

The Influence of Regional Original Income (PAD) and General Allocation Fund (DAU) on Capital Expenditure in the Jambi Provincial Government 2015–2025

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Abstract

This study aims to analyze the influence of Regional Original Revenue (PAD) and General Allocation Fund (DAU) on Capital Expenditure in the Jambi Provincial Government for the 2015-2025 period. The study uses a quantitative method with secondary data obtained from the Jambi Provincial Government Budget Realization Report published by the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance of the Republic of Indonesia. The research sample consists of 11 observations derived from time series data for the 2015-2025 period. Data analysis techniques used include descriptive statistics, normality tests, multicollinearity tests, heteroscedasticity tests, multiple linear regression analysis, coefficient of determination (R^2) tests, F tests, and t tests with the help of the Statistical Package for Social Sciences (SPSS) program.

The results of the study indicate that Regional Original Income (PAD) does not significantly influence Capital Expenditure with a significance value of 0.520. The General Allocation Fund (DAU) also does not significantly influence Capital Expenditure with a significance value of 0.455. Simultaneously, PAD and DAU do not significantly influence Capital Expenditure with a significance value of 0.708 in the F test. The coefficient of determination (R^2) of 0.083 indicates that PAD and DAU are only able to explain variations in Capital Expenditure by 8.3%, while the remaining 91.7% is explained by other factors outside the research model. The results of this study indicate that the Capital Expenditure of the Jambi Provincial Government during the research period is not significantly influenced by PAD and DAU, but is likely more influenced by other factors such as the Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), Budget Financing Surplus (SiLPA), and regional budgeting policies.

Keywords: Regional Original Income, General Allocation Fund, Capital Expenditure, Regional Finance, Jambi Provincial Government.

INTRODUCTION

The implementation of regional autonomy in Indonesia grants broader authority to local governments to regulate and manage government affairs and the interests of local communities in accordance with laws and regulations. Regional autonomy aims to improve the effectiveness of government administration, the quality of public services, equitable development, and public welfare. To achieve these goals, local governments require adequate financial capacity to optimally implement various development programs.

Regional financial capacity is reflected in the ability of local governments to obtain revenue sources used to finance governance and regional development. One important source of regional revenue is Regional Original Revenue (PAD). According to Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, Regional Original Revenue is income earned by regions from regional taxes, regional levies, proceeds from the management of separated regional assets, and other legitimate regional original revenue. PAD indicates the level of fiscal independence of a region in financing development needs without relying entirely on the central government.

The higher a region's Original Regional Revenue (PAD), the greater the local government's ability to implement development and improve public services. High PAD allows local governments the flexibility to allocate budgets according to regional development needs and priorities. Therefore, PAD is often used as an important indicator in assessing a local government's ability to support the implementation of regional autonomy.

In addition to local revenue (PAD), regional governments also obtain funding from the central government through transfer mechanisms. One form of transfer that significantly contributes to regional finances is the General Allocation Fund (DAU). According to Law Number 33 of 2004, the DAU is a fund sourced from the State Budget (APBN) allocated to regions with the aim of equalizing financial capacity among regions to fund regional needs in the context of implementing decentralization.

The General Allocation Fund (DAU) plays a crucial role in supporting regional development, particularly in regions with relatively low fiscal capacity. These funds are used to assist local governments in financing various governance and development needs. With the DAU, local governments are expected to improve the quality of public services, accelerate infrastructure development, and reduce development disparities between regions.

One form of regional expenditure that plays a strategic role in development is capital expenditure. According to Government Regulation Number 12 of 2019 concerning Regional

Financial Management, capital expenditure is a budget expenditure used to acquire fixed assets and other assets that provide benefits for more than one accounting period. Capital expenditure includes the acquisition of land, equipment and machinery, buildings and structures, roads, irrigation, networks, and other fixed assets used to support public services.

Capital expenditure is a crucial component of the Regional Budget (APBD) because it directly relates to infrastructure development and the provision of public facilities. Adequate allocation of capital expenditure can improve the quality of public services, stimulate regional economic growth, create jobs, and enhance public welfare. Therefore, local governments need to optimize their revenue sources to increase capital expenditure allocation.

The Jambi Provincial Government plays a crucial role in managing regional finances through its Regional Original Revenue (PAD) and General Allocation Fund (DAU) to finance capital expenditures for infrastructure development and public services. This study aims to analyze the influence of Regional Original Revenue (PAD) and General Allocation Fund (DAU) on capital expenditures in the Jambi Provincial Government from 2015 to 2025.

This study uses data from the Jambi Provincial Government Budget Realization Report for the 2015-2025 period, resulting in 11 research observations. The selection of this period was based on the availability and consistency of data published by the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance of the Republic of Indonesia, as well as articles uploaded directly by the Jambi provincial government.

The use of time series data for the 2015-2025 period is expected to provide an overview of the development of Regional Original Revenue (PAD), General Allocation Fund (DAU), and Capital Expenditure from year to year. The results of the study are expected to contribute to the development of public sector accounting science and become a consideration for local governments in improving the effectiveness of regional financial management, particularly in the allocation of Capital Expenditure to support regional development.

LITERATURE REVIEW

Regional Original Income (PAD)

Regional Original Revenue (PAD) is a source of regional income derived from the region's own economic potential. According to Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, PAD is regional income derived from regional taxes, regional levies, the management of separated regional assets, and other legitimate PAD.

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According to Abdul Halim (2014), PAD is an indicator of a region's ability to independently finance its governmental needs. The greater the PAD a region has, the higher its level of independence and the lower its dependence on the central government.

PAD plays a crucial role in regional development because it serves as a source of funding for capital expenditures. Regions with high PAD have greater flexibility in determining development priorities and infrastructure procurement.

General Allocation Fund (DAU)

The General Allocation Fund (DAU) is a fund sourced from the State Budget (APBN) allocated to regions with the aim of equalizing financial capacity between regions. The DAU is provided to reduce the fiscal gap between regions with high and low financial capacity. According to Mardiasmo (2018), the DAU is a fiscal transfer instrument aimed at ensuring the availability of funding for regional governments to carry out public service functions.

In practice, the General Allocation Fund (DAU) is often used to finance various regional needs, including infrastructure development through capital expenditures. Therefore, the greater the DAU received by a region, the greater the local government's ability to allocate funds for development.

Capital Expenditure

According to Government Regulation Number 12 of 2019 concerning Regional Financial Management, Capital Expenditure is a budget expenditure used to acquire fixed assets and other assets that provide benefits for more than one accounting period. According to Mahmudi (2016), Capital Expenditure is a regional government expenditure used to acquire or add fixed assets such as land, buildings, structures, roads, irrigation, networks, and other fixed assets that provide long-term benefits.

Capital expenditure is a crucial indicator of regional development because it directly relates to the provision of public facilities and infrastructure. The greater the capital expenditure allocation, the greater the local government's efforts to improve the quality of public services and regional economic development.

The Underlying Theory

Agency Theory

Agency Theory was first proposed by Jensen and Meckling (1976). This theory explains the contractual relationship between a principal and an agent, in which the principal authorizes the agent to carry out certain activities on the principal's behalf. In the

public sector, the community acts as the principal, while the local government acts as the agent, authorized to manage public resources and regional finances.

In implementing regional autonomy, local governments are responsible for managing regional revenues effectively and efficiently to improve public welfare. Locally Generated Revenue (PAD) and the General Allocation Fund (DAU) are the primary sources of regional government funding, used to finance various regional development programs, including capital expenditures. Therefore, as agents, local governments must be able to optimally manage these revenue sources to ensure quality public services and sustainable regional development.

Agency theory is relevant to this research because it explains how local governments utilize PAD and DAU to finance capital expenditures. The greater a local government's ability to manage revenue sources, the greater its opportunity to increase development through capital expenditure allocations.

Fiscal Decentralization Theory

The Fiscal Decentralization Theory was put forward by Wallace E. Oates (1972). This theory explains that regional governments have the authority to manage regional revenue and expenditure sources according to the needs of the local community.

The implementation of fiscal decentralization in Indonesia is marked by the implementation of regional autonomy, which grants broader authority to local governments in managing regional finances. Through fiscal decentralization, local governments obtain funding from both local revenue (PAD) and central government transfers, such as the General Allocation Fund (DAU).

According to this theory, regions with better fiscal capacity will be able to boost regional development through increased capital expenditures. Capital expenditures are used to build public infrastructure such as roads, bridges, buildings, irrigation, and other public facilities that can improve public welfare and stimulate regional economic growth.

RESEARCH GAP

Many studies have investigated the influence of Regional Original Revenue (PAD) and General Allocation Fund (DAU) on Capital Expenditure, but a research gap remains. Research by Fahrezi et al. (2021) and Susanto and Berliani (2024) indicates that both PAD and DAU have a positive and significant effect on Capital Expenditure. Conversely, research by Anita Lestari (2016) found that DAU has a positive and significant effect on Capital Expenditure, but PAD has a negative and insignificant effect on Capital Expenditure.

The differences in research results indicate that the relationship between PAD and Capital Expenditure has not yielded consistent conclusions. Furthermore, most previous studies were conducted at different district/city and provincial levels and used different observation periods. Therefore, this study was conducted on the Jambi Provincial Government for the 2015–2025 period to obtain empirical evidence regarding the influence of PAD and DAU on Capital Expenditure and to re-examine the consistency of previous research results.

FRAMEWORK

Capital expenditures are regional government expenditures used to acquire fixed assets and other assets that provide benefits for more than one accounting period. The level of capital expenditure allocation is influenced by the region's financial capacity to generate revenue.

Regional Original Income (PAD) is a source of revenue originating from the region itself, such as regional taxes, regional levies, proceeds from the management of separated regional assets, and other legitimate regional original income. The higher the PAD earned by a regional government, the greater the region's ability to finance development through capital expenditure allocations.

In addition to local revenue (PAD), the General Allocation Fund (DAU) is also a crucial source of funding for regional governments. DAU is a fund sourced from the state budget (APBN) allocated to equalize financial capacity among regions. The higher the DAU received, the greater the fiscal capacity of the region, allowing regional governments to allocate more funds for capital expenditures.

Based on previous theory and research, PAD and DAU are suspected to influence capital expenditure. Therefore, this study analyzes the influence of PAD and DAU, both partially and simultaneously, on capital expenditure in the Jambi Provincial Government from 2015 to 2025.

HYPOTHESIS DEVELOPMENT

The Influence of Regional Original Income (PAD) on Capital Expenditure

Locally Generated Revenue (PAD) is a source of income derived from regional economic potential and reflects the level of financial independence of local governments. The greater the PAD generated, the greater the local government's ability to finance development through capital expenditures. Based on Fiscal Decentralization Theory, increased regional fiscal capacity enables local governments to provide better public facilities and infrastructure through increased capital expenditures.

Research by Fahrezi, Hasanah, and Ulupui (2021) and Susanto and Berliani (2024) found that local revenue (PAD) has a positive and significant effect on capital expenditure. These results indicate that increasing PAD can improve local governments' ability to finance regional development. Although research by Anita Lestari (2016) found that PAD has a negative and insignificant effect on capital expenditure, theoretically, PAD remains a source of funding that can be used to support regional development.

Based on the theory and results of previous research, the hypothesis proposed is:

H₁: Regional Original Income (PAD) has a positive effect on Capital Expenditure in the Jambi Provincial Government for the 2015-2025 period.

The Influence of General Allocation Funds (DAU) on Capital Expenditures

The General Allocation Fund (DAU) is a transfer from the central government aimed at equalizing financial capacity among regions. According to Fiscal Decentralization Theory, transfers from the central government can increase regional fiscal capacity, giving local governments greater capacity to finance development and public services.

Research by Anita Lestari (2016), Fahrezi et al. (2021), and Susanto and Berliani (2024) shows that the General Allocation Fund (DAU) has a positive effect on Capital Expenditures. These findings indicate that the greater the DAU received by a region, the greater the local government's ability to allocate funds for development through Capital Expenditures.

Based on the theory and results of previous research, the hypothesis proposed is:

H₂: The General Allocation Fund (DAU) has a positive effect on Capital Expenditure in the Jambi Provincial Government for the 2015-2025 period.

The Influence of PAD and DAU on Capital Expenditure Simultaneously

PAD (Local Revenue) and DAU (General Allocation Fund) are two primary sources of regional government revenue, used to finance various government activities and regional development. The greater the PAD and DAU a regional government has, the greater its fiscal capacity to allocate funds for capital expenditures.

Research by Fahrezi et al. (2021) and Susanto and Berliani (2024) shows that PAD and DAU jointly contribute to increased capital expenditure. This demonstrates that regional financial capacity, derived from both own revenue and central government transfers, can support regional development through the allocation of capital expenditure.

Based on the theory and results of previous research, the hypothesis proposed is:

H₃: Regional Original Income (PAD) and General Allocation Fund (DAU) simultaneously have a positive effect on Capital Expenditure in the Jambi Provincial Government for the 2015-2025 period.

RESEARCH METHODS

Research Methods

This study uses a quantitative method, data obtained from the Jambi Provincial Government Budget Realization Report published through the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance of the Republic of Indonesia.

The population and sample of this study were the Jambi Provincial Government Budget Realization Report for 2015-2025. With an observation period of 11 years, 11 research observations were obtained. The variables used in this study consist of:

Independent Variable (X)

X₁ = Regional Original Income (PAD)

X₂ = General Allocation Fund (DAU)

Dependent Variable (Y)

Y = Capital Expenditure

Operational Variables

Variables	Measurement
X1 = PAD	Total PAD realization (Rp)
X2 = DAU	Total realization of DAU (Rp)
Y = Capital Expenditure	Total realization of Capital Expenditure (Rp)

Data Analysis Techniques

The data analysis techniques used in this study include:

- Descriptive Statistics
- Normality Test
- Multicollinearity Test
- Heteroscedasticity Test
- Multiple Linear Regression Analysis
- Coefficient of Determination (R²) Test

- F Test (Simultaneous)
- t-Test (Partial)

The multiple linear regression model used in this study is:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Information:

Y = Capital Expenditure

X₁ = Regional Original Income (PAD)

X₂ = General Allocation Fund (DAU)

a = Constant

b₁, b₂ = Regression coefficient

e = Error (nuisance error)

Data processing and analysis were carried out using the Statistical Package for Social Sciences (SPSS) program.

RESEARCH RESULTS AND DISCUSSION

Data Processing Results

Descriptive Statistical Analysis

Descriptive statistical analysis was conducted to provide a general overview of the characteristics of the research data consisting of Regional Original Income (PAD), General Allocation Fund (DAU), and Capital Expenditure of the Jambi Provincial Government during the 2015-2025 period.

Table 1. Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Standard Deviation
PAD	11	2,180,600	3,591,050	2,999,065	490,643
DAU	11	1,709,770	7,574,040	6,591,772	1,637,069
Capital Expenditure	11	2,716,410	4,513,780	3,667,825	498,685

Based on the data processing results, 11 research observations were obtained from the Jambi Provincial Government Budget Realization Report. Descriptive statistics show that the values of PAD, DAU, and Capital Expenditure fluctuate from year to year. These

fluctuations reflect changes in the region's fiscal capacity to collect revenue and changes in local government budgeting policies.

PAD is a source of income derived from regional economic potential, so its size reflects the level of regional financial independence. During the study period, Jambi Province's PAD showed an increasing trend, indicating an increasing regional capacity to tap into regional revenue sources.

The General Allocation Fund (DAU) is a transfer fund originating from the central government and provided to equalize financial capacity among regions. The large DAU received by Jambi Province indicates that central transfer funds remain a primary source of funding for local governments.

Meanwhile, capital expenditures for infrastructure development and the provision of public facilities also fluctuate annually. These changes reflect adjustments to regional development policies in line with the needs and development priorities established by local governments.

Normality Test

A normality test is performed to determine whether the residuals in the regression model are normally distributed. Normality testing is important because multiple linear regression models require normally distributed residuals to ensure unbiased estimation results.

Based on the results of the Shapiro-Wilk test, a significance value of 0.978 was obtained, which is greater than the 0.05 significance level. Thus, it can be concluded that the residuals of the regression model are normally distributed. This result indicates that the regression model used in this study meets the assumption of normality and is therefore suitable for further analysis.

Multicollinearity Test

The multicollinearity test was conducted to determine whether there was a very strong relationship between the independent variables, namely PAD and DAU.

The test results showed a Variance Inflation Factor (VIF) value for each variable of 24.348, exceeding the maximum limit of 10. This indicates multicollinearity in the research model, suggesting that PAD and DAU had a fairly strong relationship throughout the study period.

This phenomenon can be explained by the fact that when regional revenues increase, both PAD and DAU tend to increase simultaneously. Furthermore, the study's observation

period, which spans only 11 years, results in a stronger relationship between the variables compared to studies with larger sample sizes.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there is inequality in the residual variance in the regression model.

The Glejser test results show that the PAD significance value is 0.321 and the DAU significance value is 0.612. Both values are greater than 0.05. Thus, it can be concluded that the regression model does not experience heteroscedasticity. This indicates that the model residuals have relatively constant variance, thus fulfilling one of the basic assumptions of multiple linear regression.

Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the effect of PAD and DAU on the Capital Expenditure of the Jambi Provincial Government.

The regression equation obtained is:

$$Y = 3,854,000 - 0.268X_1 + 0.094X_2$$

The equation shows that PAD has a negative coefficient of -0.268 while DAU has a positive coefficient of 0.094.

A negative coefficient on PAD indicates that increases in PAD are not always accompanied by increases in Capital Expenditures. This indicates that the additional PAD received by local governments is likely used more to finance operational expenses, personnel expenses, or other programs than to allocate to Capital Expenditures.

Conversely, a positive coefficient on the General Allocation Fund (DAU) indicates that the greater the DAU received by a region, the greater the capital expenditures the regional government can allocate. This aligns with the DAU's function as a fiscal equalization instrument aimed at assisting regions in financing development needs.

Coefficient of Determination (R^2) Test

The coefficient of determination is used to measure the ability of PAD and DAU to explain variations in Capital Expenditure.

The research results show an R Square value of 0.083 or 8.3%. This means that PAD and DAU are only able to explain changes in Capital Expenditure by 8.3%, while the remaining 91.7% is explained by other factors outside the research model.

These factors can be in the form of Special Allocation Funds (DAK), Revenue Sharing Funds (DBH), SiLPA, regional development policies, regional economic conditions, and

budgetary political factors. The low R^2 value indicates that the Jambi Provincial Government's Capital Expenditure is not only influenced by PAD and DAU, but is also influenced by various other factors not included in the research model.

F Test (Simultaneous)

The F test is used to determine whether PAD and DAU jointly influence Capital Expenditure.

The test results show a calculated F value of 0.361 with a significance value of 0.708. Because the significance value is greater than 0.05, H3 is rejected. Thus, it can be concluded that PAD and DAU simultaneously do not have a significant effect on the Capital Expenditure of the Jambi Provincial Government in 2015–2025. These results indicate that changes in Capital Expenditure cannot be significantly explained only by changes in PAD and DAU.

t-Test (Partial)

A. Effect of PAD on Capital Expenditures

The test results show a significance value of 0.520. Because the significance value is greater than 0.05, H1 is rejected. Therefore, PAD does not have a significant effect on Capital Expenditure.

The results of this study indicate that an increase in local revenue (PAD) does not necessarily increase capital expenditures. This situation may occur because some PAD is used to finance routine regional government needs, such as personnel and operational expenses. This finding is in line with research by Anita Lestari (2016) which found that PAD did not have a significant effect on Capital Expenditure.

B. The Influence of DAU on Capital Expenditure

The test results show a significance value of 0.455. Because the significance value is greater than 0.05, H2 is rejected. Thus, DAU does not have a significant effect on Capital Expenditure.

These results indicate that the large transfer funds from the central government have not directly increased the allocation of capital expenditures in Jambi Province. Some of the DAU is likely used to finance routine government needs and other public services.

Discussion Based on Theory

Based on Agency Theory, local governments, as agents, are responsible for effectively managing local revenue (PAD) and general allocation funds (DAU) to improve community welfare through regional development. However, research shows that PAD and general

allocation funds (DAU) have not been able to significantly increase capital expenditures. This condition indicates that regional financial resource management is still primarily directed at operational needs rather than long-term development investments.

Based on the Fiscal Decentralization Theory, regions with strong fiscal capacity should be able to increase development through capital expenditure. However, research results show that increases in both local revenue (PAD) and general allocation funds (DAU) have not been accompanied by significant increases in capital expenditure. This indicates that Jambi Province's fiscal capacity has not been fully directed toward financing development through capital expenditure.

CONCLUSION

Regional Original Revenue (PAD) did not significantly impact the Jambi Provincial Government's Capital Expenditure. This result indicates that increases in PAD have not directly driven increases in capital expenditure allocations. PAD revenues are still primarily used to finance operational needs and routine regional government spending rather than financing development through capital expenditures.

The General Allocation Fund (DAU) has no significant impact on the Jambi Provincial Government's Capital Expenditure. Research results indicate that transfer funds from the central government have not been fully utilized to increase Capital Expenditure, but have also been allocated to various regional government needs.

Locally Generated Revenue (PAD) and General Allocation Fund (DAU) simultaneously have no significant effect on the Capital Expenditure of the Jambi Provincial Government for the 2015–2025 period. This indicates that changes in Capital Expenditure are not only influenced by PAD and DAU, but also by other factors outside the research model, such as the Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), Budget Financing Surplus (SiLPA), and regional government budgeting policies.

The ability of the PAD and DAU variables to explain variations in capital expenditures remains relatively low. This indicates that other factors were more dominant in determining the size of the Jambi Provincial Government's capital expenditure allocation during the study period.

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