The Effect of General Allocation Funds, Special Allocation Funds, Revenue Sharing Funds and Regional Expenditures on the Development of Districts/Cities of North Sumatra Province

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Abstract

The objectives of this study are (1) to analyze the effect of the General Allocation Fund on the development of the Regency/City of North Sumatra Province. (2) Analyzing the influence of the Special Allocation Fund on the development of the Regency/City of North Sumatra Province. (3) Analyzing the effect of the Revenue Sharing Fund on the development of the Regency/City of North Sumatra Province. (4) Analyzing the influence of Regional Expenditures on the development of Regency/City of North Sumatra Province. (5) To analyze together the influence of the General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund and Regional Expenditure on the development of the Regency/City of North Sumatra Province. The method of analysis can be grouped into quantitative data. The results of this study are (1) the General Allocation Fund (DAU) has a negative and insignificant effect on the development of districts/cities in North Sumatra Province, North Sumatra Province. (2) The Special Allocation Fund (DAK) has a negative and significant effect on the development of districts/cities in North Sumatra Province, North Sumatra Province. (3) Revenue Sharing Fund (DBH) has a positive and significant impact on the development of districts/cities in North Sumatra Province, North Sumatra Province. (4) Regional Expenditures (BD) have a positive and significant effect on the development of districts/cities of North Sumatra Province, North Sumatra Province. (5) DAU, DAK, DBH and Regional Expenditures simultaneously have a significant effect on the development of districts/cities in North Sumatra Province, North Sumatra Province.

Keywords

general allocation fund (DAU); special allocation fund (DAK); revenue sharing and regional expenditure fund; North Sumatra Province development

I. Introduction

Regional governments have the authority to determine the allocation of sources of funds for financing regional government programs by adhering to the principles of compliance with laws, regional needs, and regional capabilities. Permendagri No. 77 of 2020 states that Regional Financing is all revenues that need to be repaid and/or expenses that will be received back, both in the relevant fiscal year and in the following fiscal years. In this case, local governments are required to be independent in managing their finances, including financing the implementation of government programs, financing the implementation of government programs based on the principle of decentralization is carried out at the expense
of the APBD. In the context of administering government programs and services to the community, each region is given the authority to collect regional taxes/levies and manage natural resources owned by the region. Tax is a compulsory levy paid by the people to the state and will be used for the benefit of the government and the general public (Siregar, 2019).

The sources of funds obtained by the regions consist of 3 sources of income, namely Regional Original Income (PAD), Balancing Funds consisting of General Allocation Funds (DAU), Special Allocation Funds (DAK) and the regional share of tax and non-tax Revenue Sharing Funds (DBH)., as well as other legitimate regional income. Sukarna (2013) explained that the General Allocation Fund or regional DAU is calculated based on the regional financial capacity obtained from the difference between regional needs and regional capabilities. Provision of General Allocation Funds for regions that have sufficient finances but small financial needs will receive a small General Allocation Fund budget, and vice versa.

The central government has a program to reduce regional inequality in the form of a Special Allocation Fund or DAK obtained through APBN revenues that are given to selected regions with the aim of financing according to regional needs that are uniform with the national program. The use of the DAK budget is intended for long-term investment activities, short-term investment, regional performance improvement, repair and improvement of public service facilities and infrastructure classified as national priorities with a long economic life and included in capital expenditure expenditures (Sukarna, 2013).

Regional expenditure consists of indirect expenditure and direct expenditure, indirect expenditure in the form of: personnel expenditure, interest expenditure, subsidy expenditure, grant expenditure, social assistance expenditure, profit sharing expenditure to prov/regency/city and village government, financial aid expenditure to prov/ district/city and village government, and unexpected expenditures, while direct expenditures consist of personnel expenditures, goods and services expenditures and capital expenditures. Regional Original Revenues and Regional Expenditures are directly managed by the Regional Government through the APBD, while others are managed by the Central Government in collaboration with the Regional Government.

In the process towards the independence of an autonomous region, in this case, especially in the field of financing, management and administration of government in the field of development, it is still lacking. This fact is reflected in the contribution or contribution of PAD to the Regional Revenue and Expenditure Budget (APBD), which is still considered low, especially for district/city PAD and is still receiving assistance from the central government through transfer funds and assistance from the provincial government. The same problem is also faced by the local government in the Regency/City of North Sumatra Province, in this case the increase in regional financial financing originating from balance fund assistance.

Studies that show a negative relationship between government spending and economic growth include: Barro and Salla-I Martin (1995) in Osborn (2007) who divide government spending into productive and unproductive spending. Productive expenditure if the expenditure has a direct effect on economic growth. Most studies on the relationship between government spending and economic growth assume that all government spending is productive (Barro, 1991) in Alexiou (2009) and Landau (1985) in Osborn (2007) researching 27 developing countries concluded that large government spending, especially consumption spending, will reduce per capita income growth. The same result was found by Landau (1986) in Osborn for 65 developing countries. Devarajan (1996) found a negative and insignificant relationship between productive spending and growth.
II. Review of Literature

2.1. Regional Planning Theory
Planning is essentially a conscious, organized and continuous effort to choose the best alternatives from a number of alternatives to achieve certain goals (Conyers in Safi’i, 2007). According to Safi’i (2007) planning is a process to prepare systematically with an awareness of the use of limited resources but is oriented to achieve goals effectively and efficiently, where to achieve goals requires accurate policy formulation.

2.2. General Allocation Fund (DAU)
The General Allocation Fund (DAU) 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. Akhmad (2019) stated that as a form of transfer from the central government, the DAU allocation has a fairly large role for regional revenues, considering that the DAU occupies the largest portion compared to other components in the balancing fund. One of the objectives of the existence of the DAU in the financial balance system of the central and regional governments is as an equalization grant, especially to neutralize the impact of disparities caused by other transfers, such as the Revenue Sharing Fund. One of the benchmarks for the success of the DAU is the achievement of the best possible distribution of total regional revenue per capita (Akhmad, 2019).

2.3. Special Allocation Fund (DAK)
The Special Allocation Fund (DAK) is one of the central government financial transfer mechanisms to the regions which aims, among other things, to increase the provision of regional physical facilities and infrastructure according to national priorities and reduce the gap in growth rates between regions and services between sectors (Subekan, 2012). DAK plays an important role in the dynamics of the development of basic service facilities and infrastructure in the regions because in accordance with the principle of decentralization – responsibility and accountability for the provision of basic public services have been transferred to local governments. Special allocation funds are funds allocated from the APBN to certain regions to fund special needs which are regional affairs as well as national priorities, including: needs for transmigration areas, needs for several types of investment or infrastructure, road construction in remote areas, primary irrigation canals, and others-other.

2.4. Revenue Sharing Fund (DBH)
Revenue Sharing Funds (DBH) are funds sourced from APBN revenues allocated to regions by taking into account the potential of producing regions based on certain percentage figures to fund regional needs in the context of implementing decentralization. The Revenue Sharing Fund consists of Tax DBH and Natural Resources (SDA) DBH (Harahap, 2017).

DBH is allocated based on two principles, namely (1) by origin principle, in which regions producing state revenues get a larger share (percentage) and other regions in one province get a share (percentage) based on equity, (2) DBH distribution is carried out on the basis of the by actual principle, where the amount of DBH distributed to regions, both producing regions and those receiving equitable allocations is based on the realization of depositing State Tax Revenue (PNP) and Non-Tax State Revenue (PNBP) for the current budget year (Art. 23 Law 33/2004) (Directorate of Funds Ministry of Finance Balance, 2017).

Revenue Sharing Fund is the regional share of Land and Building Tax Revenues, Customs on Land and Building Rights, and revenues from natural resources. Revenue Sharing Fund is an allocation that basically pays attention to the potential of the producing
area. Article 11 of Law no. 33 of 2004 the Revenue Sharing Fund is divided into two, namely the tax revenue sharing fund (DBHP) and the revenue sharing fund originating from natural resources (DBHSDA). Revenue Sharing Funds originating from taxes as referred to in paragraph (1) consist of: Land and Building Tax (PBB); Land and Building Rights Acquisition Fee (BPHTB); and Income Tax (PPh) Article 25 and Article 29 Domestic Individual Taxpayer and Income Tax Article 21. Revenue Sharing Funds originating from natural resources as referred to in paragraph (1) shall originate from: Forestry; General mining; Fishery; Petroleum mining; Natural gas mining; and geothermal mining.

2.5. Regional Shopping

Expenditures are all expenditures from the general state or regional treasury account which reduce the excess budget balance in the period of the relevant fiscal year which will not be repaid by the government. Meanwhile, according to Permendagri No. 77 of 2020 concerning Technical Guidelines for Regional Financial Management, regional spending is an obligation of local governments which is recognized as a deduction from net worth. The term expenditure is contained in the budget realization report, because the preparation of the budget realization report still uses a cash basis (Rambe, 2016). Meanwhile, according to Sudaryo (2017) expenditure is defined as budget expenditure for the acquisition of fixed assets and direct assets that provide benefits for more than one period.

Classification of expenditure for financial reporting purposes according to PSAP No. 2 Paragraphs 36-40 are grouped into: a. Operational Expenditures are budget expenditures for the daily activities of the central or regional government that provide short-term benefits. Operational expenditures include personnel expenditure, goods expenditure, interest, subsidies, grants, and social assistance. b. Capital Expenditures are budget expenditures for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period. Capital expenditures include, among others, capital expenditures for the acquisition of land, buildings and buildings, equipment, and intangible assets. c. Other Expenditures are budget expenditures for activities that are unusual in nature and are not expected to be repeated, such as the management of natural disasters, social disasters, and other unexpected expenditures that are indispensable for the implementation of the authority of the central or regional government. d. Outgoing Transfers are expenditures of money from reporting entities to other reporting entities such as expenditures on balancing funds by the central government and revenue sharing funds by local governments.

2.6. Regional Development

The concept of development is usually embedded in the context of the study of a change, development here is defined as a form of planned change; every person or group of people will certainly expect a change that has a better or even perfect form than the previous situation. To realize this hope of course must require a plan. Planned development is perceived as a more rational and orderly effort for the development of communities that have not or are just developing. (Subandi: 2011). Development is a dynamic process to achieve community welfare at a higher and prosperous level. Even a very good development performance may create new unexpected socio-economic problems. The complexity of the problem increases because the scope of the problem has expanded. Approaches to development problems and how to solve them have also developed (Adisasmita, 2005).

2.7. Gross Regional Domestic Product (GRDP)

Gross Regional Domestic Product can be interpreted as an estimate of the total product of goods and services received by the people of a region as a reward for using the production factors they have. In this case, the income generated by using the factors but outside the area
is not taken into account. The regional concept of Gross Domestic Product is known as Gross Regional Domestic Product (GRDP). GRDP is a macroeconomic indicator of a region, which describes the presence or absence of regional economic development. By calculating GRDP carefully and accurately both on the basis of current prices and on the basis of constant prices, several conclusions can be drawn regarding the success of development in an area, which shows the rate of economic growth that represents an increase in production in various existing business sectors then in the regional concept, regional economic growth is a number indicated by the magnitude of the growth rate of the gross regional domestic product of an area measured on the basis of constant prices.

Based on the business field, GRDP is divided into nine sectors, while macroeconomically it is divided into three major groups which are referred to as primary, secondary and tertiary sectors. The primary sector if its output is still a basic level process and is highly dependent on nature, this sector includes the agricultural sector and the mining and quarrying sector. The economic sector whose output comes from the primary sector is grouped into the secondary sector, which includes the manufacturing sector, the electricity, gas and water supply sector and the building sector. Meanwhile, other sectors, namely the trade, hotel and restaurant sector, transportation and communication sector, the banking sector and other financial institutions and the services sector are grouped into the tertiary sector.

In calculating national income, there are 2 (two) methods, including:
1. Direct method,
2. Indirect method,

The general method used in the two methods above is the direct method, as in Indonesia and even in the Paluta Regency Government (BPS Paluta Regency, 2020).

The method is carried out with several approaches, including:
1. Production Approach (Production Approach),
2. Income Approach,
3. Expenditure Approach

The approach commonly used by the Republic of Indonesia is in terms of the Production Approach. It should be noted that in adding up the production of goods and services, double counting must be prevented (Multiple Counting). This is important because it often happens that raw materials from one sector are produced by other sectors, so the value of these raw materials has been calculated in the sector that produces them. GRDP figures in absolute terms provide an overview of the level of production of a region. The GRDP figure assessed at constant prices shows the economic growth rate of the region, which is represented by an increase in the production of various sectors.

III. Research Methods

This research according to the type of data and analysis can be grouped into quantitative data. The research was carried out in all 33 regencies/cities of North Sumatra Province by collecting the data needed to complete this research which was obtained from the publication data of the Regency/City Government of North Sumatra Province. Data were analyzed using multiple linear regression analysis method, which is a descriptive and inferential statistical method used to analyze data for more than two variables. Statistical data obtained in the study need to be summarized properly and regularly. This is intended to obtain a clearer picture of the collection of data obtained regarding DAU, DAK, DBH, Regional Expenditures, and Regency/City Development of North Sumatra Province in 2010-2020.
IV. Discussion

4.1 The Effect of the General Allocation Fund (DAU) on Regency/City Development of North Sumatra Province

The DAU variable has a negative and insignificant effect on the development of districts/cities in North Sumatra Province. The results of this study are in line with research by Rahmah and Zein (2016) and research by Abdullah, Mawarni and Dawarnis (2013) that general allocation funds have a positive effect on economic growth. These results indicate that the greater the DAU obtained, the higher the rate of economic growth. The DAU has not had a significant effect on economic growth, this is because the DAU obtained has not been fully used for development and increased economic growth, but only part of it is used for programs or activities that have less impact on economic growth. In addition, regions with low economic growth receive higher DAU allocations. This is because the DAU calculation is based on the fiscal gap, namely the difference between fiscal needs and fiscal potential in the area. In addition, the DAU obtained is partly used to purchase Bank Indonesia Certificates (SBI) or stored in regional banks so that economic growth stagnates and even declines due to this.

4.2 The Effect of the Special Allocation Fund (DAK) on Regency/City Development of North Sumatra Province

The DAK variable has a negative and significant effect on the development of districts/cities in North Sumatra Province. The results of this study are in line with the research of Siswiyanti (2015) which proves that DAK has a negative effect on economic growth and research by Anwar, et al., (2016) which concludes that DAK has a negative effect on economic growth in Manado City in 2001-2013, as well as research by Jannah and Nasir (2018) which proves that DAK has a negative effect on economic growth in Aceh Province in 2008-2014.

The Special Allocation Fund (DAK) is one of the central government's financial transfer mechanisms to the regions which aims, among other things, to increase the provision of regional physical facilities and infrastructure according to national priorities and reduce the gap in growth rates between regions and services between sectors (Subekan, 2012). One example of special needs and is a regional affair as well as a national priority, among others: the need for transmigration, the need for several types of investment or infrastructure, road construction in remote areas, primary irrigation channels. It should be noted that not all regions receive the Special Allocation Fund (DAK), because the Special Allocation Fund (DAK) aims for equity and to improve the condition of physical infrastructure which is considered a national priority. Thus, the higher the Special Allocation Fund (DAK) in a region, the higher the rate of economic growth in the area, because the Special Allocation Fund (DAK) is only used to finance development that is a regional need and is a national priority.

4.3 The Effect of Revenue Sharing Funds (DBH) on Regency/City Development of North Sumatra Province

The DBH variable has a positive and significant effect on the development of districts/cities in North Sumatra Province. The results of this study are in line with Nisa's research (2017) which proves that DBH has a positive effect on economic growth. Regency/City in East Java Province in 2011-2015. Government Regulation No. 55 of 2005 concerning Balancing Funds Article 1 paragraph 9, states that Revenue Sharing Funds are funds sourced from APBN revenues allocated to regions based on percentage figures to fund regional needs in the context of implementing decentralization. Revenue Sharing Funds are
sourced from taxes and natural resources, natural profit sharing funds are in accordance with the determination of the basis of calculation and income area as well as further provisions regarding Revenue Sharing Funds shall be regulated by government regulations. Bugis (2012) states that the Revenue Sharing Fund (DBH) is a regional right to manage sources of State revenue generated from each producing region (by origin) based on the provisions of applicable laws. The sources of tax revenue that are shared include Income Tax (PPh), Land and Building Tax (PBB), and Land and Building Rights Acquisition Fee (BPHTB). Income Tax is a type of subjective tax whose tax obligations are attached to the relevant Tax Subject (Hendayana, 2021). Tax is a requirement that has been established by the state as a civic duty (Marpaung, 2020). Research conducted by Bugis concludes that Revenue Sharing Funds have a significant effect on Economic Growth. This means that if there is an increase in the value of the regional income, it will also lead to an increase in the achievement of economic growth.

4.4 The Effect of Regional Expenditures (BD) on the Development of Regency/City Governments of North Sumatra Province

The Regional Expenditure variable has a positive and significant effect on the development of districts/cities in North Sumatra Province. The results of this study are in line with research by Anwar, et al., (2016) which concludes that regional spending has a positive effect on economic growth in Manado City in 2001-2013 and Jannah and Nasir's research (2018) which proves that regional spending has a positive effect on economic growth in Manado City, Aceh Province 2008-2014. This result is also in line with Gustiana's (2014) research that the regional original income variable has an insignificant relationship to economic growth. This research is in line with the existing theory where the new growth theory says that capital accumulation is the main source of economic growth.

To optimize and manage Regional Expenditures which have an impact on economic growth and subsequently have an impact on suppressing the unemployment rate and reducing poverty, it is necessary to manage budget allocations as one of the revenue management strategies. This budget allocation strategy can encourage and accelerate economic growth as well as a tool to reduce regional disparities/inequalities. Unemployment is closely related to the availability of employment opportunities, the availability of employment opportunities is related to development spending. Thus, the optimization strategy and budget management will encourage economic growth through optimizing the potential of development sectors. Economic growth will reduce the unemployment rate and reduce the amount of poverty in the region (Setiyawati and Hamzah, 2007).

4.5 The Effect of General Allocation Funds, Special Allocation Funds, Revenue Sharing Funds and Regional Expenditures together on the Development of Districts/Cities of North Sumatra Province

The variables DAU, DAK, DBH and Regional Expenditures simultaneously have a positive and significant effect on the development of districts/cities in North Sumatra Province. The results of this study are in line with research by Rahmah and Zein (2016) which proves that BD, DAU and DBH simultaneously have a positive effect on economic growth in Aceh Province. The higher the BD of a region, the less the level of fiscal dependence of the region on the center. Furthermore, regions are more flexible and flexible in planning budget allocations according to their economic agenda. Through development/infrastructure spending, or other spending. With the increase in economic activity in the community, there will be an increase in the number of outputs of goods and services followed by an increase in the money supply in terms of spending made by local
governments. Furthermore, this will increase the value of GRDP and the level of community welfare, by increasing the regional BD can be better able to provide better public service facilities for local communities and the availability of public infrastructure will be the key to growth along with increased productivity.

Each region has a different ability to fund its activities, this creates a fiscal imbalance between one region and another. Therefore, to overcome this fiscal imbalance, the government allocates funds sourced from the APBN to fund regional needs in the implementation of decentralization. One of the balancing funds from the government is the General Allocation Fund (DAU) whose allocation emphasizes the aspects of equity and justice that are in line with the administration of government affairs (Law No. 23/2014). Each DAU received by the regional government will be used for regional government spending, one of which is capital expenditure. This is not much different from the role of PAD as a source of financing for the development of infrastructure facilities and infrastructure which will have an impact on regional economic growth.

Government Regulation No. 55 of 2005 concerning Balancing Funds Article 1 paragraph 9, states that Revenue Sharing Funds are funds sourced from APBN revenues allocated to regions based on percentage figures to fund regional needs in the context of implementing decentralization. Revenue Sharing Funds are sourced from taxes and natural resources, natural profit sharing funds are in accordance with the determination of the basis of calculation and income area as well as further provisions regarding Revenue Sharing Funds shall be regulated by government regulations. Bugis (2012) states that the Revenue Sharing Fund (DBH) is a regional right to manage sources of State revenue generated from each producing region (by origin) based on the provisions of applicable laws. The sources of tax revenue that are shared include Income Tax (PPh), Land and Building Tax (PBB), and Land and Building Rights Acquisition Fee (BPHTB). Research conducted by Bugis concludes that Revenue Sharing Funds have a significant effect on Economic Growth. This means that if there is an increase in the value of the regional income, it will also lead to an increase in the achievement of economic growth.

4.6. Research Links with Regional Development

One of the goals of regional development is to increase economic growth. Economic growth is related to the process of increasing the production of goods and services in the economic activities of the community and it can be said that economic growth involves a single-dimensional development and is measured by an increase in production output and income. Economic growth is a long-term economic problem for a country. Economic growth measures the achievement of the development of an economy from one period to the next. An economy is said to be experiencing growth if the level of economic activity achieved now is higher than that achieved in the past. Growth is achieved when the physical quantity of goods and services produced in the economy is greater than in previous years.

In the theory of development economics, it is stated that there are six characteristics of economic growth, namely:

1) There is a high rate of increase in per capita production to offset the rapid population growth rate.
2) The increasing rate of per capita production is mainly due to improvements in technology and the quality of the inputs used. There is a change in the economic structure from the agricultural sector to the industrial and service sectors.
3) Increasing the number of people moving from rural areas to urban areas (urbanization).
4) Economic growth occurs due to the expansion of developed countries and the strength of international relations.
5) Increasing the flow of goods and capital in international trade. (Jhingan, 2010).
The purpose of regional autonomy is to improve people's welfare. With efforts to accelerate economic growth and regional development, reduce disparities between regions, and improve the quality of public services to be more efficient and responsive to the needs, potential, and characteristics of each region. For this purpose, improving the quality of decentralization of government affairs, through increasing the rights and responsibilities of local governments to manage and regulate their own household affairs.

The implementation of regional autonomy by regencies/municipalities does not mean that all regions can quickly encourage regional development and reduce disparities between regions. For regions that are rich in natural resources, human resources, good infrastructure, which can take advantage of the decentralization of government affairs to improve the welfare of their people. Meanwhile, for areas that are poor in natural resources, low quality of human resources, and poor infrastructure, they cannot take advantage of the opportunity for autonomy as a means of improving people's welfare.

V. Conclusion

1) The General Allocation Fund (DAU) has a negative and insignificant effect on the development of districts/cities in North Sumatra Province, North Sumatra Province.
2) The Special Allocation Fund (DAK) has a negative and significant effect on the development of districts/cities in North Sumatra Province, North Sumatra Province.
3) Revenue Sharing Fund (DBH) has a positive and significant impact on the development of districts/cities in North Sumatra Province, North Sumatra Province.
4) Regional Expenditures (BD) have a positive and significant impact on the development of districts/cities in North Sumatra Province, North Sumatra Province.
5) DAU, DAK, DBH and Regional Expenditures simultaneously have a significant effect on the development of districts/cities in North Sumatra Province, North Sumatra Province.

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