk.kemenkeu.go.id](http://www.djpk.kemenkeu.go.id).

#### 4. Result and Discussion

The analysis is done on districts and cities in Central Java that have reported the APBD and are on the Directorate General of Fiscal Balance website or [djpk.kemenkeu.go.id](http://djpk.kemenkeu.go.id).

Table 1. Analysis of Multiple Linear Regression

##### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	44431632326,270	35555519845,065		1,250	,214
	Locally-Generated Revenue	,257	,032	,516	8,010	,000
	General Allocation Fund	,028	,027	,067	1,046	,298
	Special Allocation Fund	,544	,097	,350	5,607	,000

a. Dependent Variable: Regional Capital Expenditure

Table 1 demonstrates that Regional Original Income has a beneficial effect on capital expenditure, so as Regional Original Income increases, so will Regional Capital Expenditure. The results of the current research support this finding. The research results of Juniawan and Suryantini (2018), Regional Original Income, benefits Regional Capital Expenditures. However, Vanesha et al. (2019) disagree. The General Allocation Fund has a beneficial effect on Regional Capital Expenditures, so if the General Allocation Funds enhance, so will the Regional Capital Expenditures. This result is also consistent with Suryani and Pariani (2018) findings, who found that the General Allocation Fund affects Regional Capital Expenditures. However, research conducted by Pramudya and Abdullah in 2021 indicated the contrary. The Special Allocation Fund also benefits Regional Capital Expenditure, so if the Special Allocation Fund increases, Regional Capital Expenditure will also enhance. This is also consistent with research by Pramudya and Abdullah (2021), which indicates that the Special Allocation Fund also affects Regional Capital Expenditures. In contrast, Huda and Sumiati (2019) research indicate the opposite.

Table 2. Method of OLS (*Ordinary Least Square*) In the years before the pandemic

##### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	20312964100,116	47622613526,470		,427	,671

PAD	,463	,056	,756	8,204	,000
DAU	,103	,127	,144	,813	,419
DAK	,295	,288	,167	1,023	,310

a. Dependent Variable: Regional Capital Expenditure

Before the pandemic, Table 2 indicates that Regional Original Income had a massive effect on Central Java Regional Capital Expenditures for 2018 and 2019. General Allocation Fund had no enormous impact on Central Java Regional Capital Expenditures for the 2018-2019 period before the pandemic. Neither the Special Allocation Fund variable significantly impacted Central Java Regional Capital Expenditures during the pre-pandemic years of 2018 and 2019. Regional Original Income had a massive effect on Central Java's Capital Expenditures before the pandemic (2018-2019), as can be deduced from the results. In contrast to claims made by the General Allocation Fund and the Special Allocation Fund that they significantly impacted Central Java's Capital Expenditures prior to the pandemic (2018-2019), the truth has not been established.

Table 3. The method of OLS (*Ordinary Least Square*) On Era *New Normal*

Model		Coefficients		Standardized Coefficients	t	Sig.
		Unstandardized Coefficients	Std. Error			
	B			Beta		
1	(Constant)	-20060716544,272	30481271463,635		-,658	,513
	PAD	,207	,031	,515	6,672	,000
	DAU	,079	,019	,284	4,080	,000
	DAK	,430	,094	,337	4,552	,000

a. Dependent Variable: Regional Capital Expenditure

In the *new normal* era, as shown in Table 3, Regional Original Income has a significant effect on Central Java Regional Capital Expenditures (2020-2021). In the *new normal* era, the General Allocation Fund variable has a significant impact on Central Java Regional Capital Expenditures (2020-2021). The Special Allocation Fund variable also demonstrates that it has a significant impact on the Regional Capital Expenditures of Central Java in the *new normal* era (2020-2021). The conclusion reached is that Regional Original Income, General Allocation Funds, and Special Allocation Funds influence Central Java Regional Capital Expenditures in the new normal era, specifically in 2020 and 2021.

## 5. Conclusions and Suggestions

This research concluded that variables such as Regional Original Income, General Allocation Funds, and Special Allocation Funds affect Central Java Regional Capital Expenditures. In the years preceding the pandemic, namely 2018 and 2019, the Regional Original Revenue variable had a significant effect, whereas the General Allocation Fund and Special Allocation Fund variables indicated having no significant effect. In the *new normal*



era, specifically in 2020 and 2021, Regional Original Income, General Allocation Funds, and Special Allocation Funds have a significant effect on Central Java Regional Capital Expenditures.

Other aspects that can be assessed regarding the variables that influence regional capital expenditures can be emphasized in suggestions for future research. It is also possible to broaden the scope of the study so that relevant stakeholders can utilize the results to advance their respective fields.

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