The Influence of Financial Performance Dimensions on Local Government Capital Expenditure Allocation

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Abstract

The purpose of this research is to analyze and to know the effect of degrees of decentralization, financial dependency, financial independence, effectiveness of GDP and the degree of contribution of BUMD to the allocation of capital expenditures of Gowa Regency. This research uses explanatory research, which aims to test and obtain empirical evidence of the direct effect of financial performance on the allocation of regional government capital expenditures of Gowa Regency in 2002 until 2016. The data source used is secondary data using multiple linear regression method that is the method of analysis for more than one independent variable. Based on the test results found that the degree of decentralization and financial dependence have a negative and insignificant effect on the allocation of capital expenditure, financial independence has a positive and not significant effect on the allocation of capital expenditure while the effectiveness of GDP and the contribution of BUMD have positive and significant influence on the allocation of capital expenditure. Among the five independent variables, the most dominant effectiveness of GDP (X4) has an influence in the allocation of capital expenditure of the Gowa Regency Government compared to other variables.

Keywords: Degree of Decentralization, Financial Dependency, Financial Independence, GDP Effectiveness, Capital Expenditure Allocation

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1. Introduction

The political reforms that occurred in 1997 have replaced the centralized government public with a decentralized public. Reforms proclaimed its three fundamental principles, namely transparency, accountability, and democracy. Good regional financial management will affect the progress of a region (Koethenbuerger, 2011; van Wijhe et al., 2019). Regional financial management that is carried out economically, efficiently, and effectively or meets the principles of value for money and participation, transparency, accountability, and justice will be able to encourage economic growth. regional financial management not only requires reliable human resources but must also be supported by adequate regional financial capabilities (Jin et al., 2016). The amount of regional revenue can measure the level of ability of a region. Development activities and the local government indeed cannot be separated from regional financial management policies. Great fiscal authority in the era of decentralization largely determines the budget structure prepared by local governments (APBD). The substance of an APBD shows the effort or
seriousness of a regional government in managing regional finances, how much potential revenue will be explored, in which direction regional spending is focused, or where the budget deficit will be financed. From the structure and portion of regional spending, it can be seen that the trend in regional expenditures is inclined towards the administration of government and government apparatus or tends to the implementation of regional development (Adelina & Roxana, 2016; Roesel, 2017).

In preparing the budget, local governments must be creative and innovative, because in general, budgeting will face allocation problems. This allocation problem is mainly related to resources. With limited resources, local governments must be able to allocate the revenues obtained for productive regional expenditures. Regional expenditures are estimates of the burden of regional expenditures that are administered fairly and equitably to be relatively enjoyed by all community groups without discrimination, especially in public services (D’Inverno et al., 2021; Sangha et al., 2019; Tang et al., 2019). Capital expenditure is a figure that provides an overview of the efforts of local governments to improve their regional development. To encourage regional development and economic growth, local governments need to give a more significant portion of capital expenditures in the composition of regional expenditures. According to Adi (2006), the economic growth so far is primarily determined by the regional development spending factor. The development of infrastructure and public facilities can improve the quality of service to the community and can be an attraction for investors. This can provide opportunities for increasing regional per capita income and can encourage economic growth. The greater the capital expenditure allocation means the government is more severe in developing the region and prospering the community.

Gross Domestic Product (GDP) can be allocated for service activities to the public, which is one of the community’s expectations to the government in this era of fiscal decentralization (Abbott & Jones, 2021; Pan et al., 2020). One of the intended improvements in public services is the provision of a more significant proportion of capital expenditures. Capital expenditures made by local governments are also used to develop and improve infrastructure in the education, health, and transportation sectors so that the community also enjoys the benefits of regional development (Ramsbottom et al., 2021; Wu et al., 2017). The availability of good infrastructure is expected to create efficiency and effectiveness in these various sectors, increase community productivity and ultimately increase economic growth. However, regional and city autonomy in Indonesia still creates new problems because it turns out that the potential of local governments is still very diverse. This is due to the different readiness of each region in the implementation of regional autonomy. Halim (2007) states that one of the tools to analyze the financial performance of local governments is to analyze the financial ratios of the APBD that have been determined and implemented. These financial ratios can be used to assess regional financial independence, in financing the implementation of regional autonomy, measuring efficiency and effectiveness in realizing regional revenues, measuring the extent to which local government activities spend their regional payments, measuring the contribution of each source of regional income, seeing growth or development. Revenue and expenses made during a certain period.

According to Mahmudi (2010), several financial ratios to measure government financial performance consist of Degree of Decentralization, Regional Financial Dependency Ratio, Regional Financial Independence Ratio, GDP Effectiveness Ratio, GDP Efficiency Ratio, Tax Effectiveness Ratio, Tax Efficiency Ratio, BUMD Contribution Degree. In addition, there is also an activity ratio for government organizations in the form of a spending compatibility ratio. Thus, this study aims to examine the effect of financial performance (percentage of degree of decentralization, regional economic dependence, financial independence, effectiveness of GDP, and degree of contribution of BUMD) on capital expenditure allocation. The agency theory perspective is the basis used to understand the issues of corporate governance and earning management (Charbel et al., 2013; Ullah et al., 2020). Agency theory results in an asymmetric relationship between owners and managers. To avoid this asymmetrical relationship, a concept is needed, namely the idea of Good Corporate Governance, which
aims to make the company healthier. Like state finances, regional finance also has a scope consisting of regional finances managed directly and regional assets separated. Included in regional finances that are directly managed are the regional revenue and expenditure budgets (APBD) and regional inventory items. On the other hand, the separated regional finance includes regionally owned enterprises (BUMD).

Permendagri No. 13 of 2006 mentions the notion of performance as the output/result of activities/programs that will be or have been achieved in connection with the use of the budget with measurable quantity and quality. Financial performance is a performance measure that uses financial indicators. Financial performance analysis is basically carried out to assess past performance by conducting various investigations to obtain a financial position representing the entity's reality and potential performance. According to Mardiasmo (2002), the measurement of local government financial performance is carried out to fulfill 3 (three) objectives: first, the measurement of public sector performance is intended to help improve government performance. Performance measures are designed to help the government focus on the goals and objectives of the work unit program. This will ultimately increase the efficiency and effectiveness of public sector organizations in the delivery of public services. Second, public sector performance measures are used for resource allocation and decision-making. Third, public sector performance measures are intended to realize public accountability and improve institutional communication. The local government's ability to manage finances is stated in the Regional Revenue and Expenditure Budget (APBD), which directly or indirectly reflects the provincial government's ability to finance the implementation of government tasks, development, and social services community. According to Mahmudi (2010), several financial ratios to measure government financial performance consist of Degree of Decentralization, Regional Financial Dependency Ratio, Regional Financial Independence Ratio, GDP Effectiveness Ratio, GDP Efficiency Ratio, Tax Effectiveness Ratio, Tax Efficiency Ratio, BUMD Contribution Degree. In addition, there is also an activity ratio for government organizations in the form of the expenditure Ratio.

According to Law Number 32 of 2004 Article 7, decentralization is the transfer of government authority by the central government to autonomous regions within the Unitary State of the Republic of Indonesia. The above definition implies that decentralization provides more space for local governments to improvise in terms of utilizing regional resources and potential and policies oriented to regional needs, such as the implementation of routine tasks, public services, and increasing productive investment (capital investment) in the region. The degree of decentralization is calculated based on comparing the total Regional Original Revenue (GDP) and the total regional revenue (Mahmudi, 2010). The higher the contribution of GDP, the higher the regional capacity in implementing decentralization. Financial dependence is calculated by comparing the amount of transfer income with the total regional income. The higher this ratio, the greater the regional dependence on the central/provincial government. The ratio of regional financial independence (fiscal autonomy) shows the ability of the region to finance its government activities, development, and services to the people who have paid taxes and levies as a source of revenue needed by the province (Abbott & Jones, 2021; Edwards & Thames, 2007; Mironiuc et al., 2015). Regional financial independence is indicated by the size of the original regional income compared to regional income originating from other sources, such as central government assistance or loans. The ratio of regional financial independence describes the regional dependence on external funding sources. The higher the independence ratio, the level of regional reliance on external assistance (especially the central and provincial governments) is lower, and vice versa. The independence ratio also describes the level of community participation in regional development. The higher the independence ratio, the higher the community's involvement in paying provincial taxes and levies, which are the main components of local revenue. The effectiveness ratio describes the local government's ability to realize the planned GDP, compared to the target set based on the real potential of the region. The power of local governments to carry out their duties and functions is categorized as effective if the ratio achieved is at least one or 100%. However, the higher the effectiveness ratio, the better the local government's ability.
The greater the realization of GDP revenue compared to the GDP revenue target, it can be said that the more effective it is, and vice versa. The value of effectiveness is obtained from comparison as measured by the criteria for assessing financial performance (Budiarto, 2007). Suppose the percentage of financial performance above 100 percent can be said to be very effective. In that case, 90-100 percent is effective, 80-90 percent is quite adequate, 60-80 percent is less effective, and less than 60 percent is ineffective. The degree of contribution of BUMD is used to determine the level of assistance of regional companies in supporting regional income. This ratio is calculated by comparing provincial revenues from the results of regional wealth management, which are separated from total revenues from original regional revenues (Ramsbottom et al., 2015; Teker et al., 2016).

To reduce the fiscal gap between the government and the regions and between one area and another, the government allocates a portion of domestic revenue in transfers to areas consisting of the Balancing Fund and the Special Autonomy and Adjustment Fund. The Balancing Fund is a source of regional income originating from the APBN to support the implementation of the authority of provincial governments in achieving the objectives of granting autonomy to regions, namely significantly improving services and improving community welfare. The balancing fund consists of:

a. Revenue Sharing Fund is a fund sourced from the State Revenue and Expenditure Budget (APBN), which is allocated to regions based on a specific percentage figure to fund regional needs in the context of implementing decentralization, which consists of Tax Revenue Sharing Fund and Natural Resource Revenue Sharing Fund.

b. General Allocation Funds are funds sourced from the State Revenue and Expenditure Budget (APBN), allocated to regions in the form of block grants whose utilization is fully delegated to the regions. General allocation funds are earmarked for equitable distribution of financial capacity among areas to finance their expenditure needs in implementing decentralization (Ahmad Yani, 2002).

c. Special Allocation Funds are funds originating from the APBN, allocated to regions to help finance specific needs. The Special Allocation Fund is part of the balancing fund following Law no. 25 of 1999 concerning the financial balance between the Central Government and Regional Governments.

To support the pace of development programs in the regions, the central government provides the possibility for local governments to finance their development with funds from loans. Regional loans are a source of development financing that has been implemented in various regions in Indonesia. Regional loan funds are mainly used for productive investments, for example, in the agricultural, plantation, mining, and industrial development sectors, creating jobs in the regions. Thus, the primary purpose of using regional loan funds is to increase the income of the community's standard of living and carry out sustainable development. Other types of legitimate regional original income are provided for budgeting regional revenues that are not included in different kinds of GDP (provincial taxes, regional levies, and results of regional wealth management), which are detailed according to the object of income, including the proceeds from the sale of provincial assets that are not separated. Current account service; Interest income; Acceptance of claims for regional compensation; Receipt of commissions, discounts, or other forms as a result of the sale and procurement of goods and services by the regions and Receipt of profits from the difference in the exchange rate of the rupiah against foreign currencies. According to Government Regulation No. 71 of 2010, capital expenditures are regional government expenditures whose benefits exceed one budget year. They will increase regional assets or wealth and further increase routine expenditures such as maintenance costs in the operational expenditure group. In SAP, capital expenditures can be categorized into 5 (five) main categories, namely: Land capital expenditures. Capital expenditures for equipment and machinery. Building and building capital expenditures. Road, irrigation, and network capital expenditures. Capital expenditure on other fixed assets. The total value of expenditure capitalized into fixed assets is all expenditure incurred until the asset is ready for use or cost.
Ardini and Handayani (2011) wrote about the Effect of Regional Financial Ratios on Capital Expenditures for Public Services in the Perspective of Agency Theory (Studies in Regencies and Cities in Central Java). The results showed (1). The ratio of regional independence has no significant positive effect on the percentage of capital expenditures for public services. (2). Effectiveness Ratio and Previous Year's Budget Surplus (SiLPA) regional finances significantly affect the allocation of capital expenditures for public services. (3). The ratio of regional financial efficiency has a negative but significant effect on the distribution of capital expenditures for public services. Capital expenditure allocation are influenced by financial performance; capital expenditure allocation affects economic growth, and economic growth is indirectly controlled by regional financial performance (Le, 2020; Mishra et al., 2022; Turnovsky & Fisher, 1995). The results show that the allocation of capital expenditure is influenced by financial performance. The allocation of capital expenditures affects economic growth, and economic growth is indirectly controlled by regional financial performance. Good regional financial management will be shown by good financial performance as well. Financial performance will increase the allocation of local government capital expenditures to provide facilities and infrastructure needed by the community. A good percentage of capital expenditure will contribute to regional economic growth. Good financial performance is also expected to be used as an alternative tool to predict the contribution of local government budgets to regional economic development.

Following are the hypotheses based on the research model in this study:

H1: The degree of decentralization has a significant effect on the allocation of capital expenditures.
H2: Financial dependence has a significant effect on capital expenditure allocation.
H3: Financial independence has a significant effect on capital expenditure allocation.
H4: The effectiveness of GDP has a significant effect on the allocation of capital expenditures.
H5: The degree of contribution of BUMD has a significant effect on the allocation of capital expenditure.

2. Method

The population in this study is the semi-annual financial report of the Gowa Regency government, totaling 30. The sample of this study is the LKPD time series data in the form of the Regional Budget and the Gowa Regency Semester Budget Realization Report starting from 2002 to 2016. The types of data in this study are secondary data. The data was obtained from the APBD Realization Report document obtained from the Gowa Regency Regional Financial Management Agency. In this study, the data obtained were analyzed by statistical techniques using the software Statistical Product and Social Science (SPSS 24.0). In analyzing the data obtained, the method used is multiple linear regression. This method is used to see the effect of the independent variables that have been put forward with financial performance, with the following equation:
$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$

**Info:**
- $Y$ = Capital Expenditure Allocation
- $\beta_0$ = Constant
- $\beta_1$-$\beta_5$ = Regression coefficient
- $X_1$ = Degree of Decentralization
- $X_2$ = Financial Addiction
- $X_3$ = Financial autonomy
- $X_4$ = GDP Effectiveness
- $X_5$ = BUMD's Contribution Degree
- $e$ = Residual error

The independent variables in this study consisted of the degree of decentralization, financial dependence, financial independence, the effectiveness of GDP, and the degree of contribution of BUMD. The following is the operational definition of each independent variable used in this study: The degree of decentralization shows the degree of contribution of GDP to total regional revenues. The higher the GDP contribution, the higher the regional capacity in implementing decentralization. Financial dependence is calculated by comparing the amount of transfer income with the total regional income. The higher this ratio, the greater the regional dependence on the central/provincial government. Financial independence is the ability of the region to finance its government activities, development, and services to the GDP of the community who have paid taxes and levies as a source of income needed by the region. The ratio of regional financial independence is measured by comparing GDP with central, provincial transfers, and loans. GDP effectiveness is the ability of local governments to realize the planned GDP compared to the target set based on the real potential of the region. The effectiveness ratio is a comparison between the realized GDP and the GDP target. The degree of contribution of BUMD is used to determine the level of assistance of regional companies in supporting regional income. BUMD's Contribution Degree Ratio compares the revenue share of BUMD's profit with GDP revenue.

The dependent variable is the research variable that is measured to determine the magnitude of the effect or the influence of other variables. The extent of the effect is observed from the presence or absence, disappearance, enlargement, or changes in variations that appear due to changes in GDP of other variables. The dependent variable in this study is Capital Expenditure.

3. **Results and Discussion**

   **Statistical Result**

   Based on Figure 2, shown a graph plot where the GDP graph of the P-Plot image shows the dots following and approaching the diagonal line so that it can be concluded that the regression model meets the assumption of normality.

   ![Figure 2. Normality Test Result](image_url)

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Autocorrelation is the occurrence of a relationship between independent variables in which the connection is not allowed. Regression with two or more independent variables usually requires an autocorrelation test. The autocorrelation test in this study used the Durbin-Watson (DW) statistical test.

### Table 1. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adj R Square</th>
<th>Std. Error</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.574</td>
<td>.329</td>
<td>.190</td>
<td>4,39627</td>
<td>329</td>
<td>2,358</td>
<td>5</td>
<td>.071</td>
<td></td>
</tr>
</tbody>
</table>

Based on the results of table 1, it is known that the Durbin-Watson value is 0.071 for dL and dU values. The GDP table DW shows for significant 0.10 with n (amount of data) = 30 and k (number of independent variables) = 5. Obtained dL value is 1.14262, and the dU is 1.73860, so the value of 4-dU = 2.2614, it is concluded that there is no autocorrelation. The GDP multicollinearity test in this study was used because the GDP regression analysis contained an assumption that implied that the independent variables must be free from multicollinearity symptoms or there was no correlation between independent variables. If there is a correlation, there will be a problem of multicollinearity. The detection is by looking at the tolerance value and Variance Inflation Factor (VIF). If the tolerance value > 0.10 and VIF < 10, there is no multicollinearity. The heteroscedasticity test aims to test whether there is an inequality of variance in a regression model from the residuals of one observation to another observation. If the variance from the residual of observation to another observation remains, it is called homoscedasticity. If the variance is different, then it is called heteroscedasticity. A good regression model is one with homoscedasticity or no heteroscedasticity.

### Figure 2. Heteroscedasticity Test

Based on the Scatterplot output as shown in Figure 2, it can be seen that the dots are spread out and do not form a specific, clear pattern. So it can be concluded that there is no heteroscedasticity problem. GDP t statistical test shows how far the influence of one independent variable individually in explaining the variation of the independent variable. The t-value can be seen GDP table 2 below:

### Table 2. Regression Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of Decentralization</td>
<td>-5,562</td>
<td>-3,450</td>
<td>-0.817</td>
<td>.422</td>
</tr>
<tr>
<td>Financial Addiction</td>
<td>-0.025</td>
<td>-.056</td>
<td>-0.233</td>
<td>.818</td>
</tr>
<tr>
<td>Financial autonomy</td>
<td>4,250</td>
<td>3,263</td>
<td>.788</td>
<td>.439</td>
</tr>
<tr>
<td>GDP Effectiveness</td>
<td>.068</td>
<td>.549</td>
<td>2,420</td>
<td>.023</td>
</tr>
<tr>
<td>BUMD Contribution</td>
<td>.955</td>
<td>.401</td>
<td>2,101</td>
<td>.046</td>
</tr>
</tbody>
</table>

The test results on the Degree of Decentralization (X1) variable show that the t-count value is -0.817, and the significant level is 0.422. The results showed that the varying Degree of Decentralization (X1) had a negative
and insignificant effect on the allocation of capital expenditures (Y). Thus the proposed hypothesis is rejected. The test results on the Financial Dependency variable (X2) show that the t-count value is -0.233, and the significant level is 0.818. The results showed that the variable X2 (Financial Dependence) had a negative and insignificant effect on Y (Capital Expenditure Allocation). Thus the proposed hypothesis is rejected. The test results on the Financial Independence variable (X3) show that the t-count is 0.788, and the significant level is 0.439. The results showed that the financial independence variable (X3) had a positive and insignificant effect on the allocation of capital expenditures (Y). Thus the proposed hypothesis is rejected. The test results on the GDP Effectiveness variable (X4) show that the t-count value is 2.420, and the significant level is 0.023. The results showed that the GDP Effectiveness variable (X4) had a positive and significant effect on the Allocation of Capital Expenditures (Y). Thus the proposed hypothesis can be accepted. The test results on the variable Degree of Contribution of Regional Owned Enterprises (X5) show that the t-count value is 2.101, and the significant level is 0.046. The results showed that the variable Degree of Contribution of Regional Owned Enterprises (X5) had a positive and significant effect on the Allocation of Capital Expenditures (Y). Thus the proposed hypothesis can be accepted. As seen GDP table above. It can also be seen that the results of the multiple linear regression equation from this research model are:

\[ Y = 23.137 - 5.562 \times X1 - 0.025\times X2 + 4.250 \times X3 + 0.068 \times X4 + 0.955 \times X5 \]

A constant value (\(\beta_0\)) of 23.137% means that if there is no change in GDP, the variable degree of decentralization, financial dependence, financial independence, GDP effectiveness, and the degree of contribution of BUMD is worth 0. The capital expenditure allocation of the Gowa Regency is 23.137%. The regression value (\(\beta_1\)) of the degree of decentralization variable (X1) is -5.562%, meaning that if there is a 1% change in the degree of decentralization, then the capital expenditure allocation of the Gowa Regency Government will decrease by -5.562%. The regression value (\(\beta_2\)) of the financial dependence variable (X2) is -0.025%, meaning that if there is a 1% change in economic dependence, the capital expenditure allocation of the Gowa Regency Government will decrease by -0.025%. The regression value (\(\beta_3\)) of the financial independence variable (X3) is 4.250%, meaning that if there is a 1% change in regional financial independence, then the capital expenditure allocation of the Gowa Regency Government will increase by 4.250%. The regression value (\(\beta_4\)) of the GDP effectiveness variable (X4) is 0.068%, meaning that if there is a 1% change in GDP effectiveness, then the capital expenditure allocation of the Gowa Regency Government will increase by 0.068%. The regression value (\(\beta_5\)) of the BUMD contribution degree variable (X5) is 0.955%, meaning that if there is a 1% change in the degree of BUMD contribution, then the capital expenditure allocation of the Gowa Regency local government will increase by 0.955. F-test hypothesis testing is intended to see whether the independent variables significantly affect the dependent variable overall.

**Table 3. F-Test**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>227,825</td>
<td>5</td>
<td>45,565</td>
<td>2,358</td>
<td>.071</td>
</tr>
<tr>
<td>Residual</td>
<td>463,854</td>
<td>24</td>
<td>19,327</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>691,679</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the results of the ANOVA test, the calculated F value is 2.358 with a significant value of 0.071. This significant value of 0.071 is more than 0.10, so it can be concluded that all independent variables observed simultaneously (simultaneously) have a substantial effect on the dependent variable. Thus the regression model can explain the degree of decentralization, financial dependence, financial independence, the effectiveness of GDP, and the degree of contribution of BUMD simultaneously affect the allocation of GDP capital expenditure of the local government of Gowa Regency. The coefficient of determination of GDP in this study is intended to determine the magnitude of the structure of the Capital Expenditure Allocation, which is influenced by the independent variables. The decision-making of this test can be known by looking at the value of the coefficient of determination (R Square), where the higher the value of the coefficient of determination (R Square), the better the ability of the independent variable to explain the dependent variable.

**Table 4. Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.574*</td>
<td>.329</td>
<td>.190</td>
<td>4.39627</td>
<td>1.067</td>
</tr>
</tbody>
</table>
GDP model summary table processed with SPSS 24.0 shows that the coefficient of determination indicated by the R value Square is 0.190; this number means that around 19% of the variation in Capital Expenditure Allocation can be explained by variations of the five independent variables used in this study, namely: the degree of decentralization (X1), financial dependence (X2), financial independence (X3), GDP effectiveness (X4), and the degree of contribution of BUMD (X5) while the remaining 81% (100-19%) is explained by other variables outside the regression model, which is analyzed.

4. Conclusions

The results of partial hypothesis testing found that the degree of decentralization and financial dependence had a negative and insignificant effect on the capital expenditure allocation of the Gowa Regency Government. Financial independence has a positive and negligible impact on the capital expenditure allocation of the Gowa Regency Government. The results of partial hypothesis testing found that the effectiveness of GDP and the contribution of BUMD has a positive and significant effect on the allocation of capital expenditures for the Gowa Regency Government. The results of simultaneous hypothesis testing show that simultaneously the degree of decentralization, financial dependence, financial independence, the effectiveness of GDP, and the degree of contribution of BUMD has a positive and significant effect on the allocation of capital expenditure of the Gowa Regency Government. Among the five independent variables, the GDP effectiveness variable (X4) has the most dominant influence in allocating capital expenditures for the Gowa Regency Government compared to other variables. The local government of Gowa Regency must strive to improve regional financial performance because it can impact GDP; increasing the allocation of capital expenditure, which reflects regional development. The government should also be more observant in exploring regional potentials that can increase GDP to create independent regional finances following the objectives of regional autonomy. Transfer income from the central government, which is still quite large, is expected to be utilized and possibly finance operational and capital expenditures. As the executive party that compiles the APBD, the local government should pay more attention to the allocation of capital expenditures in the coming years, especially capital expenditures directly related to community needs, such as infrastructure development and facilities and infrastructure that can improve the quality of public services. Local governments must be bolder in setting local revenue targets for the following year, of course, they must also be based on the real potential of the region. The provincial government needs to study more deeply about the sources of local revenue that optimize their utilization, for example, by excavating the original cultural heritage of the region and places that can be appointed as tourism icons in the area. To obtain more comprehensive research results, you can add an observation or questionnaire methods for further research considerations and independent variables such as government policies. You can ask directly how the obstacles or problems are faced in optimizing local governments' financial performance to achieve the desired performance.

Reference


