

Analysis of the Influence of Regional Original Income, Balance Fund, Economic Growth, and Inflation on Capital Expenditure in Malang Regency

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Abstract

The existence of regional autonomy and fiscal decentralization can be expected for local governments to have greater independence in regional finance and provide a higher proportion of capital expenditure budget allocation to improve community welfare and equitable development. This study was conducted to see how much the influence of Regional Original Revenue, Balance Fund, Economic Growth, and Inflation on Capital Expenditure in Malang Regency during 2009-2023. The results of this study explain that partially Regional Original Revenue has a positive and significant influence on Capital Expenditure. The Balance Fund has a negative and insignificant influence on Capital Expenditure. Economic growth has a positive and insignificant influence on capital expenditure. And inflation has a negative and insignificant influence on Capital Expenditure. Meanwhile, simultaneously the variables of Regional Original Revenue, Balance Fund, Economic Growth, and Inflation have a significant influence on Capital Expenditure in Malang Regency.

Keywords: Capital Expenditure, Regional Original Revenue, Balance Fund, Economic Growth, and Inflation.

INTRODUCTION

Regional autonomy gives local governments the right, authority, and obligation to regulate and manage their own government affairs and the interests of the local community in accordance with laws and regulations. By having the freedom to take

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initiative, local governments can make their own decisions and manage and optimize their resources (R. Hermawan & Masyitah, 2024). The purpose of this regional autonomy is so that local governments can provide the best service to the community. By focusing on regional interests, this autonomy is expected to create more equitable and sustainable development, as well as reduce the gap between regions. In line with that, among the various authorities owned by the regions, one of the authorities is the management of the regional budget.

The regional budget is a financial plan that is used as a basis and guideline by the Regional Government in the implementation of public services. In Indonesia, the regional budget document is known as the Regional Revenue and Expenditure Budget (APBD), which applies to both provinces and cities and districts. The preparation of the APBD begins with making an agreement between the executive and the legislature on the general policy of the APBD and the Budget Priorities & Ceiling which will be a guideline for the preparation of the revenue and expenditure budget (Permana, 2013). A government budget is a plan that describes a series of actions or activities that are expressed in the form of monetary value for a specific period. Every local government revenue and expenditure, whether in the form of money, goods, or services in the relevant fiscal year must be included in the APBD.

Based on the Regulation of the Minister of Home Affairs No. 59 of 2007 article 53 (which is the first amendment of Permendagri No. 13 of 2006) concerning Guidelines for Regional Financial Management, regional expenditure is all expenditure of local governments in one budget period that is used to carry out obligations, authorities, and responsibilities to the community and the central government. One type of regional expenditure includes capital expenditure. Capital expenditure is used for expenditures made in the context of procurement of tangible fixed assets that have a beneficial value of more than 12 months to be used in government activities. The value of tangible fixed assets budgeted in capital expenditure is equal to the purchase/build price of the asset plus all expenditures related to the procurement/development of the asset until the asset is ready for use (Prihastuti et al., 2015).

Malang Regency is one of the districts in East Java, each district/city has regional financial management like the one in Malang Regency, one of which is Capital Expenditure. The allocation of capital expenditure in Malang Regency has a different amount every year, the difference in the allocation of capital expenditure is seen from the



equitable distribution of development, improvement of welfare, improvement of human resources, etc. Based on data for the last 5 years, it is explained that the amount of Capital Expenditure in Malang Regency has fluctuated. In 2019, the total capital expenditure was Rp. 808,350.94. In 2020, the amount of capital expenditure decreased by Rp. 563,514.03. In 2021, the amount of capital expenditure decreased by Rp. 442,379.54. In 2022, the amount of capital expenditure increased by Rp. 737,802.54. And in 2023 it will decrease again, namely Rp. 534,170.05. The allocation of the appropriate capital expenditure budget helps local governments achieve sustainable development goals, improve community welfare, and create an environment conducive to economic growth and social welfare in Malang Regency.

According to Law Number 23 of 2014 concerning Regional Government, Regional Original Revenue (PAD) consists of regional tax revenue, regional levy revenue, revenue from separated regional wealth management and other valid PAD. An increase in the income of a region is said to be successful will have an impact on increasing regional excellence in helping regional spending needs. Based on data for the last 5 years, it shows that Regional Original Revenue in Malang Regency fluctuates every year. in 2019 amounted to Rp. 625,890.23. In 2020, the amount of regional original revenue decreased by Rp. 583,617.33. In 2021, the amount of regional original revenue increased by Rp. 670,219.43. In 2022, the amount of regional original revenue increased by Rp. 764,248.97. And in 2023 the amount of local revenue will increase by Rp. 832,394.26. In this case, the role of the government and responsible stakeholders in Malang Regency is very important to support local revenue every year.

The balance fund itself is a fund that comes from the State Budget and is given to support regional interests in implementing decentralization. The purpose of the balance fund is to create a financial balance between the central government and local governments to support the implementation of broad, real, and responsible regional autonomy. The balance fund is a budget derived from the State Budget consisting of the Revenue Sharing Fund (DBH), the General Allocation Fund (DAU), and the Special Allocation Fund (DAK). Thus, the balance fund is an important instrument in supporting regional autonomy and improving the quality of development and public services in Malang Regency. Based on data for the last 5 years, it shows that the Balance Fund in Malang Regency fluctuates every year. In 2019 the amount of the Balance Fund was Rp. 249,256.79. In 2020, the amount of balance funds decreased by Rp. 220,593.69. In 2021,



the amount of balance funds increased by Rp. 315,593.17. In 2022, the amount of balance funds decreased by Rp. 292,371.53. And in 2023 the amount of balance funds has increased by Rp. 324,507.81. This occurs because the funds sourced from the state budget revenue allocated to the regions aim to equalize the regional financial capabilities in Malang Regency to fund regional needs in realizing the implementation of decentralization.

Furthermore, economic growth is defined as the process of increasing output per capita that is sustainable in the long term. Economic growth has various impacts on capital expenditure. Strong economic growth results in more resources that can be invested in capital expenditure, creating a sustainable positive cycle. On the contrary, efficient capital expenditure can increase economic growth through infrastructure improvements, increased productivity, and greater production capacity. Based on data for the last 5 years, it shows that Economic Growth in Malang Regency fluctuates every year. In 2019, economic growth was at 5.49%. In 2020, economic growth experienced a very drastic decline, which was at -2.68%. In 2021, economic growth increased at 3.12%. In 2022, economic growth will decline, which is at 5.13%. And in 2023, economic growth will experience a slight decline from the previous year, which was at 5.00%. To overcome the problem of economic growth, the government is required to find the right solution to increase regional income in overcoming economic growth problems. This regional income can then be used as a tool to increase economic growth.

In addition to economic growth, capital expenditure can also be influenced by other macroeconomic factors, namely inflation. Inflation can be defined as the average percentage rate of price increase of a group of goods and services consumed by the public in a given period. In general, when inflation results in an increase in the price of goods and services, the purchase of fixed assets included in capital expenditure tends to decrease. Based on data for the last 5 years, it shows that inflation in Malang Regency fluctuates every year. In 2019, the amount of inflation was at 1.93%. In 2020, the amount of inflation decreased by 1.42%. In 2021, the amount of inflation increased by 1.75%. In 2022, the amount of inflation experienced a very drastic increase of 6.45%. And in 2023 the amount of inflation will decrease again, which is 4.49%. In this case, the increase in inflation in Malang Regency is still quite high, therefore it is necessary to follow up by the Malang Regency government so that it can be controlled in terms of prices so that investment can still come in and capital expenditure on assets is maintained and for



services both directly or indirectly can run for the welfare of the people in Malang Regency.

Objectives

Regional Revenue and Expenditure Budget

The State Revenue and Expenditure Budget is a plan for the implementation of all Regional Revenues and all Regional Expenditures in the context of the implementation of Decentralization in a certain budget year. Granting regional autonomy rights to local governments to determine the Regional Revenue and Expenditure Budget. In accordance with the needs and potential of the region, emphasizing the increasing need for good and correct financial management, to see how good and correct a financial management is, it is necessary to measure Financial Performance (Assidi, 2016). Performance-based budgeting in local government is used with the first step of planning the program to be implemented, then budgeting all the necessary expenditures, and finally planning the revenue needed to implement the program.

Capital expenditure

Capital expenditure is a budget expenditure for the acquisition of other assets that provide benefits for more than one accounting period, this capital expenditure is related to long-term financial planning in financing for the maintenance of fixed assets that generate capital expenditure (Hermawan & Masyitah, 2024). Capital expenditure includes expenditure to acquire land, buildings and buildings, equipment, and intangible assets. Based on the Regulation of the Minister of Finance Number 91/PMK.06/2007 concerning the Standard Chart of Accounts, capital expenditure is defined as a budget expenditure that aims to acquire or add to fixed assets and other assets that provide benefits for more than one accounting period, and exceeds the minimum capitalization limit set by the government.

Regional Original Income

According to Law Number 33 of 2004, Regional Original Revenue consists of revenues from the regional tax sector, regional levies, the results of regionally-owned companies, the results of separated regional wealth management, and other legitimate income. The purpose of Regional Original Revenue is to provide flexibility to regions in

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exploring funding sources for the implementation of regional autonomy as a manifestation of decentralization.

Balance Fund

The balance fund is a fund sourced from the State Budget allocated to the regions to fund regional needs in the context of the implementation of decentralization. Regional development is one of the regional needs that can be financed by the balance fund. So that regional development through capital expenditure is also influenced by the amount of balance funds received by the regions Open Unemployment Rate area (Hayatun Nufus & Jhon Andra Asmara, 2017).

Economic Growth

Economic growth is the development of activities in the economy that cause the goods and services produced in the community to increase (Sukirno, 2019). So that economic growth can measure the achievements of the development of an economy from one period to another. Economic growth shows the extent to which economic activities will generate additional income for the community in a certain period. Because basically economic activity is a process of using production factors to produce output, this process will in turn produce a flow of repayment to the production factors owned by the community

Inflation

Inflation is the process of increasing prices both in general and continuously (Sadono Sukirno, 2019). Market prices are related to the rate of inflation, where high inflation reflects high market prices, while market price stability indicates low inflation. Inflation is measured as the percentage annual increase from the general price level using the Consumer Price Index. It is important to note that inflation occurs when there is an increase in the price of goods and services in general, not just one particular good. Therefore, inflation reflects a broad increase in the prices of goods and services in the market (Abdullah & Hasbiullah, 2023).

DISCUSSION

This study uses a quantitative approach to assess the influence of independent variables consisting of local revenue, balance funds, economic growth, and inflation on



the dependent variable, namely capital expenditure in Malang Regency. The data used is secondary data from the Central Statistics Agency for the period 2009 to 2023. This study used multiple linear regression analysis to see the influence of independent variables on dependent variables over a 15 years period.

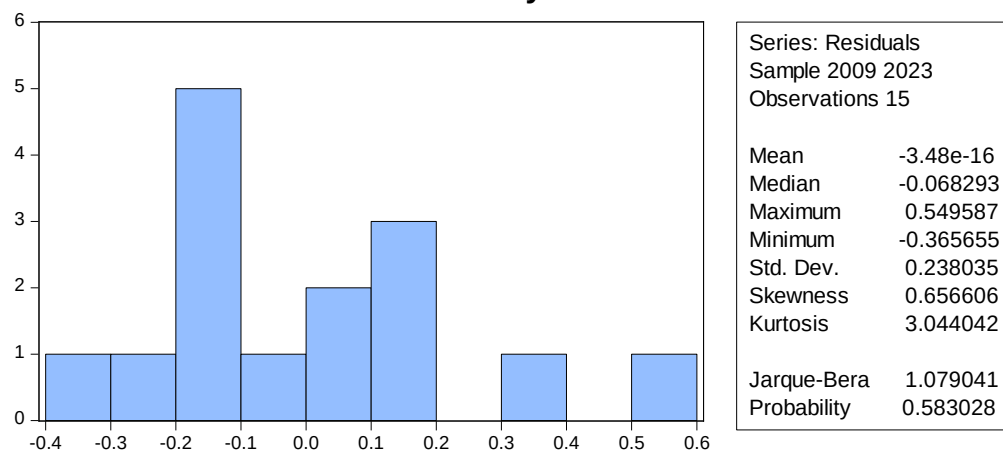
Classic Assumption Test (BLUE)

It is very necessary to test the classical assumption to find out whether there is a classical assumption problem in the multiple linear regression model used. In testing the regression model, of course, it can be said to be good if it meets several requirements for classical assumptions, including normality tests, multicollinearity tests, heteroskedasticity tests, and autocorrelation tests.

Normality Test

The test is carried out to see whether the data in the regression model has been distributed normally or not normally distributed. In testing, it usually uses the JB (Jarque-Bera) test. Decision-making in the ui, if the probability value of the JB calculation exceeds 0.05, it can be interpreted that the data has been distributed normally. Meanwhile, if the probability value of JB is less than 0.05, it can be interpreted that the data is not distributed normally

Table 1 Normality Test Results



Source: Data processed, 2024



Based on Table 1, it is explained that the results of the estimated probability value of Jargue-Bera are $0.583028 > 0.05$, which means that it has been distributed normally.

Multicollinearity Test

The multicollinearity test was carried out to test on the regression model if a high correlation between independent variables was found. The requirement in the multicollinearity test is that the VIF value produced is less than 10, which means that the selected independent variable does not have a multicollinearity problem.

Table 2 Multicollinearity Test Results

Variance Inflation Factors

Date: 09/25/24 Time: 14:51

Sample: 2009 2023

Included observations: 15

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	21.93307	4147.451	NA
PAD	0.170421	5376.651	1.424290
DP	0.595455	16797.69	1.788128
PE	0.001543	8.228351	1.364254
INF	0.001705	7.948504	1.503292

Source: Data processed, 2024

Based on table 2, it shows that the four independent variables have a VIF value of < 10 . So it can be concluded that this regression model does not occur multicollinearity.

Heteroscedastisity Test

The heterokedasticity test was carried out to find out whether in the regression model there was a difference in variance from residual in one observation to another. To find out the occurrence of heterokedasticity that appears, we can see the probability value of Chi-Square > 0.05 , meaning that there is no heterokedasticity problem.



Table 3 Heterokedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.382013	Prob. F(4,10)	0.8167
Obs*R-squared	1.988260	Prob. Chi-Square(4)	0.7379
Scaled explained SS	0.903130	Prob. Chi-Square(4)	0.9241

Source: Data processed, 2024

Based on the results in table 3, it is explained that the probability value of Chi-Square is $0.9241 > 0.05$ so that it can be concluded that the heteroscedasticity problem is free.

Autocorrelation Test

The autocorrelation test was carried out to find out whether there was a perturbation error in the regression model in a certain period compared to the previous period. In knowing whether or not there is an autocorrelation problem, you can use the Bruesch Godfrey test by looking at the probability of Chi-Square > 0.05 , meaning that there is no autocorrelation problem.

Table 4 Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.032505	Prob. F(2,8)	0.9681
Obs*R-squared	0.120910	Prob. Chi-Square(2)	0.9413

Source: Data processed, 2024

Based on the results in table 4, it is explained that the Chi-Square Probability value is $0.9413 > 0.05$, meaning that the autocorrelation problem is free.

Multiple Linear Regression Analysis

Multiple Linear Regression Analysis is a method carried out to determine the direction and how much influence is between independent variables and dependent variables. The regression equation obtained is useful for testing the influence of Regional Original Income, Balance Fund, Economic Growth, and Inflation on Capital Expenditure in Malang Regency. The following are the results of the regression test, namely:

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Table 5 Multiple Linear Regression Results

Dependent Variable: BM
 Method: Least Squares
 Date: 09/24/24 Time: 11:06
 Sample: 2009 2023
 Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.20578	4.683276	2.819775	0.0182
PAD	1.000306	0.412820	2.423103	0.0359
DP	-1.071617	0.771657	-1.388722	0.1951
PE	0.038029	0.039278	0.968199	0.3558
INF	-0.015077	0.041290	-0.365143	0.7226
R-squared	0.634951	Mean dependent var	13.14444	
Adjusted R-squared	0.488932	S.D. dependent var	0.393972	
S.E. of regression	0.281647	Akaike info criterion	0.564875	
Sum squared resid	0.793249	Schwarz criterion	0.800892	
Log likelihood	0.763436	Hannan-Quinn criter.	0.562361	
F-statistic	4.348404	Durbin-Watson stat	1.763494	
Prob(F-statistic)	0.027064			

Source: Data processed, 2024

Based on table 5, the model of the multiple linear regression equation is obtained as follows:

$$\text{Capex (Y)} = 13.20578 + 1.000306 X_1 - 1.071617 X_2 + 0.038029 X_3 - 0.015077 X_4 + e$$

Based on the regression results, a regression equation can be obtained that can be concluded, namely:

1. The constant value of 13.20578 means that if Regional Original Revenue (X1), Balance Fund (X2), Economic Growth (X3), and Inflation (X4) are constant, Capital Expenditure will increase by 13.20578.
2. The value of the regression coefficient of the Regional Original Revenue variable (X1) is 1.000306 which shows that it has a positive influence on Capital Expenditure (Y). This can be interpreted if every 1% increase in Regional Original Revenue will increase Capital Expenditure by 1.065140.
3. The value of the variable, regression coefficient of the Balance Fund (X2) is -1.071617, which indicates that it has a negative influence on Capital Expenditure (Y). This can be interpreted if every 1% increase in the Balance Fund will reduce Capital Expenditure by 1.071617.



4. The value of the regression coefficient of the Economic Growth variable (X3) is 0.038029 which shows that it has a positive influence on Capital Expenditure (Y). This can be interpreted if every 1% increase in Economic Growth will increase Capital Expenditure by 0.038029.
5. The value of the regression coefficient of the Inflation variable (X4) is -0.015077 which indicates that it has a negative influence on Capital Expenditure (Y). This can be interpreted if there is an increase in inflation by 1%, Capital Expenditure will fall by 0.015077.

Hypothesis Testing

Determination Coefficient Test (R^2)

The test was carried out to find out how large the free variable was in providing an explanation for the bound variable. In finding out the presetse value of the determination coefficient obtained, you can see the amount of the R-Square value.

Table 6 Determination Coefficient Test Results (R^2)

R-squared	0,634951
Adjusted R-squared	0,488932

Source: Data processed, 2024

Based on the results in table 6, it is explained that the R-squared value is 0.927386 which means that the variables of Regional Original Revenue, Balance Fund, Economic Growth, and Inflation in explaining the Capital Expenditure variable is 63% then the remaining 37% is explained by other variables outside this study.

Test F

The F test is a test used to determine whether or not there is a simultaneous influence between independent variables on dependent variables in a regression model. Independent variables are said to have a simultaneous influence on the dependent variable if it has a significance value of less than 0.05.



Table 7 Test Result F

F-statistic	4.348404
Prob(F-statistic)	0,027064

Source: Data processed, 2024

Based on the results listed in table 7, it can be seen that the F value is calculated as 4.348404 with a significance of $0.027064 < 0.05$, so it can be concluded that the independent variable has a simultaneous influence on the dependent variable.

Test t (Partial Test)

This test is aimed at seeing the influence between independent variables and bound variables through their level of significance.

Table 8 Test Results t

Variable	t-Statistic	Prob.
C	13.20578	0,0182
PAD	1.000306	0,0359
DP	-1.071617	0,1951
PE	0.038029	0,3558
INF	-0.015077	0.7226

Source: Data processed, 2024

Based on the table of t-test results, the following results were obtained:

a. Regional Original Revenue (X1)

The economic growth variable has a calculated t-value of 1.000306 with a significance value of 0.0359 smaller than the alpha level $\alpha = 0.05$ which means that the Regional Original Revenue variable has a positive and significant effect on Capital Expenditure.

b. Balance Fund (X2)

The Balance Fund variable has a t-calculated value of -1.071617 with a significance value of 0.1951 greater than the alpha level $\alpha = 0.05$ which means that the Balance Fund variable has a negative and insignificant effect on Capital Expenditure.



c. Economic Growth (X3)

The economic growth variable has a t-value of 0.038029 with a significance value of 0.3558 greater than the alpha level $\alpha = 0.05$ which means that the Economic Growth variable has a positive and insignificant effect on Capital Expenditure.

d. Inflation (X4)

The Inflation variable has a t-value of -0.015077 with a significance value of 0.7226 greater than the alpha level $\alpha = 0.05$ which means that the Inflation variable has a negative and insignificant effect on Capital Expenditure.

1. The Effect of Regional Original Revenue on Capital Expenditure

Based on the results of the data processing above, it can be seen that the Regional Original Revenue has a significance value of 0.0359 so that the Regional Original Revenue variable partially has a positive and significant influence on the Capital Expenditure of Malang Regency.

It can be said that with the increase in Local Original Revenue derived from taxes, levies, and other sources of revenue, local governments have more flexibility for budget allocation on urgent development projects such as road repairs, bridge construction, and other public facilities. This is very relevant considering that Malang Regency faces challenges in improving infrastructure to support community mobility and local economic development. With the increase in regional income, of course, it strongly supports sustainable development efforts and is responsive to the needs of the community.

The results of this study are in line with research conducted by (Darunnisa, 2024) which shows that Regional Original Revenue has a positive and significant influence on Capital Expenditure. This shows that capital expenditure is allocated in accordance with PAD revenue because the increase in PAD inadvertently encourages regional economic growth. As a result, this can improve the welfare of the community through the development of infrastructure and public facilities.

2. The Effect of the Balance Fund on Capital Expenditure

Based on the results of the above data processing, it can be seen that the Balance Fund has a significance value of 0.1951 so that the Balance Fund variable partially has a negative and insignificant influence on the Capital Expenditure of Malang Regency.



This is due to several things, including the allocation of the General Allocation Fund (DAU) is often used to meet routine spending needs, such as employee salaries and operational costs, which are considered more urgent than investment in infrastructure. This reduces the proportion of funds that should be allocated to long-term development projects. Then, thematic Special Allocation Funds (DAK) are sometimes not in line with specific regional needs and priorities. This discrepancy results in funds received being ineffective in encouraging relevant and sustainable capital expenditure. In addition, reliance on Revenue Sharing Funds (DBH) that depend on the performance of certain sectors can create uncertainty in budget planning, making local governments more cautious in allocating funds for capital expenditure projects.

The results of this study are in accordance with previous research conducted by (Pratiwi et al., 2023) stating that the Balance Fund does not have a significant influence on Capital Expenditure. This shows that the Malang Regency Government has been able to carry out regional autonomy independently without relying too much on the Balance Fund from the central government. Nevertheless, it is still necessary to conduct an evaluation related to the use of the Balance Fund to ensure its effectiveness.

3. The Effect of Economic Growth on Capital Expenditure

Based on the results of the data processing above, it can be seen that Economic Growth has a significance value of 0.3558 so that the Economic Growth variable partially has a positive and insignificant influence on Malang Regency Capital Expenditure.

This is because economic growth does not provide direct funds to the regions. Economic growth only shows the condition of the regional economy and does not provide regional income. Economic growth is not the main reference for the preparation of the APBD and Capital Expenditure in Malang Regency where there are a number of certain factors that affect such as paying attention to regional macroeconomic conditions and regional socio-political conditions. It can be said that growth has increased or decreased without affecting the size or size of capital in Malang Regency.

The results of this study are in line with research conducted by (Alpi & Sirait, 2024) which states that economic growth has no effect on expenditure allocation because economic growth does not provide direct funds to the regions. Economic growth only shows the condition of the regional economy and does not provide income to the region.



4. The Effect of Inflation on Capital Expenditure

Based on the results of the data processing above, it can be seen that Inflation has a significance value of 0.7226 so that the Inflation variable partially has a negative and insignificant influence on Capital Expenditure in Malang Regency.

This is if inflation increases creating economic uncertainty, which can make local governments tend to hold back spending on infrastructure projects. When project costs increase due to inflation, budget allocation for capital expenditure becomes depressed, especially if regional revenues do not increase commensurately. In addition, inflation can reduce people's purchasing power, which has an impact on regional tax revenues. With declining revenues, local governments will find it difficult to finance the necessary investments in infrastructure. Although inflation may affect certain components of capital expenditure, its impact is not significant enough to change the overall spending pattern in Malang Regency. This uncertainty makes the government's focus more on managing urgent needs than long-term investments in infrastructure.

The results of this study are in accordance with previous research conducted by (Enri Sutiawan & Rafi, 2023), stating that Inflation does not have a significant influence on Capital Expenditure.

CONCLUSION

This study aims to analyze the influence of Regional Original Revenue, Balance Fund, Economic Growth, and Inflation on Capital Expenditure in Malang Regency in 2009-2023. Based on the formulation of the problem, the objectives of the research, and the results of the analysis and discussion that have been discussed previously, several conclusions can be drawn as follows:

1. Regional Original Revenue (X1) with Capital Expenditure (Y) has a positive and significant effect in Malang Regency in 2009-2023. If the increase in PAD consistently encourages a larger allocation to Capital Expenditure, which reflects that the higher the revenue earned by the regions, the greater the ability of local governments to invest in long-term assets that support regional development. This positive influence shows the important role of PAD in increasing regional fiscal capacity to support economic growth and infrastructure development in Malang Regency.



2. The Balance Fund (X2) with Capital Expenditure (Y) has a negative effect that is not significant in Malang Regency in 2009-2023. This is because the main focus of the use of the General Allocation Fund (DAU) is more directed to routine spending, such as employee salaries and operations, thereby reducing the allocation for long-term infrastructure investment. In addition, the Special Allocation Fund (DAK), which is thematic, is often not aligned with the specific needs of the region, making its use less effective for Capital Expenditure. Reliance on Revenue Sharing Funds (DBH), whose performance depends on specific sectors, also creates uncertainty in budget planning, reducing the effectiveness of allocating funds for development projects.
3. Economic Growth (X3) with Capital Expenditure (Y) has a positive and insignificant effect in Malang Regency in 2009-2023. This is because Economic Growth does not provide direct funds to the regions, but only reflects the condition of the regional economy. This does not directly increase regional revenue and is not the main benchmark in the preparation of the APBD and Capital Expenditure in Malang Regency.
4. Inflation (X4) with Capital Expenditure (Y) has a negative and insignificant effect in Malang Regency in 2009-2023. This is if inflation increases creating economic uncertainty, which can make local governments tend to hold back spending on infrastructure projects.

To the Malang Regency Government, it is hoped that the results of this research can be used as evaluation material in the management of Regional Original Revenue, Balance Fund, Economic Growth and Inflation in Malang Regency. Local governments are also expected to continue to explore and maximize sources of Regional Original Revenue to support funding in improving the quality of public services. In addition, variables such as the Balance Fund, Economic Growth, and Inflation also need to be considered so that regional financial management is more effective and able to anticipate economic challenges, so that public services can continue to improve and be sustainable, especially in the local government of Malang Regency.



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