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The Effect of Local Original Revenue, General Allocation Fund and Special Allocation Fund on Capital Expenditure (Empirical Study on Provinces throughout Indonesia for the 2017 – 2020 Period)

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Abstract

This study aims to determine how Regional Original Revenue (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) affect Capital Expenditure (BM) with data from all Indonesian provinces over a period of 3 years (2017-2020). The calculation results of the T statistical test obtained a significance value for Regional Original Revenue of 0.00, General Allocation Fund of 0.00, and Special Allocation Fund of 0.829 so that Regional Original Revenue, General Allocation Fund is positive and significant while Special Allocation Fund is positive and insignificant.

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INTRODUCTION

The public sector is a part that has an important role in terms of managing state finances. Funding in the public sector is sourced from public funds derived from regional taxes or levies, management of segregated regional wealth, and other regional revenues in accordance with applicable laws and regulations. Currently, Indonesia has implemented a regional autonomy policy by giving responsibility to each regional government to manage its economy..

Regional expenditure is one of the highest parts in the budget design of a region consisting of capital expenditure and other operational expenditures. Of the two components, capital expenditure has a fairly high influence on regional expenditure because capital expenditure is a long-term investment in supporting economic growth and the quality of life of the community with infrastructure development such as roads, bridges, health facilities, and education so as to improve public services.

Local governments in regulating and managing their own regions need to prepare an APBD (Regional Original Revenue Budget) plan as one of the planning

for revenue and financing of development in the regions. The most important component in the APBD is capital expenditure. The capital expenditure budget is basically used for regional needs for facilities and infrastructure for the smooth realization of government tasks as well as for public facilities.

Capital expenditure is an expenditure by local governments whose useful life exceeds one year and adds to regional wealth and will add routine expenses such as maintenance costs to general administrative expenditures (Halim, 2004).

Local Original Revenue is the main indicator that determines the independence of a region and the main source of funds for capital expenditure financing. Regional Original Revenue (PAD) comes from the proceeds of local taxes, levy taxes, and the management of separated regional wealth as well as the results of Regional Owned Enterprises (BUMD) and other PAD.

The Ministry of Finance projects that the realization of Regional Original Revenue (PAD) of all regional governments (PEMDA) throughout 2020 will only be Rp. 250.38 trillion. This number shrank by 17 percent compared to 2019 due to the impact of the Covid-19 pandemic which suppressed economic activity in all regions. Last year's Regional Original Revenue was equivalent to 22.6 percent of the total regional revenue target which reached Rp. 1,134.81 trillion.

Another important factor in influencing capital expenditure is the General Allocation Fund (DAU). One of the Balancing Funds from the Central Government is the General Allocation Fund (DAU) whose distribution emphasizes equity and fairness that is balanced with the administration of government affairs. With the transfer from the Central Government, Regional Governments are expected to allocate Local Original Revenue (PAD) provided to finance Capital Expenditure.

DAU is a fund sourced from the State Budget or APBN allocated to regions to fund regional needs. This Special Allocation Fund is regulated by the central government, because it is only used for certain activities such as education, family planning, health, and infrastructure activities as well as facilities and infrastructure related to local communities, all of which are included in Capital Expenditure.

The Directorate General of Treasury (DJPB) of the Ministry of Finance (Kemenkeu) noted that until June 17, 2022, the realization of physical Special Allocation Fund (DAK) distribution reached Rp. 3.17 trillion or 5.20% of the ceiling of Rp. 60.87 trillion. When compared to the distribution in 2021 in the same period, physical DAK distribution in 2022 grew 41.07% from 2021 which amounted to Rp. 2.24 trillion from the ceiling of Rp. 63.5 trillion. Meanwhile, non-physical DAK distribution was recorded at Rp 43.4 trillion or 72.21% of the ceiling of Rp 60.1 trillion. When compared to the distribution in 2021 in the same period, non-physical DAK distribution grew by 148.28% from last year which was recorded at IDR 17.48 trillion from the ceiling of IDR 53.5 trillion.

According to Jannah et al., (2020) informed that the General Allocation Fund has a significant effect on Capital Expenditure, while Nurlis (2016) research shows that the General Allocation Fund does not have a significant effect on Capital Expenditure.

According to Yusuf Andrian's research, (Ernayani, 2017) showed that the Special Allocation Fund had a significant effect on Capital Expenditure, while in Sri Ayem's research, Ayem & Pratama (2018) showed that the Special Allocation Fund did not have a significant effect on Capital Expenditure.

LITERATURE REVIEW

1. Capital Expenditure

According to (Sukmawati et al., 2016) Capital Expenditure is also intended for the replacement of government facilities that have been used and

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the addition of new fixed assets to meet maximum service requirements. Based on the theory according to the Law and experts, it can be concluded that capital expenditure is a fund prepared to acquire fixed assets and other government assets beyond a period aimed at meeting the requirements of public services.

Based on Government Regulation No. 71 of 2010 PSAP No. 02 Paragraphs 7-12, spending is classified according to economic classification (type of shopping), organization, and function. Economic classification is a grouping of expenditures based on the type of spending to perform an activity. Economic classification can be divided into two, namely the classification for central government and local government.

Economic classifications for the central government are such as employee expenditure, goods expenditure, capital expenditure, interest, subsidies, grants, social assistance and other expenditures. Meanwhile, the economic classification for local governments includes employee expenditure, goods expenditure, capital expenditure, interest, subsidies, grants, social assistance and unexpected expenditures.

2. Local Own-source Revenue (PAD)

According to Baldric (2017:23) Regional Original Revenue or PAD is revenue obtained from each region and the sources of each region in their respective regions and collected based on applicable regional regulations. Based on Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments, it is determined that Regional Original Revenue is revenue obtained by the region and collected based on applicable laws and regulations. In accordance with the provisions of Article 6 of the Law on Financial Balance between the Central and Regional Governments, Regional Original Revenue can be obtained through sources of funds obtained from Regional Taxes, Regional Levies, Segregated Regional Wealth Management Results and other legal PAD.

Indicators of PAD include: regional taxes, regional levies, results of segregated regional wealth management, other legitimate regional revenues. The measurement of this PAD variable is measured by a ratio scale. As for the measurement of PAD can be done by calculation:

PAD = Total local taxes + Total regional levies + Total management results wealth of segregated regions + Other legitimate regional revenues. (1)

3. General Allocation Fund (DAU)

Based on Law Number 33 of 2004 concerning Financial Balance, it is stated that the General Allocation Fund is a fund sourced from APBN revenues allocated with the aim of equitable distribution of financial capacity between regions to fund regional needs in the context of implementing Decentralization. According to Government Regulation No. 104 of 2000 concerning the Balancing Fund, the purpose of the General Allocation Fund (DAU) is for horizontal equity and sufficiency. Horizontal equity aims for the benefit of the center in order to distribute income fairly and equitably. While sufficiency aims at the interests of adequacy regions, especially closing the fiscal gap (Mardiasmo, 2002).

Based on the theory above, it can be concluded that the General Allocation Fund is a fund allocated with the aim of equitable distribution of financial capacity between regions to fund expenditure needs related to the

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implementation of decentralization.

The General Allocation Fund is a fund derived from the State Budget which aims to equalize financial capacity between regions in managing spending needs. The method of calculating DAU according to the applicable provisions is as follows:

a. The General Allocation Fund (DAU) is determined to be at least 26% of domestic revenues stipulated in the State Budget.
b. The General Allocation Fund (DAU) for Provincial Regions and for Districts / Municipalities is determined to be 10% and 90% of the General Allocation Fund respectively.
c. The General Allocation Fund (DAU) for a particular District / City based on the multiplication of the amount of General Allocation Fund determined by the State Budget with the allocation of the District / City concerned.

DAU indicators consist of regional needs and regional revenue indices, each of which consists of :

a. Regional needs index: average regional expenditure or expenditure, population index, regional area index, building price index, relative poverty index.
b. Regional revenue: regional revenue or income, industry index, natural resources index (SDA), human resource index (HR).
c. The measurement of this DAU variable is measured by a ratio scale. As for the DAU measurement, it can be done by calculation:

DAU City = 90% x 25% x Domestic Revenue (PDN) x DAU Weight (2)

4. Special Allocation Fund

According to Halim (2014: 16) states that the Special Allocation Fund is a fund derived from the State Budget whose allocation is to certain regions to help finance special activities for regional affairs and in accordance with national priorities. DAK indicators are as follows:

1. General: based on the regional financial capacity from the general revenue of the regional budget after deducting the expenditure of regional civil servants.
2. Special: based on laws and regulations that manage the implementation of special autonomy, regional characteristics and based on territoriality by the relevant minister of finance.
3. Technical: based on the indicators of special activities capitalized from the DAK formulated on the basis of the technical index by the relevant technical minister..

FRAMEWORK

1. The Effect of Local Original Revenue on Capital Expenditure

PAD is a source of income sourced from each region and collected based on applicable Regional Regulations. The more Regional Original Revenue generated, the more it shows the level of independence of a region and can meet its spending needs without relying on the Central Government. Because with the increase in PAD, it can be expected to increase the quality of local government capital expenditure investment, so that the government can provide excellent quality public services. Based on research by Sukmawati et al., (2016) stated that PAD has a positive effect on capital expenditure.

2. The Effect of General Allocation Fund on Capital Expenditure

The General Allocation Fund is a fund sourced from the State Budget allocated for financial equality between regions in financing the expenditure

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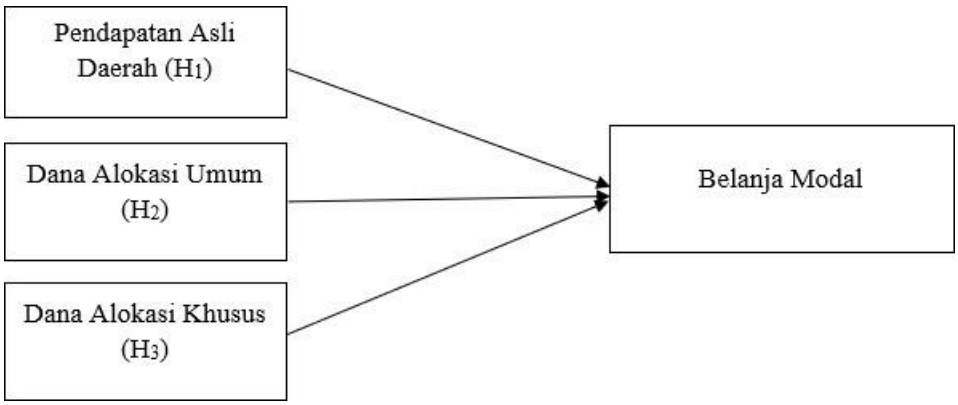
needs of decentralization implementation. The General Allocation Fund is block grand which means that its use is given to regions in accordance with the priorities and needs of each region in increasing development to the community or the public in the implementation of regional autonomy. However, if the DAU of a local government is large, the allocation of capital expenditure will increase.

3. The Effect of Special Allocation Fund on Capital Expenditure

The Special Allocation Fund is a fund sourced from the State Budget allocated to local governments in financing special needs which are regional affairs and national priorities. The use of DAK leads to investment activities in development, improvement, procurement and improvement of public service facilities and infrastructure with a long economic life. With the benefits of DAK activities, it is expected to improve public services realized from capital expenditure. Based on Ananda & Habiburrahman (2023) stated that the Special Allocation Fund (DAK) has a positive effect on Capital Expenditure. Based on the theoretical basis and previous research that has been described, it can be described schematically a framework of thought in this study as follows:

Figure 1. Framework



RESEARCH METHODS

The population used in this study is the Province of Indonesia in 2017-2020. Sampling uses census sampling, where the entire population or elements of a group are observed or taken as samples, without random selection. The data analyzed in this study are secondary data sourced from the Regional Government and City Government APBD Realization Report documents throughout Indonesia 34 provinces from 2017 – 2020 as many as 136 sample data obtained from the Website of the Director General of Regional Government Financial Balance. The technique used in data collection in this study is Library Research which is a data collection technique using review studies of journals or books related to research that have the aim of obtaining supporting theories. By studying, researching, studying, and reviewing theoretical literature related to.

Research Variables

In this study, the author uses 3 (three) independent variables and 1 (one) dependent variable that are interrelated and influence. The variables used by the author are as follows :

1. Independent Variables

1. Local Own-source Revenue (X1)

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Local Own-source Revenue is revenue obtained by the region from several sources within its territory which is collected based on applicable regional regulations. PAD can be measured from total local tax revenues, regional levies, the results of segregated regional wealth management and other legitimate local original revenues. PAD aims to authorize regions to seek funding in the implementation of regional autonomy in realizing the principle of decentralization. This variable uses a ratio scale.

2. **General Allocation Fund (X2)**

   The general allocation fund is a fund sourced from the State Budget Revenue (APBN) which aims at financial equality between regions to fund regional needs in the implementation of regional autonomy. This variable uses a ratio scale.

3. **Special Allocation Fund (X3)**

   Special allocation funds are funds sourced from the state budget allocated to regions to help fund special activities for regional affairs in accordance with national priorities. This variable uses a ratio scale.

2. Variable Dependent

1. **Capital Expenditure**

   Capital Expenditure is a local government expenditure that provides benefits for more than one budget year to increase regional assets or wealth and will increase routine expenditures. The amount of capital expenditure can be seen in the regional budget report in the regional expenditure section. This variable uses a ratio scale.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis is used to find out the picture of a data. This analysis is used to see the maximum, minimum, mean and standard values of revision of a data. Known for the number of samples (N) is 136 provincial government data, Testing is carried out to understand the variables to be used. This study uses the variables of Local Original Income, General Allocation Fund, Special Allocation Fund and Capital Expenditure. The following are the results of the descriptive statistical analysis obtained as follows:

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Y_BM	136	53424941	145547208	96102390.09	23504858.93
X1_PAD	136	43344836	271823091	157201871.9	70701177.31
X2_DAU	136	40480079	215371826	123665455.1	32065761.47
X_DAK	136	23487425	258283409	138090343.0	51305257.48
Valid N (listwise)	136				

Based on table 1 of the descriptive output, it can be seen that the amount of data (N) = 136 Samples is Described as Follows:

1. Regional Original Income Variable (PAD) Minimum value of IDR 43,344,836 owned by North Maluku province in 2019. And the largest value (maximum) of IDR 271,823,091 owned by Banten province in 2020. The entire province has an average value of Rp 157,201,871.9 for provinces that are below average

due to the lack of economic diversification, this causes economic fluctuations in various sectors so that it has a major impact on local original income and for provinces above average have effective and efficient tax policies so as to collect higher local original income. The standard deviation value of PAD is IDR 70,701,177.31 (below average). This means that PAD has a low level of data variation so that the sample is relatively stable and the data gap is relatively small from PAD.

2. The General Allocation Fund (DAU) variable has the smallest (minimum) value of IDR 40,470,079 owned by the province of Bali in 2020. The largest (maximum) value of IDR 215,371,826 owned by Aceh province in 2020. The overall provincial average value is Rp 123,665,455.1 for provinces that are below average due to dependence on APBN transfers from the central government, this causes if funds are insufficient or hampered then provincial revenues can be affected and for provinces above average because they have additional sources of income other than the General Allocation Fund so that the total revenue is greater. The standard deviation value is IDR 32,065,761.47 (below average). This means that DAU has a low level of data variation so that the sample is classified as stable and the data gap is relatively small from DAU so that the sample is classified as stable and the data gap is relatively small from DAU.
3. The Special Allocation Fund (DAK) variable has the smallest (minimum) value of IDR 23,487,425 owned by Yogyakarta province in 2018. The largest value (maximum) is IDR 258,283,409 owned by the Riau Islands province in 2019. The overall provincial average value is Rp 138,090,343.0 for provinces that are below average due to limitations in obtaining special allocation funds, this is because provinces have limited or low access to special allocation funds due to competition with other provinces and for provinces above average because they have strategic projects that are prioritized so as to support the central government and get special allocation funds that bigger. The standard deviation value is IDR 51,304,247.48 (below average). This means that DAK has a low level of data variation so that the sample is classified as stable and the data gap is relatively small from DAK.
4. The Capital Expenditure (BM) variable has the smallest (minimum) value of IDR 53,424,941 owned by the province of West Sumatra in 2020. The largest (maximum) value of Rp 145,547,208 owned by West Nusa Tenggara province in 2017. The overall provincial average value of Rp 96,102,390.09 for provinces that are below average due to other financing priorities has caused provinces to cut capital expenditure for other urgent financing such as operational expenditures and for provinces above average due to long-term investment that encourages capital expenditure for economic growth and public welfare. The standard deviation value is IDR 23,504,858.93 (below average). This means that BM has a low level of data variation so that the sample is classified as stable and the data gap is relatively small from BM.

Classical Assumption Test

1. Normality Test

In classical assumption testing, the first thing to do is normality testing. The normality test is carried out to test whether a research regression model, both dependent variables and other variables have a normal data distribution or not. A good regression model is a research model that has data that is normally distributed or close to normal. The normality test can be detected by the Kolmogorov–Smirnov test. Decision making is carried out to determine normal distributed data or not is as follows:

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a. Asymp value. Sig (2-tailed) > 0.05 then the data is normally distributed.
b. Asymp value. Sig (2-tailed) < 0.05 then the data is not normally distributed.

Table 2. Test Results One – Kolmogorov Sample – Smirnov Test X to Y

		Unstandardized Residual
N		136
Normal Paramaters [a,b]	Mean	0E-7
	Std. Deviation	15060107.50
Most Extreme Differences	Absolute	.086
	Positive	.086
	Negative	-.086
Kolmogorov – Smirnov Z		1.005
Asymp. Sig. (2-tailed)		.265

The results of the Kolmogorov-Smirnov one-sample test in table 2 show a Kolmogorov-Smirnov Z value of 1.005 and a significant probability level of 0.265 due to the Asymp probability value. Sig. (2-tailed) is greater than the significant level of 0.05 so it can be concluded that the residual data in the regression model are normally distributed.

2. Multicollinearity Test

The multicollinearity test aims to test whether the regression model has a correlation between independent variables. A good regression model should not be collated between independent variables. To detect the presence or absence of multicolonierity in the regression model can be seen from the value of tolerance and variance inflation factor (VIF). If the Tolerance Value is higher than 0.10 or VIF is smaller than 10, it can be concluded that multicolonicity does not occur.

Table 3. Multicollinearity Test Test X to Y

Coefficients[a]			
Model		Colliniearity Statistics	
		Tolerance	Tolerance
1	X1_PAD	.916	1.091
	X2_DAU	.970	1.031
	X3_DAK	**.923**	**1.084**

Based on the results of the multicollinearity test in table 3 above, it shows that all variables have a tolerance value of more than 0.10 and with a VIF value of less than 10. So it can be concluded that the proposed regression model can be continued to be analyzed because the classical assumption does not occur multicolonicity.

3. Autocorrelation Test

The autocorrelation test aims to test whether the linear regression model has a correlation between confounding errors in period t with confounding errors in period t-1 (previous). In research using an autocorrelation test by means of the Durbin-Watson test (D-W). By comparing the values that are in the columns of the Durbin-Watson table with the following conditions: :

a. If D-W is less than -2, then the null hypothesis is rejected. Conclusion

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There is a positive autocorrelation in regression models.

b. If D-W is greater than +2, then the null hypothesis is rejected. Conclusion there is a negative autocorrelation in regression models.
c. If D-W is between -2 to +2, then the null hypothesis is accepted. Conclusion There is no autocorrelation either positive or negative in regression models.

Table 4. Autocorrelation Test Test X to Y

Model Summary[b]	
Model	rbin Watson
1	1.764

a. Predictors:(Constant)X3_DAK, X2_DAU, X1_PAD
b. Dependent Variable: Y_BM

From table 4 above, it is known that the value of Durbin Watson (DW) is obtained at 1.764. Where the number is between -2 and +2, so it can be concluded that the regression model in the study did not occur autocorrelation..

4. Heteroscedasticity Test

The heteroscedasticity test aims to determine whether in regression model testing there is an inequality of variance from the residual of one observation to another. If the variance from residual one observation to another observation is fixed, then it is called homoscedasticity, and if different it is called heteroscedasticity. The basis for making decisions for the Heteroscedasticity Test is through the Glejser test, if the significance value is greater than 0.05, the conclusion is that heteroscedasticity does not occur, and if the significance value is smaller than 0.05, it is called heteroscedasticity.

Table 5. Heteroxedasticity Test Test X to Y

Coefficients[a]		
Model		Sig.
1	(Constant)	.254
	X1_PAD	.165
	X2_DAU	.938
	X3_DAK	.051

a. Dependent Variable: ABRESID

From the results of the Glejser test, it is known that the significant value of all independent variables is greater than 0.05 so that it can be concluded that heteroxasticity does not occur.

Hypothesis Test

1. Coefficient of Determination (R^2)

The coefficient of determination (R^2) aims to measure the level of the model's ability to explain the variation of the dependent variable (Ghozali, 2018). The value of the coefficient is between zero and one, the higher the value of the coefficient of determination, the better the ability of the independent variable to explain the information of the dependent variable. (Ghozali, 2018:97)

Table 6. Test Results of Coefficient of Determination (R2)

Model Summary[b]

Model	R	R Square	Adjuster R Square
1	.768	.589	.580

a. Predictors: (Constant), X3_DAK, X2_DAU, X1_PAD
b. Dependent Variable: Y_BM

Based on table 6, it is known that the result of the Adjusted R-square test value is 0.58. Thus, Regional Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) affect Capital Expenditure (BM) by 58%, while 42% is influenced by other variables that are not reviewed and discussed in this study.

2. Model Feasibility Test (Statistical Test F)

According to Ghozali (2018:98) stated that basically Test F is carried out to evaluate the feasibility of independent variables that can affect the goodness of fit model / model feasibility. To test this hypothesis, F statistics with a significant level of 0.05 (α=5%) are used with the following criteria for decision makers:

1. If the significant probability value > 0.05 then the hypothesis is rejected
2. If the probability value is significant < 0.05, then the hypothesis is accepted: The test results are as follows:

Table 7. Statistical Test F

ANNOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.397E+16	3	1.466E+16	63.180	.000[b]
	Residual	3.062E+16	132	2.320E+15		
	Total	7.458E+16	135			

a. Dependent Variable: Y_BM
b. Predictors: (Constant) X3_DAK, X2_DAU, X1_PAD

From the F test in table 7, it is known that the calculated F value is 63.180 and the significant value of 0.000 results show a significant value when compared to the alpha value of 0.05 is smaller, so the research model can be used in predicting capital expenditure variables. Regression models can be used to predict capital expenditure.

3. Individual Parameter Significance Test (Statistical Test t)

The T (partial) test serves to show how far the influence of one independent variable individually in explaining the dependent variable. The output results of the t test in the study are as follows:

Table 8. T Test Results

		Coefficients[a]			
		Unstandardized Coefficients	Standardized Coefficients	t	Sig.

Model		B	Std. Error	Beta		
1	Constant	21965673.21	6169915.477		3.560	.001
	PAD	.155	.019	.468	8.026	.000
	DAU	.395	.042	.539	9.529	.000
	DAK	.006	.027	.013	.217	.829

1. Based on the table of statistical test output t diata, the test result of Variable PAD (X1) on Capital Expenditure has a Significant value of 0.000, which is smaller than the probability value of 0.05 or 0.000 < 0.05. This shows that PAD has a significant positive effect on Capital Expenditure. So hypothesis 1 is accepted.
2. Based on the statistical test output table t diata, the results of the Variable DAU (X2) test on Capital Expenditure have a Significant value of 0.000, which is smaller than the probability value of 0.05 or 0.000 < 0.05. This shows that DAU has a significant positive effect on Capital Expenditure. So hypothesis 2 is accepted.
3. Based on the table of statistical test output t above, the results of the DAK Variable (X3) test on Capital Expenditure have a Significant value of 0.829, which is greater than the probability value of 0.05 or 0.829 > 0.05. This shows that DAK has a positive and insignificant effect on Capital Expenditure. So hypothesis 3 is rejected.

4. **Multiple Linear Regression Test**

Multiple linear regression analysis is used to measure the strength of the relationship between two or more variables, as well as show the direction of the relationship between the dependent variable and the independent variable. Multiple linear regression analysis can only be performed when the number of independent variables is two or more, and shows the direction of the relationship between the dependent variable and the independent variable. The following are the test results of multiple linear regression analysis as follows**:**

Table 9. Multiple Linear Regression Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	21965673.21	6169915.477		3.560	.001
	PAD	.155	.019	.468	8.026	.000
	DAU	.395	.042	.539	9.529	.000
	DAK	.006	.027	.013	.217	.829

a. Dependent Variable: Y_BM

Based on the calculation results in table 9, it shows that the value of the constant (α) with a positive sign is obtained with the value of the Regional Original Revenue (PAD) coefficient of 0.155, the General Allocation Fund

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(DAU) of 0.395, and the Special Allocation Fund (DAK) of 0.006 so as to form the equation of multiple linear regression lines as follows:
Capital Expenditures = 21965673,21 + 0,155 X1 + 0,395 X2 + 0,006 X3 + e
Description of the regression coefficient::

1. The constant value of IDR 21,965,773.21 states that if the independent variable is considered constant, then the capital expenditure value is IDR 21,965,773.21.
2. The linear regression coefficient of Local Original Income (PAD) has a positive relationship with Capital Expenditure of 0.155. This means that if other independent variables have a fixed value and PAD increases by 1%, then capital expenditure will increase by 0.155.
3. The regression coefficient of the General Allocation Fund (DAU) has a positive relationship with Capital Expenditure of 0.395. This means that if other independent variables have a fixed value and DAU increases by 1%, then capital expenditure will increase by 0.395.
4. The linear regression coefficient of the Special Allocation Fund (DAK) has a positive relationship with Capital Expenditure of 0.006. This means that if another independent variable increases by 1%, then capital expenditure will increase by 0.006.

DISCUSSION

1. The Effect of Local Original Revenue (PAD) on Capital Expenditure

Based on the results of research on Regional Original Revenue (PAD) on Capital Expenditure, the results of testing this hypothesis show that Regional Original Revenue has a positive and significant effect on capital expenditure. This is because Regional Original Revenue is a source of financing for local governments to build the infrastructure of a region. Each region needs infrastructure and facilities to increase community productivity and attract investors to invest so that it will have an influence on Regional Original Revenue obtained from local tax proceeds. With the increase in PAD, it is expected to improve the quality of local government capital expenditure investment, so that the government can provide excellent quality public services. Thus H1 is accepted.

This is in line with the research of Sukmawati et al., (2016) stated that Regional Original Revenue (PAD) has a positive and significant effect on capital expenditure.

2. Effect of General Allocation Fund (DAU) on Capital Expenditure

Based on the results of research on the General Allocation Fund (DAU) on capital expenditure, the results of testing this hypothesis show that the General Allocation Fund (DAU) has a positive and significant effect on capital expenditure. This means that every time there is an increase in the General Allocation Fund, capital expenditure will also increase to finance expenditure needs in the context of implementing regional autonomy decentralization. This General Allocation Fund is block grunt which will provide flexibility to Regional Governments to optimize capital expenditure allocation. Based on this, the higher the General Allocation Fund, the higher the Capital Expenditure budget. Thus H2 is accepted.

The results of this study are in line with the results of research conducted by Priambudi (2017) stating that the General Allocation Fund (DAU) has a positive and significant effect on Capital Expenditure.

3. The Effect of Special Allocation Fund (DAK) on Capital Expenditure

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Based on the results of the Special Allocation Fund (DAK) research on capital expenditure, the results of testing this hypothesis show that the Special Allocation Fund (DAK) has a positive and insignificant effect on capital expenditure. The results of this study are due to the Special Allocation Fund (DAK) is a source of funds derived from the State Budget allocated to local governments to fund special activities that are priorities both regionally and nationally so as to affect the accommodation of Capital Expenditure because the Special Allocation Fund can increase fixed assets owned by the government to improve community services. However, in reality, the amount of Special Allocation Fund received by local governments is quite large, not accompanied by its effectiveness in the governance of its implementation to develop regions. In fact, the Special Allocation Fund that is so large received by local governments is still allocated for employee expenditures, not for Capital Expenditure. Thus H3 is rejected.

This is in line with previous research conducted by Ikhwan, (2017) stating that the Special Allocation Fund (DAK) has a positive and insignificant effect on Capital Expenditure .

CONCLUSION AND SUGGESTION

Conclusion

Based on the discussion of the results of tests conducted on the Effect of Regional Original Revenue, General Allocation Fund and Special Allocation Fund on Capital Expenditure, it is concluded as follows:

1. Based on the test results, Regional Original Revenue has a positive and significant effect on the capital expenditure budget, because one of the reasons is that the increase in PAD can be expected to improve the quality of local government capital expenditure investment, so that the government can provide excellent quality public services.
2. For the test results, the General Allocation Fund has a positive and significant influence on capital expenditure, this is because the Regional Government needs general funds to provide sufficient funds for its regions which will later be used to increase fixed assets and other assets that can increase development in their regions.
3. For the test results of the Special Allocation Fund has a positive and insignificant influence on capital expenditure, this shows that with the increase in the Special Allocation Fund, it will not affect capital expenditure. And because the Special Allocation Fund is used for employee expenditure, not for capital expenditure.

Suggestion

1. For Regional Governments, budget expenditures need to be considered and prioritized to improve people's welfare. This is needed by the people because the development carried out by the government will be able to encourage economic improvement so as to create sustainable community independence.
2. For future research, it is expected to develop research methods by adding research variables that are strongly suspected to affect capital expenditure.

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