



Regional Expenditure is Determined by Regional Original Income, General Allocation Fund, and Excess Budget Calculation

Ahmad Tagar Alam¹, Indra Satriawan¹, Nurhasanah Nurhasanah¹, Hadi Winarko¹, Rita Martini^{1*}, Sandrin Artha¹, Dhisya Multhazani Lalambar¹

¹ Sriwijaya State Polytechnic, Palembang, 30139, Indonesia

tagaralam1409@gmail.com, indrasatriawan@polsri.ac.id, fatihfauziakbar@yahoo.co.id, hadiwinarko@polsri.co.id, ritamartini@polsri.ac.id

Abstract. Each region has the right to choose how to allocate resources to the regional budget the financing of regional requirements as part of the implementation of decentralisation. The source of the budget received by the local government can come from the original revenue of the region itself or from the balancing fund. This study tries to determine the impact of the contribution of regional original income (ROI), general allocation funds (GAF), the remaining excess of budget calculations on the contribution of regional expenditure of the provincial government throughout Sumatra consisting of 10 provinces from 2018 to 2022. The sample collection technique in this study is saturated sampling, namely 10 provinces in Sumatra. This study uses secondary data with data hypothesis testing tools using Statistical Product and Service Solutions software with version 26. Panel data regression tests are used by the author for analysis. The contribution of ROI and the contribution of GAF, the contribution remaining excess budget calculation has a significant positive influence on the contribution of regional expenditure.

Keywords: Allocation Funds, Budget, Expenditure, Regional Income

1 Introduction

One nation that upholds the decentralization of state administration is the Unitary State of the Republic of Indonesia [1]. In order to achieve rapid regional economic development and growth, Indonesia is implementing regional decentralization policies with the goal of creating more independent regions. It is assumed that this will lead to a more developed regional economy because local governments will have more authority to manage and regulate their own regions based on their unique potential and characteristics. [2], [3]. The central government will send balance funds, which include the general allocation fund (GAF), special allocation fund, and revenue sharing fund made up of taxes and other natural resources, to local governments so they may carry out their duties [1].

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One of the sources of regional funding for regional expenditure activities is regional original income (ROI); raising ROI will boost local government resources and independence, empowering local governments to spur economic growth and further develop regional potential [4]. ROI is the amount of money made in the area and subject to local taxes in accordance with legal limitations. The region's capacity to fund regional development initiatives is demonstrated by the significant role played by the regional revenue sector [5].

Each region has different potentials, needs, and resources, as well as the burden of different government functions [6]. This situation creates fiscal imbalances between regions. To balance the disparity of funding sources between the centre and the regions, an equalisation fund transfer is established, one of which is the GAF. GAF [5] is a fund provided from state income and expenditure budgets to equalise financial capability and cover regional needs during decentralisation implementation. Regions with high fiscal potential but minimal fiscal necessity receive a low GAF allocation. Regions with low fiscal potential but high fiscal need receive higher general allocations [7].

Apart from coming from ROI and GAF, local governments can also use the remaining budget of the previous year to finance local spending activities. The greater the EBC indicates a lack of accuracy in budgeting such as poor planning or weaknesses in budget execution [8]. EBC [9] is derived from exceeding ROI revenues, exceeding transfer revenue receipts, exceeding other valid local revenue receipts, exceeding financing revenues, saving expenditure, obligations to third parties have not been resolved as of the end of the year, nor have remaining funds, as a result of failure to meet performance targets and remaining financing outlay funds.

The use of appropriate budget allocations is predicted to increase the quality of expenditure by 40% [10]. Quality expenditure is defined as spending that is allocated based on regional development priorities and is completed efficiently and effectively, on schedule, and in a transparent and accountable manner. Regional development priorities certainly differ between regions depending on the conditions and needs of each region that need to be prioritised [11]. Regional expenditure [12] refers to all local government obligations that are recognised as a reduction in net worth during the fiscal year. This includes all expenditures from the regional general cash account that do not need to be repaid by the region, as well as other expenditures that are recognised as an increase in fund equity under laws and regulations, which is a regional obligation within one fiscal year. Regional expenditure includes operational, capital, unanticipated, and transfer expenditures [12]. Regional expenditure is classified into two types based on its form nature and function. Nature refers to the economy, and regional expenditure includes personnel and goods expenditures, subsidies, grants, and social assistance. Meanwhile, its functions include the building of homes and public utilities, health care, tourism, culture, religion, education, and social security [13]. Indirectly, regional expenditure is also used to evaluate whether or not the policies that have been taken in connection with the role of government are appropriate.

In this investigation, four hypotheses will be evaluated, both partially and simultaneously. ROI contribution affects the contribution of regional spending (H_1); GAF contribution affects the contribution of regional spending (H_2); EBC affects the

contribution of regional spending (H_3); and ROI, GAF, and EBC together affect the contribution of regional spending (H_4).

2 Research Methodology

This research employed a quantitative methodology. Quantitative research [14] is positivist study that is conducted on specified populations or samples utilising data collected using research tools. Data analysis is either quantitative or statistical, with the goal of describing and testing previously established theories.

Population [14] is a broad category of things or subjects with certain attributes and characteristics that researchers investigate and derive conclusions from. The population in this study are 10 provincial governments located in Sumatra, in the observation year starting from 2018 to 2022. The sample [14] is a measure of the population's size and characteristics. The sampling strategy utilised in this study is nonprobability sampling with saturation sampling type, which is a method of identifying the sample when all members of the population are used. Based on the regional income and spending budget summary issued by ten provinces, as seen in the regional revenue and expenditure budget realisation report, data was gathered from www.bpk.go.id [15]. After 5 years of monitoring, researchers collected samples from 10 provinces and analysed 50 units.

Data analysis processes involve categorising, tabulating, and presenting data from each variable evaluated. Calculations are used to reply to research problem formulations and to test the created hypotheses [14]. Using the SPSS application program, panel data regression tests were performed to investigate the impact of ROI contributions, GAF contributions, and remaining surplus budget calculation contributions on regional spending contributions.

3 Result and Discussion

Descriptive statistics [16] is the process of gathering, organising, summarising, and presenting data with the goal of making information more relevant, easy to read, and understandable to data users. However, just presenting a description or general description of the qualities of the object under investigation, with no purpose of generalising the sample to the population. The ROI contribution variable has a minimum value of 27.25 obtained from Bangka Belitung province in 2020, a maximum value of 29.61 obtained from South Sumatra province in 2022, an average ROI of 28.4375, and a standard deviation of 0.63374. The GAF contribution ranges from a minimum of 27.57 in 2020 to a maximum of 28.63 in 2019, with an average GAF of 28.0692 and a standard deviation of 0.28534. The contribution of the remaining excess budget calculation ranges from 24.09 in Bengkulu province in 2019 to 29.01 in Aceh province in 2020, with an average remaining excess budget calculation of 26.6152 and a standard deviation of 1.08827. The regional spending contribution has a minimum of 28.49 received from Bangka Belitung province in 2018, and a maximum of 30.39 achieved from Aceh province in 2019, with an average of 29.4531 and a standard deviation of 0.57831.

This study used multiple regression analysis with panel data to generate a representation of the effect of ROI contributions, GAF contributions, and remaining excess budget calculation on local spending contribution. The linear regression equation can be concluded:

$$RE = -7,687 + 0,506 ROI + 0,744 GAF + 0,070 REBC + e \quad (1)$$

If all independent variables have values of zero, the variable's contribution to regional expenditure will remain constant at -7.687. The ROI contribution coefficient variable's regression coefficient is 0.506. That is, if all other parameters remain constant and regional original revenue rises by 1%, regional expenditure's contribution rises by 0.506, assuming all other independent variables remain constant. The contribution of ROI and regional expenditure are positively related. This means that any rise in ROI will result in an increase in the value of regional expenditure. The GAF contribution coefficient of 0.744. That is, if all other parameters remain constant and GAF rises by 1%, regional expenditure's contribution climbs by 0.744, assuming all other independent variables remain constant. The contribution of GAF and regional expenditure are positively related. This means that any rise in GAF will result in an increase in the value of regional expenditure. The residual excess budget calculation contribution coefficient variable has a regression coefficient of 0.070. If all other factors remain constant and remaining excess budget calculation rises by 1%, regional expenditure's contribution rises by 0.070, providing all other independent variables remain constant. The contribution of remaining excess budget calculation and regional expenditure are positively related. This means that any rise in remaining excess budget calculation will result in an increase in the value of regional expenditure.

4 Conclusion

The contribution of ROI contributions, the contribution of GAF, and the contribution of remaining excess of budget calculations all have an impact on the contribution of regional spending on Sumatran provincial governments from 2018 to 2022. the contribution of ROI, the contribution of the GAF, the contribution of the remaining excess of budget calculations affect the contribution of regional spending on provincial governments in Sumatra.

It can be useful to provide advice to provincial governments regarding what influences the contribution of regional expenditure budget allocations. Another influence is to assist local governments in optimising, managing, and utilising the contribution of local revenue, GAF and the remaining over budget calculations to the contribution of regional expenditure. Optimal budget utilisation and management can encourage increased regional independence by increasing regional funding sources to high absorption for regional expenditure budgets and can be an evaluation material for the provincial government in setting policies, especially related to regional spending.

It is recommended that future researchers add other variables that are more complete and varied outside of this discussion and can take a period of more than 5 years so that

it is expected to improve the quality of research results and reflect conditions that can affect the contribution of regional spending. Other factors include special allocation funds, special autonomy funds, revenue sharing funds, and gross regional domestic product.

Authors' Contributions

Ahmad Tagar Alam: conceptor, methodology, analysis and writing-editing, Indra Satriawan: data curation, investigation, writing. Nurhasanah and Hadi Winarko: validation, writing-review. Rita Martini: contributed to scientific publication and writing-editing. Sandrin Artha and Dhisya Multhazani Lalambar: collecting and data analysis.

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