The Effect of Regional Original Revenue, General Allocation Fund, Special Allocation Fund on Economic Growth with Capital Expenditure as an Intervening Variable
(Empirical Study on Regency / City in Central Java Province in 2019-2021)

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Abstract: This study aims to analyze local revenue, general allocation funds, special allocation funds on economic growth with capital expenditure as an intervening variable in district and city governments in Central Java in the 2019-2021 fiscal year. The sampling technique used purposive sampling method. Data analysis uses multiple linear regression to test and prove the research hypothesis. The results of this study indicate that local revenue and general allocation funds have a direct effect on economic growth.

Keywords: Local Revenue, General Allocation Funds, Special Allocation Funds, Economic Growth, Capital Expenditure

1. Introduction

During the new order, the system of local government was largely controlled or controlled by the central government. It can be said to be a centralized government system. In the implementation of centralized government system causes limited local government, because the central government is lacking in providing opportunities for local governments to develop their regions regardless of the participation of the central government, resulting in local governments rely solely on the central government. This is also a factor in the inhibition of economic growth and capital expenditure in each region. Until in 1997-1998 there was an economic crisis that caused the economy in Indonesia to decline dramatically and prompted the central government to hand over some of its authority to local governments, including on regional financial management. Thus was formed the system of local autonomous government. According to Pusporini (2020) regional autonomy and fiscal decentralization are implemented with the aim of increasing the independence of local governments and reducing the fiscal dependence of local governments on the central government.

After the start of the decentralization system, local governments have the right and authority to develop their regions by utilizing and managing their resources effectively and efficiently to improve regional financial performance and regional economic development. Economic development is a process of resource management carried out by local governments and their communities and to establish a pattern of partnership between local governments and the private sector to create new jobs so that economic growth is growing in the area.

According to Setiawan and Harsono (2020) regional development is an important part of national development which is essentially an effort to increase the capacity of local government so as to create a reliable and professional ability in running the government and providing excellent service to the community. Economic growth can also be interpreted as a problem of long-term development. Economic growth measures how much a country's ability to produce goods and services. State spending and revenue programs can make it easier to achieve higher growth rates or can suppress those growth rates. Increased economic growth of a region can be seen in the Gross Regional Domestic Product as a benchmark to determine the economic conditions in a region that can not be separated for the role of capital expenditure in the public service sector.

Capital expenditure is one of the efforts of local governments in increasing regional economic growth, among others, by exploring the sources of local revenue in the form of local revenue, and the balance of funds and special autonomy funds. Direct capital expenditure, among others, for the acquisition of land, buildings and structures, equipment, intangible assets such as infrastructure development, education facilities, health facilities, economic facilities, and transportation facilities that will impact the fulfillment of basic community needs for welfare. To build infrastructure and facilities used to increase capital expenditure, infrastructure and facilities function providers cannot run without costs, costs are a form of expenditure made by a party, both individuals and companies, to get more benefits from these actions, the government also needs to support the costs distributed, namely by the existence of local revenue, general allocation funds, special allocation funds to increase capital expenditure which has an important effect on increasing economic growth. With a good

allocation of capital expenditure funds for infrastructure development and facilities will have an impact on increasing economic growth.

2. Literatur Review and Hypothesis Development

2.1 Agency Theory

Agency theory or often called Contracting Theory is one of the most important accounting research needs today (Bastian, 2006:213). Research done on agency theory can be deductive or inductive and is a special case of behavioral research, although Agency Theory has its roots in finance and economics rather than psychology and sociology. Agency is defined as certain behaviors or activities that humans perform and that are directed by the rules and context in which the interaction takes place.

2.2 Economic Growth

Economic growth is defined as the development of activities in the economy that cause goods and services produced in the community to increase and the prosperity of the community to increase (Sukirno, 2011:331). So economic growth measures the achievement of economic development from one period to another. A country's ability to produce goods and services will increase. This increased ability is due to several factors of production both in quantity and in quality. Investment will increase capital goods and technology used is also growing. In addition, the workforce increases as a result of population development as their education and skills increase.

2.3 Regional Original Revenue toEconomic Growth

According to Law No. 33 of 2004 on financial balance between the Central Government and local governments, local revenue is the revenue earned by the region that is levied based on local regulations in accordance with legislation. Local revenue is always sought to be improved, because it is the receipt of efforts to fund the implementation of regional autonomy in accordance with the potential of the region as the embodiment of decentralization. Thus, the increase in local revenue will have an impact on increasing regional economic growth.

Research conducted by Sukmawati (2020) concluded that the greater the original income of the region has an influence on regional economic growth. The results of this study indicate that local revenue is one of the sources of regional spending. If local revenue increases, then the funds owned by local governments will be higher and the level of regional independence will increase as well, so that local governments will take the initiative to further explore the potential of regional potential and increase economic growth.

Based on the description can be formulated hypothesis:

H_1: Regional Original Revenue affect Economic Growth.

2.4 General Allocation Fundto Economic Growth

According to Law No. 33 of 2004 on the balance of Central and regional finance, it is stated that general allocation funds are funds sourced from state budget revenues allocated with the aim of equitable distribution of financial capacity between regions to fund regional needs in the implementation of decentralization. This shows that the higher the increase in general allocation funds provided by local governments, it will affect the increase in the level of economic growth of a region.

A previous study by Sukmawati (2020) concluded that general allocation funds have a positive and significant effect on economic growth, because the transfer of funds from the central government is the main source of funds for local governments to finance regional spending. Therefore, the General Allocation Fund plays a very dominant role compared to other sources of funds, such as special allocation funds and balance funds. General allocation funds can be used effectively and efficiently to improve community services as the goal and decentralization isto accelerate development and equitable distribution of development results that can be a driver of economic growth ragional and national economy.

Based on the description can be formulated hypothesis:

H_2: General Allocation Fundaffect Economic Growth.

2.5 Special Allocation Fund to Economic Growth

According to Law No. 33 of 2004 on financial balance between the Central Government and local governments, special allocation funds are funds derived from the state budget, which are allocated to the regions to finance special needs that are local affairs and in accordance with national priorities while taking into account the availability of funds in the state budget and because it is a capital expenditure to finance investment procurement and / or improvement of physical facilities and infrastructure with a long economic life.

A previous study by Sukmawati (2020) concluded that special allocation funds have a positive and significant effect on economic growth, because the transfer of funds from the central government is the main source of funds for local governments to finance regional spending. Therefore, special allocation funds can be used effectively and efficiently to improve services to the community as the goal of decentralization is to accelerate development and equitable distribution of development results that can be a driver of regional economic growth and national economy.

Based on the description can be formulated hypothesis:

H_3: Special Allocation Fundaffect Economic Growth.

2.6 Regional Original Revenue to Economic Growth withCapital Expenditureas an Intervening Variable

Local revenue is one source of regional expenditure. It is expected that the receipt of local revenue can increase regional economic growth and will have an impact on National Economic Growth. Increasing local revenue can increase local government capital expenditure investment so that the quality of public services is getting better. Thus, if the original income of a region increases and is supported by high capital expenditure, it will increase economic growth. This means that local revenue has a positive effect on economic growth with capital expenditure as an intervening variable.

Research conducted by Sukmawati (2020) concluded that there is an influence of local original income on economic growth supported by capital expenditure, because the results of the study indicate that high local original income supported by high capital expenditure has an influence on increasing economic growth.

Based on the description can be formulated hypothesis:

H_4: Regional Original Revenue affect Economic Growthwith Capital Expenditure as an Intervening Variable.

2.7 General Allocation Fund to Economic Growthwith Capital Expenditure as an Intervening Variable

The balancing Fund, which includes tax and non-tax revenue sharing funds as well as general allocation funds and special allocation funds, is a transfer fund from the central government to the regional government with the aim of financing excess regional expenditures. To cover the shortfall in regional spending, the central government transfers funds in the form of balance funds to local governments. It is expected that the transfer funds from the central government are used effectively and efficiently by the local government to improve its services to the community, which will ultimately increase the per capita income of the community. Thus, the results of intervening capital expenditures with general allocation funds are able to increase economic growth.

Research conducted by Sukmawati (2020) concluded that there is an influence of general allocation funds on economic growth supported by capital expenditures, because the results of the study showed that the high general allocation funds supported by high regional expenditures have an influence on increasing economic growth in East Java.

Based on the description can be formulated hypothesis:

H_5: General Allocation Fundaffect Economic Growthwith Capital Expenditure as an Intervening Variable.

2.8 Special Allocation Fund to Economic Growth with Capital Expenditure as an Intervening Variable

Special allocation funds are funds sourced from regional budget revenues and expenditures allocated to certain regions with the aim of helping to fund special activities that are regional affairs with national priorities in accordance with established functions. If it is associated with an increase in special allocation funds, it will increase regional spending for the purposes of the region. If spending rises, it is expected that the regional economy will also rise. Thus, the results of intervening capital expenditure with special allocation funds are able to boost economic growth.

Based on the description can be formulated hypothesis:

H_6: Special Allocation Fundaffect Economic Growthwith Capital Expenditure as an Intervening Variable.

3. Research Method

3.1 Population and Sample

Table 1: Research Sample Selection Process

No	Criteria	Amount
1	Districts / cities reporting consecutive financial statements from 2019-2021	35
2	Districts / cities that report complete financial statements data relating to research variables	35
	Number of samples that meet the criteria	35
	Total research sample = 35 x 3 years	105
	Outliers	(6)

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Amount sample data processed	99

Source: Data Process, 2023

3.2 Data Analysis Technique

The model used in this study there are two equations, namely:

$BM = \propto + \beta 1 PAD + \beta 2 DAU + \beta 3 DAK + \varepsilon_1$

$PE = \propto + \beta 1 PAD + \beta 2 DAU + \beta 3 DAK + \beta_4 BM + \varepsilon_2$

Description:

PE = Economic Growth

PAD = Regional Original Revenue

DAU = General Allocation Fund

DAK = Special Allocation Fund

BM = Capital Expenditure

α = Constants

$\varepsilon 2$ = Error term

4. Result and Discussion

4.1 Deskriptive Statistical Analysis

Table 2: Descriptive Statistical Analysis Test Result

	N	Minimum	Maximum	Mean	Std. Deviation
Regional Original Revenue	99	203812400	2542288219	405724502,90	338004021,474
General Allocation Fund	99	416722396	1437036239	938245141,40	239714286,040
Special Allocation Fund	99	70427412	4736106165	349013935,97	456034860,438
Capital Expenditure	99	102083054	1089994528	313309596,59	160630640,796
Economic Growth	99	6312054	144710663	24790732,47	22224661,827

Source: Data Process, 2023

Based on table 2 obtained the results of the analysis of independent variables using descriptive statistics on local revenue which shows a minimum value of 203812400, maximum 2542288219, mean 405724502,90, and standard deviation 338004021,474. The General Allocation Fund shows a minimum value of 416722396, a maximum of 1437036239, a mean of 938245141,40, and a standard deviation of 239714286,040. The special Allocation Fund shows a minimum value of 70427412, a maximum of 4736106165, a mean of 349013935,97, and a standard deviation of 456034860,438. Capital expenditure showed a minimum value of 102083054, a maximum of 1089994528, a mean of 313309596,59, and a standard deviation of 160630640,796. The results of the analysis of the dependent variable using descriptive statistics on economic growth showed a minimum value of 6312054, maximum 144710663, mean 24790732,47, and standard deviation 22224661,827.

4.2 Classic Assumption Test

4.2.1 Normality Test

Table3: Normality Test Result

Variable	Monte Carlo Sig. (2-tailed)	Description
Unstandardized Residual	0,200	Normal

Source: Data Process, 2023

Based on table 3 above, the normality test results show that the Sig value. (2-tailed) of 0.200 or greater than 0.05, so it can be concluded that the data is normally distributed.

4.2.2 Multicollinearity Test

Table 4: Multicollinearity Test Results

Model	Collinearity Statistic		Description
	Tolerance	*VIF*	
Regional Original Revenue	0,456	2,194	No Multicollinearity
General Allocation Fund	0,663	1,509	No Multicollinearity
Special Allocation Fund	0,810	1,235	No Multicollinearity
Capital Expenditure	0,358	2,790	No Multicollinearity

Source: Data Process, 2023

Based on table 4 above, the multicollinearity test results show that the Tolerance Value of each independent variable is greater than 0.10 and the VIF of each independent variable is less than 10, so it can be concluded that the data does not occur multicollinearity.

4.2.3 Heteroscedasticity Test

Table 5: Heteroscedasticity Test Results

Variable	Sig (2-Tailed)	Description
Regional Original Revenue	0,110	No Heteroscedasticity
General Allocation Fund	0,922	No Heteroscedasticity
Special Allocation Fund	0,769	No Heteroscedasticity
Capital Expenditure	0,854	No Heteroscedasticity

Source: Data Process, 2023

Based on table 5 above, the results of the heteroscedasticity test show that the significant value of all independent variables is greater than 0.05, so it can be concluded that the data does not occur heteroscedasticity.

4.2.4 Autocorrelation Test

Table 6: Autocorrelation Test Results

Durbin-Watson	Description
2,070	No Autocorrelation

Source: Data Process, 2023

Based on table 6, it is known that the value of DW is 2.070. Based on the provisions of testing research data free from autocorrelation apablia DW value lies between 1,741 to 2,258 (1,741 < 2,070 < 2,258), so it can be concluded that the data in this study is free from autocorrelation.

4.3 Multiple Linear Regression Analysis

Table 7: Equation One

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-7477980,299	40476407,120		-0,185	0,854
Regional Original Revenue	0,297	0,031	0,625	9,670	0,000
General Allocation Fund	0,193	0,047	0,288	4,148	0,000
Special Allocation Fund	0,055	0,023	0,157	2,367	0,020

Source: Data Process, 2023

Table 8: Equation Two

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-11569969,946	2128785,273		-5,435	0,000
Regional Original Revenue	0,064	0,002	0,970	28,056	0,000
General Allocation Fund	0,014	0,003	0,151	5,260	0,000
Special Allocation Fund	0,001	0,001	0,028	1,068	0,288
Capital Expenditure	-0,010	0,005	-0,072	-1,841	0,069

Source: Data Process, 2023

4.4 Hypothesis Testing
4.4.1 Simultan Significance Test (F-Test)

Table 9: F-Test

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	45926205076161448,000	4	11481551269040362,000	435,279	0,000[b]
Residual	2479483071069104,500	94	26377479479458,560		
Amount	48405688147230552,000	98			

Source: Data Process, 2023

Based on table 9 F-test result is 435,279 with significance level 0,000. The significance value is smaller than 0.05 so it can be said that the variable of local revenue, General Allocation Fund, Special Allocation Fund and capital expenditure simultaneously or simultaneously affect economic growth.

4.4.2 Partial Test (t-Test)

Table 10: t-Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-11569969,946	2128785,273		-5,435	0,000
Regional Original Revenue	0,064	0,002	0,970	28,056	0,000
General Allocation Fund	0,014	0,003	0,151	5,260	0,000
Special Allocation Fund	0,001	0,001	0,028	1,068	0,288
Capital Expenditure	-0,010	0,005	-0,072	-1,841	0,069

Source: Data Process, 2023

Based on table 10 can be explained the test results of each variable as follows:
(1) Variable local revenue has a significance value of 0.000. The value is smaller than 0.05 and the value of $t_{count} > t_{table}$ (28,058 > 1,98552), so it can be said that the variable Regional original income effect on economic growth.
(2) Variable general allocation fund has a significance value of 0.000. The value is less than 0.05 and the value $t_{count} > t_{table}$ (5,260 > 1,98552), so it can be said that the variable general allocation fund effect on economic growth.
(3) Variable special allocation fund has a significance value of 0.288. The value is greater than 0.05 and the value $t_{count} > t_{table}$ (1,068 < 1,98552), so it can be said that the variable special allocation fund has no effect on economic growth.

4.4.3 Determination Coefficient Test (R^2)

Table 11: Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,974[a]	0,949	0,947	5135901,039

Source: Data Process, 2023

Based on table 11, it is known that the value of adjusted R Square is 0.947 or 94.7%. This means that 94.7% of economic growth can be explained by variable Regional original Income, general allocation funds, special allocation funds and capital expenditures. The remaining 5.3% is explained by other variables outside this research model.

4.5 Path Analysis
(1) Path analysis on Regional Original Revenue (ROR) variables
RORCE = 0,625 ⟶
ROREG= 0,970 ⟶
CEEG = 0,072 ⟶
The Value Of Direct Influence, ROREG = 0,970 ⟶
The Value Of Indirect Influence, ROREG = 0,625 X 0,072 = 0,045 ⟶
Based on the above calculation, it is known that the value of indirect influence is smaller than the value of direct influence (0.045 < 0.970). So that CE is not able to intervene ROR against EG.
(2) Path analysis on General Allocation Fund (GAF) variables
GAFCE = 0,288 ⟶
GAFEG = 0,151 ⟶
CE EG = 0,072 ⟶
The Value Of Direct Influence, GAFEG = 0,151 ⟶
The Value Of Indirect Influence, GAFEG = 0,288 X 0,072 = 0,020 ⟶

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Based on the above calculation, it is known that the value of indirect influence is smaller than the value of direct influence (0.020 < 0.151). So that CE can not menintervening GAF against EG.

(3) Path analysis on Special Allocation Fund (SAF) variables

SAF CE = 0,157 ⟶

SAF EG = 0,028 ⟶

CE EG = 0,072 ⟶

The Value Of Direct Influence, SAF EG = 0,028 ⟶

The Value Of Indirect Influence, SAF EG = 0,157 X 0,072 = 0,011 ⟶

Based on the above calculation, it is known that the value of indirect influence is smaller than the value of direct influence (0.011 < 0.028). So the CE is not able to menintervening SAF against EG.

4.6 Discussion

(1) The effect of Regional Original Revenue on Economic Growth. Through the t-test in table 10 shows that the Regional Original Revenue in the local government districts/cities in Central Java province affect the Economic Growth, so that H_1 is accepted. The results showed that there is a strong indication that the fact that the local government district/city in Central Java province has managed to collect a large Regional Original Revenue and a large contribution to Economic Growth. The greater the Regional Original Revenue obtained, the greater the Economic Growth in the area. The results of this study support previous research conducted by Maheni and Maryono (2021) which states that Regional Original Revenue has an effect on Economic Growth.

(2) The effect of General Allocation Fund on Economic Growth. Through the t-test in table 10 shows that the General Allocation Fundin the local government districts/cities in Central Java province affect the Economic Growth, so that H_2 is accepted. The results showed that there is a strong indication that the fact that the local government district/city in Central Java province has managed to collect a large General Allocation Fund and great contribution to Economic Growth. The greater the General Allocation Fund obtained, the greater the Economic Growth in the area. The results of this study support previous research conducted by Fahma and Nuraini (2017) which states that General Allocation Fundhas an effect on Economic Growth.

(3) The effect of Special Allocation Fund on Economic Growth. Through the t-test in table 10 shows that Special Allocation Fundin the local government districts/cities in Central Java province has no effect on Economic Growth, so H_3 is rejected. The results showed that Special Allocation Fund has no effect on Economic Growth. This is because Special Allocation Fund has not been maximally allocated to infrastructure development related to facilities and infrastructure to encourage Economic Growth in the local government districts/cities in Central Java province. The results of this study are in accordance with previous research conducted by Maheni and Maryono (2021) which states that Special Allocation Fund has no effect on Economic Growth.

(4) The effect of Regional Original Revenue on Economic Growth with Capital Expenditure as intervening variable. Through the path analysis showed that BM is not able to intervene in the local government Regional Original Revenuedistrict/city in Central Java Province against Economic Growth, so H_4 rejected. The results showed that Regional Original Revenue has no effect on Economic Growth through Capital Expenditure in the Regional Government district/city in Central Java province. This can happen because the local government is not maximizing the Regional Original Revenue that has been allocated to the Capital Expenditure for the purpose of Economic Growth. The results of this study are in accordance with previous research conducted by Maheni and Maryono (2021) which states that Regional Original Revenue has no effect on Economic Growth through Capital Expenditure.

(5) The effect of General Allocation Fund on Economic Growth with Capital Expenditure as intervening variable. Through path analysis showed that BM is not able to intervene in the General Allocation Funddistrict/city Government in Central Java Province against Economic Growth, so H_5 was rejected. The results showed that General Allocation Fund has no effect on Economic Growth through Capital Expenditure in the Regional Government district/city in Central Java province. This shows that the General Allocation Fund is not allocated optimally for infrastructure development and the increased receipt of General Allocation Fund assistance from the central government is not offset by the allocation of funds to be used as regional development financing so that the General Allocation Fund cannot affect the level of Economic Growth of a region.which will determine the amount of Capital Expenditure allocation and impact on Economic Growth. The results of the study contradict previous research conducted by Maheni and Maryono (2021) which states that General Allocation Fund affects Economic Growth through Capital Expenditure.

(6) The effect of Special Allocation Fund on Economic Growth with Capital Expenditure as intervening variable. Through path analysis showed that BM is not able to intervene in the Special Allocation Funddistrict/city Government in Central Java Province against Economic Growth, so H_6 was rejected. The results showed that Special Allocation Fundhas no effect on Economic Growth through Capital Expenditure this is because the district/city government in Central Java province does not maximize the use of Special Allocation Fund for Capital Expenditure. Although the allocation of Special Allocation Fund tends to increase local government assets, it cannot be a cause because every year the allocation of Special Allocation Fund tends to experience a high level of fluctuation, so its influence on the allocation of Capital Expenditure tends to be small. The results of this study are in accordance with previous research conducted by Maheni and Maryono (2021) which states that Special Allocation Fund has no effect on Economic Growth through Capital Expenditure.

5. Conclusion
Based on the results of data analysis and the results of this study, there are several suggestions that can be considered, among others:
 (1) Further research is expected to add a longer research period and a wider number of samples in order to obtain a picture of the research results that can be generalized.
 (2) Further research is expected to add variables that have the potential to affect economic growth through capital expenditure such as revenue sharing funds and regional financing reports.

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