

Variables Affecting Fiscal Stress in Regency/City of Aceh Province 2016-2019 Period

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Abstract

This study aims to determine the effect of Local Government Revenue (PAD), Balancing Funds, Other Legitimate Income and Capital Expenditures on Fiscal Stress. The population in this study are all districts and cities in Aceh Province, as many as 28 districts and 1 city. The sample was taken using the purposive sampling method, with the condition that districts and cities in Aceh Province provide Regional Government Financial Reports (LKPD) for 2016-2019 which provide an overview of the development of Regional Original Income, Balancing Funds, Other Legitimate Income and Expenditures, capital every year. The analytical method used to test the hypothesis is Multiple Linear Regression. The results of this study indicate that Local Government Revenue has a positive effect on Fiscal Stress, Balance Fund has a negative effect on Fiscal Stress, Others Legitimate income has no effect on Fiscal Stress and Capital Expenditures have a negative effect on Fiscal Stress. Several local governments have different characteristics, so they need their own strategies to increase local revenues

Keywords

local government
revenue; balancing fund; other
legitimate income; capital
expenditure; fiscal stress



I. Introduction

In the era of regional autonomy, local governments are required to be able to organize government by fulfilling the provision of goods and providing public services for their citizens through increasing regional revenues in order to cover increasing regional expenditures (Firstanto, 2015). The implementation of regional autonomy policies implemented in Indonesia to provide authority in regulating the government and the interests of the community in the scope of the region so as to achieve community welfare, public services to increase the potential of existing regions. Local governments can regulate their government, manage regional wealth to obtain regional income sources and regulate regional expenditures. Fiscal Stress can be overcome by local governments that have adequate budgetary and political authority (Aldag et al., 2017). Local governments that balance and manage budgets on a regular basis thus creating significant Fiscal Stress so that they understand local government decision making

Law No. 23 of 2014 and Law No. 33 of 2014 support regional autonomy policies in Indonesia in the context of implementing Decentralization funded by APBD originating from Regional Revenues in the form of Regional Revenues consisting of Regional Original Revenues, Balancing Funds, and Other Legitimate Income, while financing. sourced from the Remaining Calculation of the Regional Budget, Regional Loan Receipts, Regional Reserve Funds and Proceeds from the Sale of Separated Regional Assets. The Financial Balance between the Central Government and the Regional Government explains that Regional Original Revenue is the income obtained by the regions which is collected based on regional regulations in accordance with laws and regulations which is the embodiment

of the principle of decentralization and is one of the sources of regional income. Through PAD, local governments are given the authority to fund the implementation of regional autonomy in accordance with their potential originating from regional taxes, regional levies, separated regional wealth management results and other legitimate Regional Original Income ("Law No. 33 of 2004," 2004). On the other hand, regional autonomy policies can cause different disparities in each region.

The implementation of regional autonomy requires the readiness of each region, especially regions that have inadequate regional potential. Regional autonomy policies can burden regions that have not abundant resources and have difficulty in financing capital expenditures. This will trigger financial difficulties and budget pressure/ Fiscal Stress (Muryawan & Sukarsa, 2016) Regional revenues that have not been carried out optimally by local governments have caused the dependence of funding from the central government, so that Fiscal Stress conditions in local governments, especially regencies/cities, are getting higher. Local governments are required to optimize every potential and fiscal capacity to reduce dependence on the central government. Fiscal Stress conditions in local governments indicate that the original revenue target is not yet optimal, so there is a need for solutions so that financial performance is better and in accordance with the budget to finance capital expenditures. Fiscal Stress conditions cause Regional Governments to explore sources of income that have the potential to be collected as Local Government Revenues so that it is hoped that Regional Governments can fund development and public services in the regions without relying on assistance from the Center, so that the Fiscal Stress condition will be reduced. Greater autonomy allows local governments to have a more balanced view of Fiscal Stress and by practicing pragmatic municipalism, to withstand the flow of austerity. (Lewis, 2019) and must be supported by a number of interested council members must be accommodated in the preparation of regional revenue and expenditure budgets. very important (Junita & Abdullah, 2017) and the need for management of cuts to Fiscal Stress in the budget system (Klase, 2018).

Since 1965, the Provincial Government of Aceh has the status of "Special Region" and has broad autonomy rights in the fields of religion, customs and education which have been confirmed by Law No. 18 of 2001 concerning Special Autonomy for the Province of the Special Region of Aceh. Decentralization in Aceh Province has powers and functions in the fields of planning and development, education, health, infrastructure, public order, the environment, land, coordination of religious life, personal and family law, criminal law and the judicial system. (Isran et al., 2019). The total revenue from the Aceh Special Autonomy Fund received by the Aceh Province during 2008-2019 reached Rp73.32 trillion which was used to increase development and welfare in the Aceh region so as to reduce the problem of decentralization in the Aceh region. (Suharyo, 2018).

Table 1. GRDP on the basis of constant prices by business field in the Regency/City and Province of Aceh in 2017-2019 (Million Rupiah)

DISTRICT/CITY	Year		
	2017	2018	2019
Simeulue	507 676.20	522 281.57	541 292.08
Aceh Singkil	451 871.84	464 996.25	482 950.32
South Aceh	951 998.58	989 612.11	1 036 026.45
Southeast Aceh	1 346 378.75	1 364 941.02	1 404 174.56
East Aceh	3 293 931.32	3 376 360.10	3 481 753.21
Central Aceh	2 356 131.44	2 430 451.72	2 458 179.50

DISTRICT/CITY	Year		
	2017	2018	2019
West Aceh	1 765 476.37	1 840 727.42	1 919 960.65
Aceh Besar	2 025 217.59	2 076 673.55	2 145 668.72
Pidie	2 837 157.60	2 919 822.27	3 012 886.97
Bireuen	2 840 759.02	2 917 977.13	3 048 425.28
North Aceh	4 522 903.06	4 702 786.45	4 894 404.45
Southwest Aceh	792 179.26	825 947.16	860 024.23
Gayo Lues	793 378.53	765 083.47	750 388.33
Aceh Tamiang	2 185 896.74	2 286 395.70	2 402 553.70
Nagan Raya	2 529 284.74	2 623 389.03	2 773 003.48
Aceh Jaya	556 623.45	577 806.25	590 224.91
Really Merry	1 647 711.20	1 730 399.20	1 817 117.79
Pidie Jaya	1 092 432.70	1 125 657.71	1 168 560.01
Banda Aceh	138 368.42	154 509.89	168 470.76
Sabang	70 525.38	72 647.38	75 814.61
Langsa	300 646.10	308 774.24	319 870.74
Lhokseumawe	542 572.70	567 783.32	599 904.67
Subulussalam	298 515.50	303 600.09	310 315.24
Aceh Province	34 052 849.69	35 426 160.89	36 680 958.68

Source: BPS Aceh

This study examines the relationship between Local Government Revenue(PAD), Balancing Funds, Other Legitimate Income and Capital Expenditures on Fiscal Stress. This is done on the grounds that there are differences in test results in previous studies that according to (Hariani & Febriyastuti, 2020) PAD has a positive influence in each province in Indonesia but does not have a significant effect on Fiscal Stress and Capital Expenditures compared to the conclusion according to (Septira & Prawira, 2019) that the smaller the Regional Original Income, the greater the Fiscal Stress experienced by the area.

The considerations that become the basis for research on Local Government Revenue, Balancing Funds, Other Legitimate Income and Capital Expenditures on Fiscal Stress because the central government still provides balancing funds, mainly special autonomy funds to the District/City of Aceh Province so that Fiscal Stress and capital expenditure has not been able to affect the efficiency level of the district/city government of Aceh province. The secondary data used in this study are the Regional Revenue and Expenditure Budget (APBD) and the Budget Realization Report - Regency/City Regional Budget of Aceh Province for the 2016-2019 period.

II. Review of Literature

2.1 Agency Theory

Agency theory states the possibility that the owner's wishes are ignored because of the separation between the owner (principal) and manager (agent) in a company (Pearce and Robinson, 2008: 47) which will trigger conflict. This indicates the possibility that management will choose methods to increase income and bonuses, when the debt limit is getting closer to equity. An agency relationship will be created when the owner (principal)

delegates decision-making authority to another party. The agency relationship between the owner (principal) and the manager (agent) will be more effective when the manager is consistent in making investment decisions related to the interests of shareholders. When there is a difference between the interests of the manager and the interests of the owner, the manager will make decisions that reflect the preferences of the manager compared to the owner.

2.2 Peacock and Wiseman's Theory

The theory that states the public's understanding of the amount of tax levy to finance government spending is the basis of Peacock and Wiseman's theory so that people have a level of tax tolerance. Based on this theory, the government tries to increase spending by increasing tax revenue by analyzing government expenditure receipts, so that the government. In fact, the amount of government spending financed by paying taxes is not liked by the public (Firstanto, 2015)

2.3 Fiscal Stress

Fiscal stress is a condition where the government is unable to fulfill its financial obligations both in the short and long term and is unable to increase regional revenues or provide public goods and services needed by the community. (Arnett & Arnett, 2012). The pressure to finance the implementation of development and increase self-reliance in the region with limited revenue from the local government budget. This shows that local governments are experiencing Fiscal Stress or budgetary pressure. (Muryawan & Sukarsa, 2016)

2.4 Local Government Revenue

Regional Original Revenue is income obtained by the region which is collected based on regional regulations in accordance with statutory regulations originating from regional taxes, regional levies, separated regional wealth management results and other legitimate income (Law No. 33 of , 2004), which consists of:

"Regional taxes are mandatory contributions carried out by private individuals or servants to the regions without balanced direct compensation, which can be imposed based on applicable laws and regulations, which are used to finance regional government administration and development" (Law No. 28 of 2019)

"Regional levies are regional levies as payments for services or the granting of certain permits that are specifically distinguished and/or granted by the government for personal or corporate interests" (Law No. 28 of 2009).

"The results of the management of separated regional assets, namely regional revenues originating from the management of separated regional assets, include a share of profits on equity participation in regionally-owned companies/BUMD, share of profits on equity participation in state-owned companies/BUMN, share of profits on equity participation in privately owned companies or community business groups" (Law No. 32 of 2004)

"Other legitimate regional original income, namely regional revenues originating from other regional governments, such as proceeds from the sale of regional assets that are not separated, demand deposits, interest income and others" (Law No. 32 of 2004).

The increase in local revenue, especially local tax and retribution revenues, comes from the allocation of adequate expenditures related to public services (Manafe et al., 2019)

2.5 Balancing Fund

Balancing Fund is a fund sourced from APBN revenues allocated to regions to finance regional needs in the context of implementing decentralization. , transparent and efficient in the framework of funding the implementation of Decentralization, taking into account the potential, conditions, and needs of the regions, as well as the amount of funding for the implementation of Deconcentration and Co-Administration . Balancing Funds are funds sourced from APBN revenues allocated to regions to fund regional needs in the context of implementing Decentralization consisting of Revenue Sharing Funds, General Allocation Funds and Special Allocation Funds.

2.6 Profit Sharing Fund

Revenue Sharing Funds are sourced from taxes and natural resources. Revenue Sharing Funds sourced from taxes as consisting of Land and Building Tax (PBB), Customs on Land and Building Rights Acquisition (BPHTB) and Income Tax (PPH) Article 25 and Article 29 for Domestic Individual Taxpayers and Income Tax Article 21. Meanwhile, the Revenue Sharing Fund sourced from natural resources comes from forestry, general mining, fisheries, petroleum mining, natural gas mining and geothermal mining.

2.7 General Allocation Fund

General Allocation Funds based on Law Number 32 of 2004, hereinafter referred to as DAU, are funds sourced from APBN revenues which are allocated for the purpose of equitable distribution of inter-regional financial capacity to finance the needs of the Regions in the context of implementing Decentralization. The total amount of DAU is determined to be at least 26% (twenty six percent) of the Net Domestic Revenue stipulated in the APBN. DAU for a region is allocated on the basis of fiscal gaps and basic allocations. The fiscal gap is the fiscal need minus the regional fiscal capacity. The basic allocation is calculated based on the salary of Regional Civil Servants.

2.8 Special Allocation Fund

Special Allocation Funds based on Law Number 32 of 2004, hereinafter referred to as DAK, are funds sourced from APBN revenues that are allocated to certain regions with the aim of helping to fund special activities which are regional affairs and in accordance with national priorities. DAK is allocated to certain regions to fund special activities which are regional affairs in accordance with the functions set out in the APBN. The government sets DAK criteria which include general criteria, special criteria, and technical criteria. The general criteria are determined by taking into account the capacity of the Regional Finances in the APBD. Specific criteria are determined by taking into account the laws and regulations and regional characteristics. The technical criteria are set by the State ministry/technical department. Regions receiving DAK are required to provide Matching Funds of at least 10% (ten percent) of the DAK allocation budgeted in the APBD

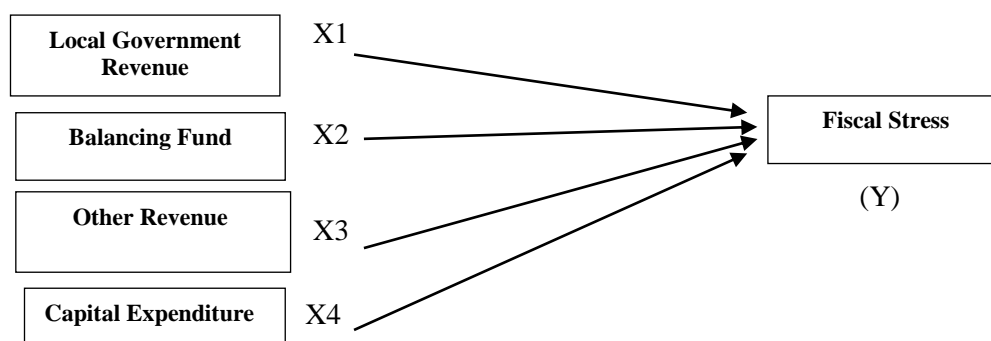
2.9 Other Legitimate Regional Income

Other Legitimate Regional Revenues are all regional revenues other than Local Government Revenue and transfer income, which include grants, emergency funds, and other income in accordance with the provisions of laws and regulations (Law Number 23 of 2014

2.10 Capital Expenditure

Capital expenditures are all regional obligations which are recognized as a reduction in the value of net assets in the period of the relevant fiscal year. Capital expenditures are guided by technical standards and regional unit price standards in accordance with the provisions of laws and regulations. Capital expenditures for the funding of Government Affairs under the authority of the Regions are guided by the analysis of expenditure standards and regional unit price standards in accordance with the provisions of laws and regulations (Law Number 23 of 2014).

2.11 Conceptual Framework



Based on the framework of thought described above, the hypothesis proposed for the study entitled Variables Affecting Fiscal Stress in the Regency/City of Aceh Province for the 2016-2019 period is as follows:

a. The Effect of Local Government Revenue on Fiscal Stress

Based on Law No. 33 of 2004, that PAD is income earned by the region which is collected based on regional regulations in accordance with statutory regulations. PAD consists of regional taxes, regional levies, separated regional wealth management and other legitimate PAD. The Fiscal Stress condition causes the Regional Government to be in a condition that is not yet fully able to fund the existing development in the region. This means that local governments are still very dependent on assistance from the center. This condition also shows that the Regional Government has not optimally explored existing sources of income in the region. It is hoped that the increase in Regional Original Revenue will allow the Regional Government to fund development and public services in the regions without relying on assistance from the Center, so that the Fiscal Stress condition will be reduced, so the hypothesis in this study is

H1 : Local Government Revenue has a significant effect on Fiscal Stress

b. Effect of Balancing Fund on *Fiscal Stress*

Balancing Funds are funds sourced from APBN revenues allocated to regions to fund regional needs in the context of implementing Decentralization consisting of Revenue Sharing Funds, General Allocation Funds and Special Allocation Funds. Based on Law No. 33 of 2004 Financial balance between the Government and Regional Government is a fair, proportional, democratic, transparent, and efficient financial distribution system in the framework of funding the implementation of Decentralization, taking into account the potential, conditions and needs of the region, as well as the amount of funding implementation of Deconcentration and Assistance Tasks. The greater the transfer of balancing funds received from the central government, the stronger the local

government's dependence on the central government to meet their regional needs. so that the Fiscal Stress condition will increase, then the hypothesis in this study is

H2 : Balance Fund has a significant effect on Fiscal Stress

c. *Other Revenue on Fiscal Stress*

All regional income other than Local Government Revenue and transfer income, which includes grants, emergency funds, and other income in accordance with the provisions of laws and regulations are other legitimate regional income. Increases in Other Legitimate Regional Revenues, it is hoped that the Regional Government can fund development and public services in the regions without relying on assistance from the Center, so that the Fiscal Stress condition will be reduced, so the hypothesis in this study is

H3 : Other Legitimate Regional Income has a significant influence on Fiscal Stress

d. Capital Expenditures are regional government expenditures whose benefits exceed one fiscal year and will increase regional assets or wealth and will further increase routine expenditures such as maintenance costs in the general administration expenditure group. Increasing local government investment in infrastructure will encourage regional economic growth, so that regions are no longer dependent on the center and Fiscal Stress conditions will be overcome, so the hypothesis in this study is

H4: Capital expenditure has a significant effect on Fiscal Stress

III. Research Method

3.1 Research design

This study uses a causal design. Causal design examines the cause-and-effect relationship between the independent variable and the dependent variable (Sugiyono 2010:56). This study aims to determine how the relationship between Local Government Revenue on the financial performance of local governments. The analysis tool uses eviews 9 software. The multiple regression method is used in this study with the type of data used is panel data using secondary data sourced from the Financial Reports of Regency and City Governments in Aceh Province in 2016-2019.

3.2 Operational Definition and Its Measurement Variables

This study uses the independent variable and the dependent variable. The independent variable is the variable that affects the dependent variable which is indicated by the arrows that come from the independent variable to the dependent variable, namely:

a. Dependent Variable

The dependent variable in this study is Fiscal Stress which is symbolized by (Y).

b. Independent Variable

The independent variables in this study are

- 1) Regional Original Revenue is the income obtained by the region which is collected based on regional regulations in accordance with statutory regulations which is symbolized by (X1)
- 2) Balancing Funds are funds sourced from APBN revenues allocated to regions to fund regional needs in the context of implementing Decentralization consisting of Revenue Sharing Funds, General Allocation Funds and Special Allocation Funds (X2)
- 3) Other Legitimate Regional Income is Regional income other than Local Government Revenue and transfer income, which includes grants, emergency funds, and other income in accordance with the provisions of laws and regulations (X3)

- 4) Capital expenditures are all regional obligations that are recognized as deductions from the value of net assets in the period of the relevant fiscal year (X4).

3.3 Unit of Analysis

The unit of analysis is something (person/company) to be researched. This study uses the unit of analysis, namely the Aceh Provincial Government, namely Simeulue Regency, Aceh Singkil Regency, South Aceh Regency, Southeast Aceh Regency, East Aceh Regency, Central Aceh Regency, West Aceh Regency, Aceh Besar Regency, Pidie Regency, Bireun Regency, North Aceh Regency. , Southwest Aceh Regency, Gayo Lues Regency, Aceh Tamiang Regency, Nagan Raya Regency, Aceh Jaya Regency, Bener Meriah Regency, Pidie Jaya Regency, Banda Aceh City, Sabang Regency, Langsa Regency, Lhokseumawe Regency, Subulussalam Regency. For data analysis, multiple linear regression was used with the following formula:

$$Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$$

Y' = Fiscal Stress

a = constant

b = regression coefficient

X1 = Regional Original Income

X2 = Balancing Fund

X3 = Other Legitimate Regional Income

X4 = Capital Expenditure

This study uses a panel data model which is a combination of Time Series and Cross Section, namely several variables studied with several categories collected within a certain period of time.

3.4 Data Type

This study uses secondary data obtained indirectly through intermediaries in the form of ready-made data and recorded by other parties. The secondary data used is in the form of District and City Government Financial Reports in Aceh Province in the form of APBD realization for the period between 2016 and 2019.

3.5 Sampling Method

The sampling method using the purposive sampling method is a sampling technique based on the researcher's considerations regarding which samples are the most appropriate, useful and considered representative of a population (representative). This study uses purposive sampling with a total sample of 28 districts and 1 city in Aceh Province and uses descriptive statistical tests and panel data regression analysis using the Eviews 9 software tool in analyzing the hypothesis test.

IV. Result and Discussion

The test in this study is to determine the effect of Local Government Revenue (PAD), Balancing Funds, Other Legitimate Income and Capital Expenditures on Fiscal Stress in 28 Regencies and 1 City in Aceh Province in 2016 – 2019 with a total sample of 116 data.

4.1 Descriptive Analysis

The results of the descriptive statistical test of the independent and dependent variables used in this study are in table 2:

Table 2. Descriptive Analysis Results

	X1	X2	X3	X4	Y
Mean	2.12E+11	1.52E+12	3.90E+10	3.51E+11	-1.18E+12
Maximum	2.70E+12	1.30E+13	3.59E+11	3.16E+12	8.27E+11
Minimum	3.90E+10	7.22E+10	0.000000	1.01E+11	-9.75E+12
Std. Dev.	4.41E+11	2.21E+12	5.75E+10	4.72E+11	1.60E+12

Based on the table above, it is known that

- The Local Government Revenue variable in Aceh Province has an average value of 2.12E+11 and a standard deviation of 4.41E+11. The indication of the standard deviation value is that the level of distribution of data for the Local Government Revenue indicator is greater than the average value ($4.41E+11 > 2.12E+11$), thus indicating that the level of distribution of data on Local Government Revenue in Aceh Province is not evenly distributed or is heterogeneous.
- The Transfer Income variable has an average value of 1.52E+12 and a standard deviation of 2.21E+12. The standard deviation value indicates the level of variation or spread of data for the Transfer Income indicator with a standard deviation value greater than the average value ($2.21E+12 > 1.52E+12$). This indicates that the distribution of Transfer Revenue data in Aceh Province is not evenly distributed or heterogeneous.
- Other Variables Legitimate Regional Income has an average value of 3.90E+10 with a standard deviation of 5.75E+10. The standard deviation value indicates the level of variation or spread of the data, for the Other Legitimate Regional Income variable, the standard deviation value is greater than the average value ($5.75E+10 > 3.90E+10$), thus indicating the level of spread of the data Miscellaneous Legitimate Regional Income is not evenly distributed or heterogeneous.
- The Capital Expenditure variable has an average value of 3.51E+11 and a standard deviation of 4.72E+11. The standard deviation value which indicates the level of data spread, for the Capital Expenditure variable the standard deviation value is greater than the average value ($4.72E+11 > 3.51E+11$), thus indicating the level of distribution of Capital Expenditure data is not evenly distributed or heterogeneous.
- The Fiscal Stress variable has a mean value of -1.18E+12 and a standard deviation of 1.60E+12. The standard deviation value which indicates the level of data spread, for the Fiscal Stress variable the standard deviation value is greater than the average value ($1.60E+12 > -1.18E+12$), thus indicating the level of distribution of Fiscal Stress data is not evenly distributed or heterogeneous.

4.2 Hypothesis testing

a. The Effect of Local Government Revenue on Fiscal Stress

The test results on the effect of Local Government Revenue on Fiscal Stress, can be seen from table 3, as follows:

Table 3. Results of Hypothesis Testing 1

Variable Independent	Coefficient	Std. Error	t-Statistic	Prob.
Local Government Revenue (X1)	0.475348	0.128697	3.693546	0.0004

Table 3. Results of Hypothesis Testing the results show that the coefficient of Local Original Income is 0.475348, meaning that if the Local Original Income increases by 1 unit, then the average Fiscal Stress will increase by 0.475348, ceteris paribus

assumption. The results of the significance test showed the prob value of $0.0004 < 0.05$ (alpha 5%) then H1 was accepted. It was concluded statistically at the 95% confidence level that there was a significant effect of Local Government Revenue on *Fiscal Stress*. This is different from the research by Mesri Welhelmina N. Manafe, et al 2018, that the Fiscal Stress variable has no effect on The Local Government Revenue. The contribution of this research is related to regional financial policy on the budget structure of regional income and expenditure, so that local governments need to consider the impact of fiscal stress on Local Government Revenue in order to increase regional independence.

b. Effect of Balancing Fund on Fiscal Stress

This study aims to determine the effect of the Balancing Fund on Fiscal Stress, it can be seen from table 4, as follows:

Table 4. Hypothesis Testing Results 2

Variable Independent	Coefficient	Std. Error	t-Statistic	Prob.
Balancing Fund (X2)	-0.431931	0.061046	-7.075514	0.0000

Based on the test results, it is known that the coefficient of the Balancing Fund is -0.431931, meaning that if the Balancing Fund increases by 1 unit, on average, Fiscal Stress will decrease by 0.431931, ceteris paribus assumption. The results of the significance test showed the prob value of $0.0000 < 0.05$ (alpha 5%) then H2 was accepted. It was concluded statistically at the 95% confidence level that the Balancing Fund had no effect on *Fiscal Stress*. This research supports the research of Andirfa, et al (2016) and Budianto and Alexander (2016) which proves that balancing funds have a negative effect on local government financial performance and is different from research in Eve Ida (2019) which indicates that the higher the transfer of balancing funds, the higher local government financial performance. This research indicates that the higher the balancing fund, the larger the transfer of balancing funds received from the central government will show the stronger local governments depend on the central government to meet their regional needs. so that the Fiscal Stress condition will increase and show the performance of local governments to increase.

c. Other Revenue on Fiscal Stress

This study aims to determine the effect of Other Legislative Regional Income on Fiscal Stress, it can be seen from table 5, below:

Table 5. Results of Hypothesis Testing 3

Variable Independent	Coefficient	Std. Error	t-Statistic	Prob.
Other Revenue (X3)	0.481949	0.491870	0.979830	0.3298

Based on the test results, it is known that the coefficient of Other Revenue is 0.481949, meaning that if Other Revenue increases by 1 unit, on average Fiscal Stress will increase by 0.475348, ceteris paribus assumption. The results of the significance test showed that the prob value was $0.3298 > 0.05$ (alpha 5%), so H3 was rejected. It was concluded that statistically at the 95% confidence level, there was no effect of Other Revenue on *Fiscal Stress*. This study concludes that Other Revenue that are expected by the Regional Government to finance development and public services in the regions without relying on assistance from the Center do not affect the Fiscal Stress condition.

4.3 Effect of Capital Expenditure on Fiscal Stress

This study aims to determine the effect of Capital Expenditure on Fiscal Stress, it can be seen from table 6, as follows:

Table 6. Results of Hypothesis Testing 4

Variable Independent	Coefficient	Std. Error	t-Statistic	Prob.
Capital Expenditure (X4)	-1.708782	0.250115	-6.831973	0.0000

Based on the test results, it is known that the coefficient of Capital Expenditure is -1.708782, meaning that if Capital Expenditure increases by 1 unit, on average, Fiscal Stress will decrease by 1.708782, *ceteris paribus* assumption. The results of the significance test show the prob value of $0.0000 < 0.05$ (alpha 5%) then H_a is accepted. It is concluded statistically at the 95% confidence level that Capital Expenditures have no effect on *Fiscal Stress*. This study supports the results of research conducted by Firstanto's research (2015) which proves that capital expenditure growth has a negative impact on *Fiscal Stress*. However, the results of this study contradict the results of research from (Armawaddin et al., 2020) which proves that under conditions of reciprocity, Fiscal Stress has a positive effect on Capital Expenditures. The high demand for regional expenditures can increase fiscal stress with limited regional income, which can reduce direct expenditure budgets, especially capital expenditures.

The various fluctuations in the growth of Capital Expenditures have caused a negative impact on Fiscal Stress conditions in 28 districts and 1 city in Aceh Province in the last 4 (four) years, namely from 2016 – 2019.

V. Conclusion

The main objective to be achieved from this research is to determine the effect of Local Government Revenue, Balancing Funds, Other Legitimate Income and Capital Expenditures on Fiscal Stress in the District/City of Aceh Province. The results of the study can be concluded that Local Government Revenue has a positive effect on Fiscal Stress. Diversification in Local Government Revenue, especially in regional taxes and regional levies by optimizing regional potential can increase regional independence. This can encourage regional financial policies on the budget structure of regional revenues, so that regional governments need to consider the impact of fiscal stress on Local Government Revenue in order to increase regional independence. Balancing Fund has a negative effect on Fiscal Stress. This study indicates that the higher transfer of balancing funds received by local governments from the central government indicates the high dependence of local governments in financing their regional expenditures so that the Fiscal Stress condition will be small. Other Legitimate Income has a negative effect on Fiscal Stress. The indication of the higher the Other Legal Income, the smaller the Fiscal Stress on the Local Government. Capital spending has a negative effect on Fiscal Stress. The results of this study are the same as previous studies (Adriana Meta, 2017). Higher Capital Expenditures will have implications for local government policies to manage regional expenditures so as not to cause Fiscal Stresses to increase.

The contribution of this research to Fiscal Stress which is influenced by Local Government Revenue so that the Regional Government through regional policies can increase regional independence by diversifying regional income. Several local governments have different characteristics, so they need their own strategies to increase

local revenues. Balancing Funds, Other Legitimate Income and Capital Expenditures do not affect Fiscal Stress which can be taken into consideration by the Regional Government in regional independence. This study still has limitations, namely the need for additional variables that affect the assessment of Fiscal Stress in the regencies/cities of the Aceh province for the 2016-2019 period, so that the assessment of Fiscal Stress is more comprehensive. The smaller the The Local Government Revenue of the Regional Government, the greater the Fiscal Stress experienced by the Regional Government, so it is hoped that it is necessary to increase the The Local Government Revenue from year to year in order to meet regional expenditures, thereby reducing dependence on transfer funds from the Central Government. For further researchers, it is recommended to use other independent variables (The Local Government Revenue, Balancing Fund, Other Legislative Local Revenue and Capital Expenditures) in explaining the dependent variable (Fiscal Stress).

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