



Analysis of the Influence of Local Original Income, General Allocation Fund and Special Allocation Fund on Economic Growth with Capital Expenditure as an Intervening Variable in Regional Governments throughout Manggarai Raya in 2013-2023

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ABSTRACT

The purpose of this study is to analyze and test the effect of Local Revenue, General Allocation Fund and Special Allocation Fund on Economic Growth with Capital Expenditure as an Intervening variable in local governments throughout Manggarai Raya. This study was conducted in Regencies/Cities throughout Manggarai Raya. The population and sample used in this study were reports on the realization of the Regional Budget throughout Manggarai Raya. Furthermore, this study used path analysis as a research method. From the analysis conducted, it can be concluded that the test results found that partially the variables of Local Revenue and Special Allocation Fund have a significant effect on capital expenditure. While for the General Allocation Fund it does not have a significant effect on capital expenditure, the test results found that partially the variables of Local Revenue, Special Allocation Fund and Capital Expenditure do not have a significant effect on economic growth. While for the General Allocation Fund it has a significant effect on economic growth, the results of the path coefficient test show that only the Special Allocation Fund variable has a significant effect on economic growth through capital expenditure. While Local Revenue and General Allocation Fund do not have a significant effect on economic growth through capital expenditure.

Keywords: Capital Expenditure, Economic Growth, General Allocation Fund, Local Original Income, Special Allocation Fund.

1. INTRODUCTION

Law Number 23 of 2014 explains about regional government to regulate the implementation of government affairs as the authority of regional autonomy. The implementation of regional government is aimed at accelerating the realization of community welfare through improving services, empowerment, community roles, and increasing regional competitiveness by paying attention to the principles of democracy, equality, justice, and the uniqueness of a region.

As an autonomous region, the regional government seeks to advance and maximize all regional capabilities related to regional revenue receipts. According to Law Number 23 of 2014, this authority is in the form of decentralization. Decentralization is the transfer of government affairs by the central government to autonomous regions based on the principle of autonomy. Therefore, by implementing the principle of decentralization, it is hoped that the regional government will be able to organize government activities better, more orderly, and conducive so that the welfare of the community is realized in the context of national development.

Economic and social welfare indicators that can be influenced by the government through regional spending policies are unemployment, poverty and economic growth. Capital expenditure is government spending that has a significant influence on the economic growth of a region apart from the private sector, households and abroad. The greater the capital expenditure, the better its influence on economic growth.

Increasing the receipt of Local Original Income (PAD) can optimize and increase activities in sectors related to economic growth, such as the industrial and trade sectors, service sectors, and other sectors. If it is found that Local Original Income (PAD) has an effect on economic growth, then there is a great possibility that the General Allocation Fund (DAU), Special Allocation Fund (DAK) also have a positive effect on economic growth because the

value of DAU and DAK is generally greater than the contribution of Local Original Income (PAD).

The higher the level of economic growth of a region should be able to increase the influence of Regional Original Income, General Allocation Funds, and Special Allocation Funds on Capital Expenditures. Capital expenditure in this case is used as an intervening variable. Capital Expenditures are one type of Direct Expenditures in the APBN/APBD. Capital expenditure is one of the productive indicators of budget use by the regional government so that it cannot be directed to individuals or households because in its implementation it must intersect with public services. The greater the percentage of capital expenditure allocation indicates that the regional government is more productive. This is because generally in the use of assets produced it always intersects with public services and is used by the general public.

The purpose of this study is to describe the Regional Original Income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), Capital Expenditure and Economic Growth. To analyze the effect of Regional Original Income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) on Capital Expenditure. To analyze the effect of Regional Original Income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) on Economic Growth. To analyze the effect of Capital Expenditure on Economic Growth. To analyze the effect of Regional Original Income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) on Economic Growth through Capital Expenditure.

2. LITERATURE REVIEW

2.1. Economic growth

Economic growth as a long-term increase in a country's ability to provide more and more types of economic goods to its population, this ability grows in accordance with technological progress and the necessary institutional and ideological adjustments (Jinghan, 2012: 57). Sadono Sukirno (2013: 423) argues that economic growth means the fiscal development of the production of goods and services that apply in a country, such as the increase and number of industrial goods production, infrastructure development, increase in the number of schools, increase in service sector production and increase in capital goods production. To provide a rough picture of the economic growth achieved by a country, the measure that is always used is the level of real national income growth achieved.

2.2. Capital Expenditure

Based on Home Affairs Ministerial Regulation No. 13 of 2006, Article 53 concerning regional financial management, capital expenditure is used for expenditures made in the context of purchasing/procuring or constructing tangible fixed assets that have a utility value of more than 12 (twelve) months for use in government activities, such as in the form of land, equipment and machinery, buildings and structures, roads, irrigation and networks, and other fixed assets.

2.3. Local Original Income (PAD)

Based on Law Number 33 of 2004, Regional Original Income (PAD) is income originating from the region itself which is collected based on regional regulations in accordance with statutory regulations. In an effort to increase regional PAD, it is prohibited to stipulate Regional Regulations on income that cause a high cost economy, stipulate Regional Regulations on income that hinder educational mobility, traffic of goods and services between regions, and export-import activities (Law No. 33 of 2004). According to Halim (2012) there are four sources of Regional Original Income (PAD), namely regional taxes, regional levies, results of managing separated regional assets and other legitimate PAD.

2.4. General Allocation Fund (DAU)

According to Law Number 33 of 2004, the General Allocation Fund (DAU) is a fund sourced from APBN revenues allocated with the aim of equalizing financial capacity between regions to fund regional needs in the context of implementing decentralization. DAU is a block grant given to all regencies/cities.

2.5. Special Allocation Fund (DAK)

According to Law Number 33 of 2004, Special Allocation Funds are funds sourced from the APBN which are allocated to certain regions with the aim of helping to fund special activities which are regional affairs and in accordance with national priorities.

2.6. Macro Theory: The Relationship between Government Spending and Economic Growth

Government spending shows government policy, where if the government sets a policy to purchase certain goods or services, then government spending is the cost incurred to finance these activities (Guritno, 1994). This is in accordance with Adolf Wagner's theory which states that government activity in the economy tends to increase. Wagner measures the comparison of government spending to GDP by putting forward a theory regarding the development of government spending which is increasingly large in percentage of GDP.

3. RESEARCH METHODS

This study uses a quantitative descriptive analysis research type, namely by calculating the research variables and testing the formulated hypotheses and then explaining the results of the calculations.

The type of data used in this study is secondary data in the form of panel data. The data used includes APBD realization data, namely PAD, DAU, DAK, Capital Expenditure, and Economic Growth during 2013-2023, in 3 Regencies/Cities in Greater Manggarai. The data used in this study comes from the Directorate General of Fiscal Balance (DJPK) and the Central Statistics Agency (BPS) of East Manggarai Regency, Manggarai Regency and West Manggarai Regency.

3.1 Data Analysis Methods

This study uses descriptive analysis, normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, multiple linear regression analysis, determination coefficient test, F test, t test, and path analysis.

The analysis used in this study is multiple linear analysis with a data analysis method using path analysis to determine the causal relationship between previously determined variables, both direct and indirect influences of independent variables on dependent variables.

Mathematically, path analysis uses the following structural model pattern:

- a. Structural Model I

$$Y_{1it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \epsilon_1$$

- b. Structural Model II

$$Y_{2it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 Y_{1it} + \epsilon_2$$

Information :

- Y_{1it} : Capital Expenditure
- Y_{2it} : Economic growth
- α : Intercept/Constant
- β₁, β₂, β₃, β₄ : regression coefficient of each variable X_{1it} : Local Original Income (PAD)
- X_{2it} : General Allocation Fund
- X_{3it} : Special Allocation Fund
- ε₁, ε₂ : Error term

4. RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---------------------|----|------------|------------|--------------|----------------|
| PAD | 33 | 19668.00 | 9.68734.00 | 1.33943.0606 | 2.00365.76204 |
| DAU | 33 | 3.52831.00 | 6.06097.00 | 5.00254.9697 | 59698.19524 |
| Capital Expenditure | 33 | 1.33236.00 | 4.93263.00 | 2.29602.8788 | 79551.68806 |
| DAK | 33 | 54805.00 | 5.04304.00 | 2.05301.2121 | 99557.19481 |
| Economic growth | 33 | 1834.00 | 5502.00 | 3.395.3030 | 913.86509 |

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| Economic growth | 33 | 1834.00 | 5502.00 | 3.395.3030 | 913.86509 |
| Valid N (listwise) | 33 | | | | |

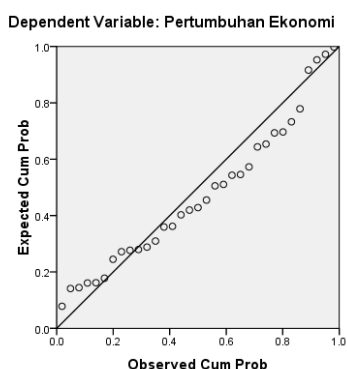
The results of the descriptive analysis above can be explained as follows:

- 1) Based on the Regional Original Income data, it can be seen that the lowest data of 19,668,225,757 rupiah was East Manggarai Regency in 2013, while the highest data of 96,873,499,070 rupiah was Manggarai Regency in 2020, with an average value of 1,33943.06.06 rupiah with a deviation of 2,00365.76204 rupiah.
- 2) Based on the General Allocation Fund data, it can be seen that the lowest data is 352,831,000 rupiah, namely Manggarai Regency in 2015, while the highest data is 606,097,107,000 rupiah, namely Manggarai Regency in 2019, with an average value of 5,00254,9697 rupiah with a deviation of 59698,19524 rupiah.
- 3) Based on the Special Allocation Fund data, it can be seen that the lowest data of 54,805,000 rupiah is Manggarai Regency in 2015, while the highest data of 504,304,225 rupiah is West Manggarai Regency in 2023, with an average value of 2,05301,2121 rupiah with a deviation of 99,557,194.81 rupiah.
- 4) Based on the Capital Expenditure data, it can be seen that the lowest data is 133,236,840.00
- 5) rupiah, namely East Manggarai Regency in 2014, while the highest data of 493,263,439.54 rupiah was West Manggarai Regency in 2022, having an average value of 2,296,602,878.80 rupiah with a deviation of 79,551,688.06 rupiah.
- 6) Based on the Economic Growth data measured by GRDP, it can be seen that the lowest data is 1,834,098.20, namely East Manggarai Regency in 2013, while the highest data is 5,502,194.53, namely Manggarai Regency in 2023, has an average value of 3,395,303.00 with a deviation of 913,865.09.

4.1. Classical Assumption Test

1) Normality Test

Normal P-P Plot of Regression Standardized Residual



Source: SPSS 24 processed data

Based on the normal probability plot graph, it shows that the regression model is suitable for use in this study because in the normal plot graph, the points are spread around the diagonal line and their distribution follows the

direction of the diagonal line and the data looks even and quite good. This means that the regression model meets the assumption of normality which means that the data is normally distributed.

2) Multicollinearity Test

Table 2. Multicollinearity Test

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-----------------|-----------------------------|----------------|---------------------------|--------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | -6.165520533206 | 9.515558413626 | | -.648 | .522 | | |
| PAD | -25,705 | 4.901 | -.072 | 5.245 | .000 | .763 | 1,310 |
| DAU | 23.146 | 25,336 | .017 | .914 | .369 | .407 | 2.458 |
| DAK | .903 | .016 | 1,027 | 57,861 | .000 | .452 | 2.210 |
| ECONOMIC GROWTH | -928,849 | 2051.193 | -.011 | -.453 | .654 | .265 | 3.776 |

a. Dependent Variable: CAPITAL EXPENDITURE

So it can be concluded that the regression is free from multicollinearity symptoms, namely the Tolerance value > 0.10 or equal to the VIF value < 10.

3) Autocorrelation Test

Table 3. Autocorrelation Test

Model Summary^b

| Model | Durbin-Watson |
|-------|---------------|
| 1 | 1.201 |

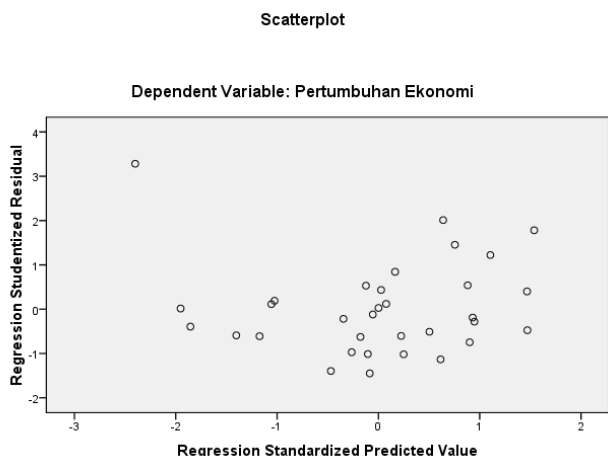
a. Predictors: (Constant), Capital Expenditure, PAD, DAU, DAK

b. Dependent Variable: Economic Growth

Source: processed data from SPSS 24

From the results of the data processing above, the Durbin-Watson test was found to be 1.201 and the DW was between -2 and 2, so it can be concluded that the data does not have autocorrelation.

4) Heteroscedasticity Test



Source: processed data from SPSS 24

With the scatterplots graph above, it can be seen that the points are spread randomly and are spread both above and below the number 0 on the Y axis and there is no clear pattern in the distribution of the data. This result can be concluded that there is no heteroscedasticity in the regression model, so the regression model is suitable for use in predicting economic growth based on the variables that influence it, namely local revenue, general allocation funds, special allocation funds and capital expenditures.

4.2. Multiple Linear Regression Analysis

Table 4. Equation One

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 5.330722317282 | 9.206E9 | | .579 | .567 |
| | PAD | -26.142 | 4,739 | .073 | 5,517 | .000 |
| | DAU | 15,564 | 18,753 | .011 | .830 | .413 |
| | DAK | .899 | .013 | 1,023 | 67,738 | .000 |

a. Dependent Variable: CAPITAL EXPENDITURE

Table 5. Two Equations

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -940469.769 | 861892.683 | | -1.091 | .284 |
| | PAD | .000 | .001 | .065 | .421 | .677 |
| | DAU | .008 | .002 | .541 | 4,691 | .000 |
| | DAK | 1.088E-5 | .000 | 1,095 | .698 | .491 |
| | CAPITAL EXPENDITURE | -7.827E-6 | .000 | -.692 | -.453 | .654 |

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
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| | DAK | 1.088E-5 | .000 | 1,095 | .698 | .491 |
| | CAPITAL EXPENDITURE | -7.827E-6 | .000 | -.692 | -.453 | .654 |

a. Dependent Variable: ECONOMIC GROWTH

$$BM = 53,307,223,172.82 + 0.073PAD + 0.011DAU + 1.023DAK + e1$$

$$PE = -940469.769 + 0.065PAD + 0.541DAU + 1.095DAK - 0.692BM + e2$$

4.3. Model Feasibility Test

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | .998a | .996 | .996 | 5.38181E9 |

a. Predictors: (Constant), DAK, PAD, DAU

b. Dependent Variable: CAPITAL EXPENDITURE

The value of Adjusted R Square is 0.996, which means that the variability of the dependent variable (Capital Expenditure) that can be explained by the variability of the independent variables (PAD, DAU, DAK) is 99.6%, while the remaining 0.4% is explained by other variables that are not included in the regression model.

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | .859a | .737 | .699 | 5.00949E5 |

a. Predictors: (Constant), CAPITAL EXPENDITURE, PAD, DAU, DAK

b. Dependent Variable: ECONOMIC GROWTH

The value of Adjusted R Square is 0.737, which means that the variability of the dependent variable (Economic Growth) that can be explained by the variability of the independent variables (PAD, DAU, DAK, BM) is 73.7%, while the remaining 26.3% is explained by other variables that are not included in the regression model.

Table 7. F Test (Simultaneous)

ANOVA

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------------------|----|---------------------------|-----------|-------|
| 1 | Regression | 2.0810615799396150000000 | 3 | 6.9368719331320510000000 | 2,395,009 | .000a |
| | Residual | 8.39951934594332200000.000 | 29 | 2.8963859813597663000.000 | | |
| | Total | 2.0894610992855586000000 | 32 | | | |

- a. Predictors: (Constant), DAK, PAD, DAU
- b. Dependent Variable: CAPITAL EXPENDITURE

The F-count value is 2,395,009 with a probability value of 0.000 < 0.05. So it can be concluded that the model used to test the influence of PAD, DAU and DAK on BM is a feasible model.

4.4. Hypothesis Test (t-Test)

Table 8. Equation One

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 5.330722317282 | 9.206E9 | | .579 | .567 |
| | PAD | 26.142 | 4,739 | .073 | 5,517 | .000 |
| | DAU | 15,564 | 18,753 | .011 | .830 | .413 |
| | DAK | .899 | .013 | 1,023 | 67,738 | .000 |

- a. Dependent Variable: CAPITAL EXPENDITURE

Based on the output results above, it shows that:

- 1) The Influence of Local Original Income on Capital Expenditure
The t-value is 5.517 with a significance of 0.000. The significance value for the Regional Original Income variable shows a significance level of 0.000 < 0.05, so H1 is accepted, which means that Regional Original Income has a significant positive effect on Capital Expenditure.
- 2) The Influence of General Allocation Funds on Capital Expenditures
The t-value is 0.830 with a significance of 0.413. The significance value for the General Allocation Fund variable shows a significance level of 0.413 > 0.05, so H2 is rejected, which means that the General Allocation Fund does not have a significant effect on Capital Expenditure.
- 3) The Influence of Special Allocation Funds on Capital Expenditures
The t-value is 67.738 with a significance of 0.000. The significance value for the Special Allocation Fund variable shows a significance level of 0.000 < 0.05, so H3 is accepted, which means that the Special Allocation Fund has a significant effect on Capital Expenditure.

Table 9. Two Equations

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | -940469.769 | 861892.683 | | -1.091 | .284 |
| PAD | .000 | .001 | .065 | .421 | .677 |
| DAU | .008 | .002 | .541 | 4,691 | .000 |
| DAK | 1.088E-5 | .000 | 1,095 | .698 | .491 |
| CAPITAL EXPENDITURE | -7.827E-6 | .000 | -.692 | -.453 | .654 |

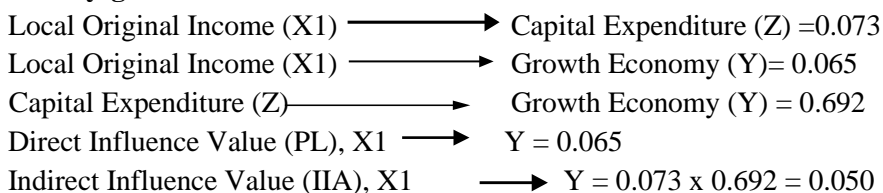
a. Dependent Variable: ECONOMIC GROWTH

Based on the output results above, it shows that:

- 1) The Influence of Local Original Income on Economic Growth
 The t-value is 0.421 with a significance of 0.677. The significance value for the Regional Original Income variable shows a significance level of $0.677 > 0.05$, so H4 is rejected, which means that Regional Original Income does not have a significant positive effect on Economic Growth.
- 2) The Influence of General Allocation Funds on Economic Growth
 The t-value is 4.691 with a significance of 0.000. The significance value for the General Allocation Fund variable shows a significance level of $0.000 < 0.05$, so H5 is accepted, which means that the General Allocation Fund has a significant positive effect on Economic Growth.
- 3) The Impact of Special Allocation Funds on Economic Growth
 The t-value is 0.698 with a significance of 0.491. The significance value for the Special Allocation Fund variable shows a significance level of $0.491 > 0.05$, so H6 is rejected, which means that the Special Allocation Fund has no effect on Economic Growth.
- 4) The Impact of Capital Expenditure on Economic Growth
 The t-value is -0.453 with a significance of 0.654. The significance value for the Capital Expenditure variable shows a significance level of $0.654 < 0.05$, so H7 is rejected, which means that Capital Expenditure does not have a significant negative effect on Economic Growth.

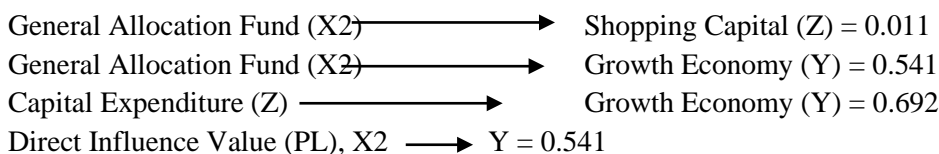
4.5. Path Analysis Method

Locally-generated revenue



Based on the calculation above, it is known that the value of indirect influence is smaller than the value of direct influence ($PTL\ 0.050 < PL\ 0.065$). Thus, Capital Expenditure is unable to intervene (mediate) Regional Original Income on Economic Growth in the Regency/City governments throughout Manggarai Raya.

General Allocation Fund



Indirect Influence Value (IIA), $X_2 \longrightarrow Y = 0.011 \times 0.692 = 0.007$

Based on the calculation above, it is known that the value of indirect influence is smaller than the value of direct influence (PTL 0.007 < PL 0.541). Thus, Capital Expenditure is unable to intervene (mediate) the General Allocation Fund on Economic Growth in the Regency/City governments throughout Manggarai Raya.

Special Allocation Fund

Special Allocation Fund (X_3) \longrightarrow Shopping Capital (Z) = 1.023

Special Allocation Fund (X_3) \longrightarrow Growth Economy (Y) = 0.698

Capital Expenditure (Z) \longrightarrow Growth Economy (Y) = 0.692

Direct Influence Value (PL), $X_3 \longrightarrow Y = 0.698$

Indirect Influence Value (IIA), $X_3 \longrightarrow Y = 1.023 \times 0.692 = 0.707$

Based on the calculation above, it is known that the indirect influence value is greater than the direct influence value (PTL 0.707 > PL 0.698). Thus, Capital Expenditure is able to intervene (mediate) the Special Allocation Fund on Economic Growth in the Regency/City governments throughout Manggarai Raya.

4.6. Discussion

4.6.1. The Influence of Local Original Income on Capital Expenditure

Based on the research results, it was found that PAD has an effect on capital expenditure, which means that the local governments of the regencies/cities throughout Greater Manggarai depend on Regional Original Income to spend capital used for expenditures in the context of purchasing/procuring or constructing tangible fixed assets that have a utility value of more than 12 (twelve) months, with the aim of supporting good public facilities and infrastructure and infrastructure that improves regional development.

Local Original Income is also a potential owned by each region, in increasing the funds obtained to become a source of regional spending, the local government must increase the potential of the region owned. If the development of various public facilities and infrastructure can be increased, the Local Original Income obtained will also increase. Because the increase in facilities and infrastructure is spent through capital expenditure. So the higher the Local Original Income, the higher the allocation of capital expenditure obtained.

The results of this study are in accordance with research conducted by Suwandi and Tahar (2015), Kusuma (2016), Irvan and Karmini (2016), Wiraswasta, et al. (2018) which stated that Regional Original Income has a significant positive influence on Capital Expenditure.

4.6.2. The Influence of General Allocation Funds on Capital Expenditures

Based on the research results, it was found that the General Allocation Fund has no effect on capital expenditure. This result explains that districts/cities that receive small DAU will tend to have high capital expenditure. This happens because DAU is used to finance other expenditures such as employee expenditures, goods and services expenditures and other expenditures. The General Allocation Fund is a consequence of the transfer of the central government to the regional government.

Stewardship theory describes that local governments can use general allocation funds to provide services to the community which are realized through capital expenditure. General allocation funds are intended to equalize regional financial capabilities. The results of the study indicate that General Allocation Funds do not affect capital expenditure because general allocation funds are not considered as the main reference in preparing capital expenditure. General Allocation Funds provided to each Regency/City throughout Manggarai Raya are not fully allocated for capital expenditure.

The results of this study are in accordance with research conducted by Sumartini and Yasa (2015) which stated that the General Allocation Fund has no effect on Capital Expenditure.

4.6.3. The Influence of Special Allocation Funds on Capital Expenditures

The results of the study indicate that the Special Allocation Fund has an effect on Capital Expenditure. The relationship between the special allocation fund and capital expenditure can be explained, namely, the purpose of the special allocation fund is allocated for national programs in the region, both education programs, health, public

services and the environment of the regional government's national programs are included in the capital expenditure budget. So there is a relationship between the special allocation fund obtained and intended for national programs which are also employee expenditures. So the higher the special allocation fund obtained, the higher the capital expenditure allocation.

The results of this study are in accordance with research conducted by Alpi and Sirait (2022) which states that Special Allocation Funds have a significant influence on Capital Expenditures.

4.6.4. The Influence of Local Original Income on Economic Growth

The results of this study indicate that Local Original Income has no significant effect on Economic Growth. This result is in line with Gustiana's research (2014) that the local original income variable has an insignificant relationship to economic growth. This study is also not in line with existing theories where the new growth theory states that capital accumulation is the main source of economic growth. This is difficult to achieve because one of the revenue items from local original income is tax, where tax can reduce consumption so that because consumption decreases, revenue also decreases and ultimately economic growth also decreases.

4.6.5. The Influence of General Allocation Funds on Economic Growth

The results of this study indicate that the General Allocation Fund has a significant effect on Economic Growth. This result is not in line with Gustiana's (2014) research that the General Allocation Fund variable has an insignificant relationship to economic growth. However, this result is in line with the research conducted by Permanasari (2013) which shows that the General Allocation Fund has a significant effect on economic growth. This result is also in line with the existing theory where the new growth theory states that capital accumulation is the main source of economic growth.

4.6.6. The Impact of Special Allocation Funds on Economic Growth

The results of this study indicate that the Special Allocation Fund has no effect on Economic Growth. The special allocation fund is one of the balancing funds allocated from the APBN to finance special programs in certain regions in accordance with national priorities, especially to fund the fulfillment of basic public service facilities and infrastructure that have not reached certain standards with the aim of encouraging the acceleration of regional development.

The stewardship theory describes that local governments can use special allocation funds to provide services to the public so that it will have an impact on increasing economic growth in the region. The results of the study showed that the Special Allocation Fund had no effect on Economic Growth. This is because the Special Allocation Fund has not been allocated optimally to infrastructure development related to facilities and infrastructure to encourage economic growth in local governments of regencies/cities throughout Manggarai Raya.

The results of this study are in accordance with research conducted by Manek and Badrudin (2016), Ermita, et al. (2020) which stated that the Special Allocation Fund has no effect on Economic Growth.

4.6.7. The Impact of Capital Expenditure on Economic Growth

The results of this study indicate that Capital Expenditure has no effect on Economic Growth. This is because the capital expenditure used by the local government is allocated to less productive infrastructure spending, in addition it can also be caused by the results of the capital expenditure allocation not being enjoyed in a short period of time/infrastructure development is still ongoing so that the results of the capital expenditure have not been obtained. This study is in line with the research conducted by Permanasari (2013) and Iskandar (2012) that capital expenditure has no effect on economic growth. However, this study is not in line with the research conducted by Prantini (2014) that capital expenditure has a positive effect on economic growth.

4.6.8. The Influence of Regional Original Income, General Allocation Fund and Special Allocation Fund on Economic Growth with Capital Expenditure as an Intervening Variable

Based on the analysis of the research results, it shows that the influence between exogenous variables and endogenous variables is not all significant. In this hypothesis, it can be seen that only the Special Allocation Fund

(DAK) variable has a significant effect on economic growth through capital expenditure. Meanwhile, Regional Original Income (PAD) and General Allocation Fund (DAU) do not have a significant effect on economic growth through capital expenditure. The results of this study are not in line with the research conducted by Siswiyanti (2015) which shows that capital expenditure can be a mediating variable (intervening) between regional original income (PAD) and economic growth.

This result can be explained that the region has not been able to utilize PAD in its economic development agenda. The regional spending element used in this study is capital expenditure, so if large PAD is accompanied by high allocation of capital expenditure, this indicates that the economy of a region is strong and evenly distributed, all spending elements have the appropriate proportions. Regions that have high PAD are more capable of providing better public service facilities for local communities, the availability of these facilities will be the key to economic growth that goes hand in hand with increasing community productivity. High PAD is supported by a large allocation of spending on facilities for public services, so the economic growth of a region will be higher, which will ultimately increase the per capita income of the community and also for the general allocation fund (DAU) for the whole of Manggarai Raya has not been able to increase Regional Economic Growth (PDRB) supported by government spending throughout Manggarai Raya. The increasing amount of DAU obtained by a region greatly determines how much the regional development target has been budgeted, especially capital expenditure in the form of infrastructure development, but the allocation of regional expenditure budgeted in the research area tends to be for expenditure that does not support economic growth, but rather special expenditure for regional government affairs such as routine employee expenditure and others. Meanwhile, the Special Allocation Fund (DAK) received by the regional government is able to increase Regional Economic Growth supported by capital expenditure. In this case, the regional government is able to maximize DAK to increase the provision of physical facilities and infrastructure in the region according to national priorities and encourage increased productivity, expansion of employment opportunities and economic diversification supported by capital expenditure.

5. CONCLUSION AND SUGGESTION

5.1. Conclusion

- 1) Local Original Income has a significant positive effect on Capital Expenditure.
- 2) General Allocation Funds do not affect Capital Expenditures.
- 3) Special Allocation Funds affect Capital Expenditures.
- 4) Local Original Income does not have a significant effect on Economic Growth.
- 5) General Allocation Fund influences Economic Growth.
- 6) Special Allocation Funds have no effect on Economic Growth.
- 7) Capital Expenditure does not have a significant effect on Economic Growth.
- 8) The results of the path coefficient test show that the influence between exogenous variables and endogenous variables is not all significant. In this test, it can be seen that only the Special Allocation Fund (DAK) variable has a significant effect on economic growth through capital expenditure. Meanwhile, Regional Original Income (PAD) and General Allocation Fund (DAU) have no significant effect on economic growth through capital expenditure.

5.2. Suggestion

The suggestions that researchers can provide are:

- 1) For local governments, it is expected to continue to explore sources of Regional Original Income (PAD) so that it is useful in funding to improve the quality of public services in the region. Local governments are also expected to be able to manage and fully utilize the General Allocation Fund (DAU) and Special Allocation Fund (DAK) properly to improve the quality of public services.
- 2) To the district/city governments throughout Greater Manggarai:
 - a. In order to further intensify the sources of Regional Original Income (PAD) to increase economic growth, because increasing PAD directly has a significant impact on economic growth which will ultimately increase community welfare.
 - b. In order to prioritize the allocation of DAU, DAK and capital expenditure in areas that are directly related to

- public interests, such as infrastructure or facilities that can encourage economic growth.
- c. For the district/city governments throughout Manggarai Raya to create policies or priority scales for physical development budgeted for regional capital expenditure so that it is in sync with the policy on the use of oil and gas funds and special autonomy in all districts/cities throughout Manggarai Raya.
- 3) For researchers interested in this field, it is recommended:
- a. To take more samples with a longer time span and add other variables, such as oil and gas revenue sharing funds and special autonomy funds.
 - b. Sort out what variables are included in capital expenditure.
 - c. Analyze how much additional capital expenditure is caused by the existence of special autonomy funds.

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