

Effect of Regional Original Revenue, General Allocation Fund, and Revenue Sharing Fund on Capital Expenditure and Their Impact on Economic Growth in Kutai Kartanegara Regency

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Abstract

The purpose of this study to discuss about effect of regional original revenue, general allocation fund, and revenue sharing fund on capital expenditure and their impact on economic growth in Kutai Kartanegara Regency. This research is quantitative descriptive. The data used is secondary data obtained from the Audited Financial Report of the Regional Government of Kutai Kartanegara Regency from 2007 to 2021 and the Central Bureau of Statistics of East Kalimantan Province. The analytical method in this study uses multiple linear regression analysis and path analysis. The research results show that directly, regional original revenue and general allocation fund have no significant effect on capital expenditure, while revenue sharing fund has significant effect on capital expenditure. Regional original revenue, general allocation fund, revenue sharing fund, and capital expenditure have no significant effect on economic growth. Indirectly, regional original revenue and general allocation fund have significant effect on economic growth through capital expenditure. Revenue sharing fund has no significant effect on economic growth through capital expenditure.

Keywords

regional original revenue;
general allocation fund; revenue
sharing fund; capital
expenditure; economic growth



I. Introduction

Gross regional domestic product is an important indicator to determine the economic conditions in a region in a certain period, either at current prices or at constant prices. Gross regional domestic product is basically the total added value generated by all business units in a certain area, or is the total value of final goods and services produced by all economic units in an area.

Gross regional domestic product is defined as the totality of the accumulation of goods and services produced by the region in its economic cycle (Kartika and Dwirandra, 2014). Gross regional domestic product at constant prices is used as a reference in calculating economic growth figures by maximizing the empowerment of all potential existing resources, as well as opening opportunities for cooperation with the community as investors or workers to expand employment opportunities. The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

The development of the value of economic growth in Kutai Kartanegara Regency from 2007 to 2021 has fluctuated. Kutai Kartanegara is a district in East Kalimantan Province, Indonesia. The capital city of Kutai Kartanegara is in Tenggarong District, which borders Samarinda City. Kutai Kartanegara Regency has an area of 27,263.10 km² and a

water area of around 4.09 km² which is divided into 18 districts and 225 villages/wards. Based on data sourced from the Central Bureau of Statistics from 2007 to 2021, the economy of Kutai Kartanegara Regency has fluctuated up and down. On the economy of Kutai Kartanegara Regency, it was noted that the mining sector was still dominated in East Kalimantan during the pandemic. Based on data from the Central Statistics Agency, the economy of Kutai Kartanegara Regency in terms of gross regional domestic product at constant prices in 2020 experienced a contraction of 4.4% to Rp120 trillion in 2020 compared to before the COVID-19 pandemic occurred. For information, the economy of Kutai Kartanegara Regency is supported by the mining sector with a contribution of Rp89.15 trillion or around 59.81% of the gross regional domestic product in 2020 and the economy of the future capital city of the archipelago in 2020 is supported by the mining sector. Based on these data, Kutai Kartanegara Regency is still dominated by the mining sector because Kutai Kartanegara Regency is a mining-producing area, especially coal. Economic growth is also influenced by several factors, namely the next determinant is capital expenditure and sources of funds that support the availability of economic facilities and infrastructure. Government capital expenditure can affect the economic growth of a region. In PMK Number 214/PMK.05/2013 concerning Standard Chart of Accounts, it is stated that capital expenditure is a budget expenditure in order to acquire or add fixed assets and/or other assets that provide benefits for more than one accounting period (12 months) and exceed the value limit minimum capitalization and sources of funds for autonomous regions, including regional original income, balancing funds and other legal income. Balancing funds or transfer funds consist of general allocation funds, special allocation funds, and profit-sharing funds.

Regional original income collected by the regions, and general allocation funds and profit-sharing funds transferred by the central government should be able to increase the rate of economic growth in the regions through capital expenditures. General allocation funds are funds originating from state revenue and expenditure budget revenues allocated to regions with the aim of equal distribution of financial capacity among regions to fund regional needs in the context of implementing decentralization. The general allocation fund is allocated in the form of a block grant, that is, its use is left entirely to the regions.

The purpose of this study to discuss about effect of regional original revenue, general allocation fund, and revenue sharing fund on capital expenditure and their impact on economic growth in Kutai Kartanegara Regency.

II. Review of Literature

2.1 Regional Original Revenue

Regional original revenue receipts are an accumulation of tax revenue posts which contain regional taxes and regional user charges, non-tax revenue items which contain the results of regionally owned companies, investment revenue posts and natural resource management. Regional original revenues are all regional revenues originating from regional original economic sources.

Mardiasmo (2002:132) defines regional original income as regional revenue from regional taxes, regional levies, regional owned company results, separated regional wealth management results, and other legitimate regional original income. The development and multiplication of the potential for regional own-source revenue is a very basic need, considering that regional-origin revenue greatly supports the realization of complete, real and responsible implementation of autonomy in districts or cities.

2.2 General Allocation Fund

General allocation fund is fund originating from state revenue and expenditure budget revenues allocated to regions in the form of block grants whose utilization is fully delegated to the regions.

The general allocation fund is one of the transfers of government funds to regional governments originating from income, which is allocated with the aim of equal distribution of financial capabilities among regions to fund regional needs in the context of implementing decentralization.

General allocation funds are a number of funds allocated to each autonomous region (province/regency/city) in Indonesia annually as a development fund that aims to equalize financial capacity among regions to fund the needs of autonomous regions in the context of implementing decentralization.

2.3 Revenue Sharing Fund

Article 1 paragraph 20 of Law Number 33 of 2004 states that revenue sharing fund is fund originating from revenues allocated to regions based on percentage figures to fund regional needs in the context of implementing decentralization. Profit-sharing funds are implemented according to the source principle, in the sense that the region's share of the revenue that is shared is based on the producing region. This principle applies to all components of the revenue-sharing fund, except for the fisheries production-sharing fund which is shared equally among all districts/cities. In addition, the distribution of profit-sharing funds for both taxes and natural resources is carried out based on actual revenue for the current fiscal year.

2.4 Capital Expenditure

Capital expenditure is a component of direct expenditure used to finance investment needs (Widiasih and Gayatri, 2017).

According to Government Regulation Number 12 of 2019 concerning Regional Financial Management, capital expenditure is a budget expenditure to acquire fixed assets and other assets whose use and benefits are more than one accounting period. Capital expenditure consist of capital expenditures for land, capital expenditures for equipment and machinery, capital expenditures for buildings and buildings, capital expenditures for roads, irrigation and networks, expenditures for other fixed assets and expenditures for other assets.

Capital expenditure can be categorized into five main categories, namely land capital expenditures, equipment and machinery capital expenditures, construction and building capital expenditures, road capital expenditures, irrigation and networks, and other physical expenditures. The total expenditure value that is capitalized into fixed assets is all expenditure incurred until the asset is ready for use.

Capital Expenditure is financing to acquire tangible fixed assets that provide benefits for more than one accounting period. Regional governments must allocate capital spending higher than routine spending which is relatively less productive. However, in reality, there are still many regions whose capital expenditure expenditures are lower than personnel expenditures. According to Halim (2009) the allocation of capital expenditure is adjusted to regional needs for facilities and infrastructure both for the smooth running of government tasks and for public facilities.

The capital expenditure variant is the difference between the capital expenditure budget and its realization. When local governments budget for spending they tend to

propose actual amounts and needs. Local governments tend to propose budget allocations that exceed real costs when the budget is prepared. In general, variance is used to analyze budget realization reports, namely by evaluating the difference that occurs between the budget and its realization.

2.5 Economic Growth

Economic growth is a condition in which income increases due to increased production of goods and services. This increase in income is not related to the rate of population growth, and we can see it from increased output, technological developments, and various innovations in the social sector. Gross regional domestic product is used for a variety of purposes but most importantly it is a measure of the performance of the economy as a whole. This amount will be equal to the sum of the nominal values of consumption, investment, government spending on goods and services and net exports.

Gross regional domestic product is an important indicator to determine the economic conditions in a region in a certain period, either at current prices or at constant prices. Gross regional domestic product is basically the total added value generated by all business units in a certain area, or is the total value of final goods and services produced by all economic units in an area.

Gross regional domestic product at current prices illustrates the added value of goods and services calculated using prices in the current year, while gross regional domestic product at constant prices shows the added value of these goods and services calculated using prices prevailing in a particular year as the year base. Gross regional domestic product according to current prices is used to determine the ability of economic resources, shifts, and the economic structure of a region. Meanwhile, constant gross regional domestic product is used to determine real economic growth from year to year or economic growth that is not influenced by price factors. A country experiencing economic growth is indicated by a better community life.

III. Research Method

This research is quantitative descriptive. Quantitative descriptive research is a method that aims to create an objective picture or description of a situation using numbers, starting from data collection, interpretation of the data as well as the appearance and results (Octiva et al., 2018; Pandiangan, 2018; Pandiangan, 2022). The purpose of quantitative descriptive research is to make a systematic, factual and accurate description, picture or painting of the characteristics, facts and relationships between the phenomena investigated (Asyaini et al., 2022; Octiva, 2018; Pandiangan, 2015).

Secondary data means data collected by someone else earlier. Surveys, observations, experiments, questionnaire, personal interview, etc. Government publications, websites, books, journal articles, internal records etc (Jibril et al., 2022; Pandiangan et al., 2018; Pandiangan, 2022). The data used is secondary data obtained from the Audited Financial Report of the Regional Government of Kutai Kartanegara Regency from 2007 to 2021 and the Central Bureau of Statistics of East Kalimantan Province.

The analytical method in this study uses multiple linear regression analysis and path analysis. Multiple linear regression analysis refers to a statistical technique that uses two or more independent variables to predict the outcome of a dependent variable. The technique enables analysts to determine the variation of the model and the relative contribution of each independent variable in the total variance (Octiva et al., 2021; Pandiangan et al., 2021; Pandia et al., 2018). Path analysis, a precursor to and subset of structural equation

modeling, is a method to discern and assess the effects of a set of variables acting on a specified outcome via multiple causal pathways (Pandiangan et al., 2022; Tobing et al., 2018).

IV. Result and Discussion

4.1 General Description

Kutai Kartanegara Regency is a district in East Kalimantan Province, Indonesia. The capital of Kutai Kartanegara Regency is in Tenggarong District, which borders Samarinda City. Kutai Kartanegara Regency has an area of 27,263.10 km² located between 115°26 West Longitude and 117°36 East Longitude and between 1°28 North Latitude and 1°08 South Latitude and a water area of around 4,097 km² which is divided into 18 districts and 225 villages/wards. The eighteen districts are Samboja, Muara Jawa, Sanga-Sanga, Loa Janan, Loa Kulu, Muara Muntai, Muara Wis, Kota Bangun, Tenggarong, Sebulu, Tenggarong Sebrang, Anggana, Muara Badak, Marang Kayu, Muara Kaman, Kenohan, Kembang Janggut, and Tabang. The economic structure of Kutai Kartanegara Regency is dominated by the oil and gas, agriculture and mining sectors.

4.2 Multiple Linear Regression Analysis and Path Analysis

Table 1. Partial Test (Statistical Test t) Sub Structure 1
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-102660.201	326587.170		-.314	.759
1 X ₁	-.180	1.514	-.030	-.119	.908
X ₂	.071	1.563	.008	.045	.965
X ₃	.479	.136	.865	3.527	.005

a. Dependent Variable: Y₁

Table 2. Partial Test (Statistical Test t) Sub Structure 2
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.314	1.774		.741	.476
X ₁	1.796E-006	.000	.092	.219	.831
X ₂	-1.073E-005	.000	-.371	-1.269	.233
X ₃	9.695E-007	.000	.531	.904	.387
Y ₁	-2.511E-006	.000	-.762	-1.540	.154

a. Dependent Variable: Y₂

Table 3. Direct Effect, Indirect Effect, and Total Effect

Effect between Variable	Causal Effect		Total
	Direct	Indirect Effect (Through Y_1)	
$(pY_2X_1) + (pY_1X_1 \times pY_2Y_1)$	-0.030	(-0.023)	(-0.05)
$(pY_2X_2) + (pY_1X_2 \times pY_2Y_1)$	0.008	0.006	0.014
$(pY_2X_3) + (pY_1X_3 \times pY_2Y_1)$	0.865	0.659	1.524

The research results show that directly, regional original revenue (X_1) and general allocation fund (X_2) have no significant effect on capital expenditure (Y_1), while revenue sharing fund (X_3) has significant effect on capital expenditure (Y_1). Regional original revenue (X_1), general allocation fund (X_2), revenue sharing fund (X_3), and capital expenditure (Y_1) have no significant effect on economic growth (Y_2). Indirectly, regional original revenue (X_1) and general allocation fund (X_2) have significant effect on economic growth (Y_2) through capital expenditure (Y_1). Revenue sharing fund (X_3) has no significant effect on economic growth (Y_2) through capital expenditure (Y_1).

V. Conclusion

The research results show that directly, regional original revenue and general allocation fund have no significant effect on capital expenditure, while revenue sharing fund has significant effect on capital expenditure. Regional original revenue, general allocation fund, revenue sharing fund, and capital expenditure have no significant effect on economic growth. Indirectly, regional original revenue and general allocation fund have significant effect on economic growth through capital expenditure. Revenue sharing fund has no significant effect on economic growth through capital expenditure.

Based on the results of the research, several suggestions can be put forward as follows:

1. The Government of Kutai Kartanegara Regency needs to make maximum efforts to explore the potential sources of regional original revenue including by establishing new policies and regulations so that the contribution of regional original revenue is increasing in its contribution to total regional income and regional expenditure.
2. The Government of Kutai Kartanegara Regency is expected to be able to manage the revenue sharing fund as much as possible using effective, efficient and economical principles so that it will be able to increase regional spending in the form of development spending.
3. The Government of Kutai Kartanegara Regency is expected to be able to manage the special allocation fund as much as possible on a performance basis in order to further increase capital spending.
4. The Government of Kutai Kartanegara Regency is expected to be able to make policies related to the allocation and budgeting of revenue sharing fund at the right targets and objectives so that people's welfare can be achieved and Kutai Kartanegara Regency's economic growth will be able to increase.
5. The Government of Kutai Kartanegara Regency is expected to be able to increase regional original revenue to increase the amount of capital expenditure in terms of development expenditure so as to increase economic growth.

6. The Government of Kutai Kartanegara Regency is expected to be able to manage the general allocation fund and prioritize development expenditure in capital expenditure so that it will be able to increase economic growth.
7. The Government of Kutai Kartanegara Regency is expected to be able to allocate special allocation fund for regional expenditure in appropriate sectors to increase economic growth.

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