

The Effects Capital Allocation on Financial Performance in Wamena Regency Government

Nunung Karyati ¹, Kaharuddin², Basse Faradiba³, Lukman Chalid⁴, Kartika⁵

^{1,2,5} Public Sector Financial Management Study Program, Universitas Amal Ilmiah Yapis Wamena, Papua, Indonesia

³ Department of Management, Faculty of Economic and Islamic Business, IAIN Pare-Pare, South Sulawesi, Indonesia

⁴ Department of Management, Faculty of Economic and Business, Universitas Muslim Indonesia, Makassar, Indonesia

ARTICLE INFO



Correspondence Email:
nunung.puteri@gmail.com

Keywords:

Net Income and SILPA, Legal Audit, Assessment, Supervision and Control, And Optimization Of Fixed Assets

ABSTRACT

The objectives of this study are: 1) To determine the effect of Net Profit on the allocation of capital on the financial performance of Wamena Regency, 2) To determine the effect of the Remaining Budget Calculation (SILPA) on the capital allocation on the Financial Performance of Wamena Regency, 3) To determine the effect of more influence between the remaining more calculations of Angga and Labara on the allocation of capital on the financial performance of Wamena Regency. Research on the relationship of Capital Allocation and Its Impact on Financial Performance in the Wamena Regency Government, so in this study using library research (library review) to see what should be done in managing capital allocation and its impact on performance. This research was conducted at the Regional Financial and Asset Management Agency of the Wamena Regency Government, the research period was two months. This time is used to obtain data and information from the object of research as well as other data relevant to this research, until the time to process the data to the preparation of research results. The results showed that the Net Profit and SILPA variables simultaneously had a positive and significant effect on the Analysis Affecting Capital Allocation and Its Impact on Financial Performance but not significantly on the level of Analysis Affecting Capital Allocation and Its Impact on Financial Performance in the Wamena Regency Government.

ABSTRAK

Tujuan dari penelitian ini adalah: 1) Untuk mengetahui pengaruh Laba Bersih terhadap alokasi modal pada kinerja keuangan Kabupaten Wamena, 2) Untuk mengetahui pengaruh Sisa Lebih Perhitungan Anggaran (SILPA) terhadap alokasi modal pada Kinerja Keuangan Kabupaten Wamena, 3) Untuk mengetahui pengaruh yang lebih berpengaruh antara Sisa Lebih Perhitungan Angga dan Labara terhadap alokasi modal pada kinerja keuangan Kabupaten Wamena. Penelitian mengenai hubungan Alokasi Modal dan Dampaknya Terhadap Kinerja Keuangan pada Pemerintah Kabupaten Wamena, maka dalam penelitian ini menggunakan penelitian kepustakaan (library research) untuk

melihat apa saja yang harus dilakukan dalam mengelola alokasi modal dan dampaknya terhadap kinerja. Penelitian ini dilakukan di Badan Pengelolaan Keuangan dan Aset Daerah Pemerintah Kabupaten Wamena, waktu penelitian selama dua bulan. Waktu tersebut digunakan untuk memperoleh data dan informasi dari objek penelitian serta data-data lain yang relevan dengan penelitian ini, sampai pada saat mengolah data sampai pada penyusunan hasil penelitian. Hasil penelitian menunjukkan bahwa variabel Laba Bersih dan SILPA secara simultan berpengaruh positif dan signifikan terhadap Analisis yang Mempengaruhi Alokasi Modal dan Dampaknya Terhadap Kinerja Keuangan tetapi tidak signifikan terhadap tingkat Analisis yang Mempengaruhi Alokasi Modal dan Dampaknya Terhadap Kinerja Keuangan pada Pemerintah Kabupaten Wamena.

INTRODUCTION

The management of local governments, both at the provincial and district and city levels, entered a new era in line with the issuance of Law No. 22/1999 and Law No. 25/1999 which regulate regional autonomy and fiscal decentralization. In its development this policy was renewed with the issuance of Law No. 32 of 2004 concerning local governments and Law No. 33 of 2004 concerning financial balance between the Central Government and Local Governments. This policy is a challenge and opportunity for local governments (pemda) because local governments have greater authority to manage their resources efficiently and effectively, especially in regional financial management. Funding for the devolved authority can be done in two ways, namely utilizing the potential of regional finances themselves and the central-regional and inter-regional financial balance mechanisms. The authority to utilize its own financial resources is carried out in the form of Regional Original Revenue (PAD), the main sources of which are local taxes, local levies, the results of the management of separated regional assets, and other legal PAD. Meanwhile, the implementation of financial balance is carried out through the Balance Fund, namely revenue sharing funds consisting of taxes and natural resources, the General Allocation Fund, and the Special Allocation Fund.

Performance measurement that comes from financial information, such as financial statements, is measured based on the budget that has been made (Mardiasmo, 2009: 123). Therefore, local government financial performance is important for local governments and external parties. Financial performance is one of the measures that can be used to ensure the ability of the region to implement the rules of financial implementation properly and correctly to maintain the desired service, where higher valuation is a demand that must be met so that external parties decide to invest in the region. Financial performance measurement data sourced from financial information measured based on the budget that has been made, can be the next program improvement in order to produce better and quality public services.

Based on the SILPA of the Wamena Regency Government during the 2001-2021 period, the average was 5.20 percent. The SILPA ratio in 2021 is 11.91 percent, this is due to savings in spending (Bapeda, 2012). The remaining budget surplus (SILPA) of the previous year is a financing whose utilization is limitative, including being used to fund the implementation of further activities at the expense of direct expenditure (Permendagri 13, 2006). Simamora (2014), the results of the study show that theoretically the remaining budget surplus affects the total future regional expenditure. Then Farel (2015), shows that SILPA has an effect on capital expenditure. However, Asmara (2010), who conducted research on the effect of SILPA on capital

expenditure allocations in Nangroe Aceh Darusalam Province, stated that SILPA had no effect on capital expenditure allocations.

According to Sucipto (in Prianto et al., 2017: 3) says financial performance is the determination of a certain measure that can measure the success of an organization or company in generating profits. Performance is an achievement that has been achieved by the company. Many tools are used to measure the company's financial performance, including ROI (Return On Investment), ROE (Return On Equity) and others which are part of the profitability ratio. Profitability can generally be interpreted as the company's ability to generate profits. The profit in question is the result obtained from the company's operational activities and is a benchmark in determining the company's financial performance.

According to Halim (2004: 73), capital expenditure is local government expenditure whose benefits exceed one fiscal year and will increase regional assets or wealth and will further increase routine expenditure such as maintenance costs in the operational expenditure group. Capital expenditures can also be summarized as expenditures made in the context of capital formation which are in the nature of adding fixed assets / inventories that provide benefits for more than one accounting period, including expenditures for maintenance costs which are in the nature of maintaining or increasing the useful life, increasing the capacity and quality of assets. Based on the capital expenditure allocation of the Wamena Regency Government during the period 2001-2021, the average was 20.50 percent. For this reason, in order to improve the welfare of the people in the regions, the central government urges local governments to continue to increase the percentage of capital expenditure by 30 percent (Directorate General of Regional Finance, Kemendagri, 2013). The increase in capital expenditure allocation is intended to encourage increased development which will become a reference for financial performance.

LITERATURE REVIEW

A company needs an analysis of financial statements to determine the company's ability to overcome financial problems and make quick and appropriate decisions. Through financial statement analysis, management can find out the financial position, financial performance, and financial strength of the company. Besides being useful for companies and their management, financial statement analysis is also needed by interested parties such as creditors, investors, and the government to assess the company's financial condition and the development of the company. The theoretical review used is the concept of farming, profit theory, cost theory, production theory, factors affecting farming. Irfan (2017) shows that the increasing land area, total production and farming costs, the income of farmers will also increase.

According to Mowen in Permana, (2012: 33) consumer satisfaction is the overall attitude towards a good or service after its acquisition and use. From the above understanding, it can be concluded that customer satisfaction in the context of visitors is a form of perception felt by consumers in buying a product both in the form of goods and services in accordance with consumer expectations to generate satisfaction. Financial management is an activity of planning, budgeting, examining, managing, controlling, searching for, and storing funds owned by an organization or company. According to Sutrisno (in Anisa, 2016: 90) financial management or often called spending can be defined as all company activities related to efforts to obtain company funds at a low cost and efforts to use and allocate these funds efficiently. According to

Martono and Hartijo (in Kaunang, 2013: 650) financial management, or in other literature called spending, is all company activities related to how to obtain funds, use funds, and manage assets according to overall company goals.

According to Harahap (in Leksono and Pudjowati 2015: 15) the profitability ratio describes the company's ability to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches and so on. Meanwhile, according to Kasmir (in Leksono and Pudjowati 2015: 15) the profitability ratio is a ratio to assess the company's ability to seek profit. The profitability ratio is used to measure the effectiveness of overall management which is addressed by the size of the level of profit obtained in relation to sales and investment. The better the profitability ratio, the better it illustrates the company's high profit-making ability. The financial performance of a company is a description of the activities carried out to achieve business goals in a certain period. According to Sucipto (in Prianto et al., 2017: 3) says financial performance is the determination of a certain measure that can measure the success of an organization or company in generating profits. Performance is an achievement that has been achieved by the company. Many tools are used to measure the company's financial performance, including ROI (Return on Investment), ROE (Return On Equity) and others which are part of the profitability ratio. Profitability can generally be interpreted as the company's ability to generate profits. The profit in question is the result obtained from the company's operational activities and is a benchmark in determining the company's financial performance.

Budget surplus (SILPA)

The financing structure consists of financing receipts and financing expenditures. Financing receipts can come from the sale of separated regional assets, domestic loans, and re-acceptance of loans that have been given by the local government to other parties. Meanwhile, financing expenditures can be in the form of the formation of reserve funds, local government equity participation, payment of principal on domestic loans, and loans to other parties. The difference between financing receipts and financing expenditures is called net financing. SILPA is the difference between surplus/deficit and net financing. SILPA can be used as an indicator of spending efficiency and government performance. SILPA is a positive category that comes from budget efficiency and over target revenue and negative SILPA because the available budget is not absorbed. Permendagri 13 of 2006 Article 57 paragraph (3) states that if the APBD is estimated to be in deficit, financing is determined to cover the deficit, which can be sourced from the remaining excess of the previous fiscal year's budget calculation, disbursement of reserve funds, proceeds from the sale of separated regional assets, receipt of loans, and re-acceptance of loans or receipt of receivables. Permendagri 3 Year 2006, Article 137 states that the remaining budget surplus (SILPA) of the previous year is a financing revenue used for: Cover the budget deficit if the realization of income is smaller than the realization of expenditure; Funding the implementation of further activities at the expense of direct expenditure; Funding other obligations that have not been resolved by the end of the fiscal year have not been settled.

Capital Expenditure

Capital expenditures made by local governments include the development and improvement of the education, health, transportation sectors, so that people enjoy the benefits of regional development. The availability of good infrastructure can encourage the creation of efficiency and effectiveness in various sectors, the productivity of the community is expected to increase. The government needs to facilitate various economic activities, one of which is by opening investment opportunities. Infrastructure development and the provision of various convenience facilities are carried out to increase investment attractiveness. With the availability of public service facilities, the community will be more active and passionate in working and the increased productivity of the community and investors in the region will have an impact on increasing PAD. Government Regulation No. 58/2005 states that capital expenditures are expenditures made to purchase/procure fixed assets and other assets that have a useful life of more than 12 (twelve) months to be used in government activities, such as in the form of land, equipment and machinery, buildings and buildings, networks, library books and animals.

Fixed assets owned by local governments because of capital expenditure are the main requirement in providing public services. To increase fixed assets, local governments allocate funds in the form of capital expenditure budgets in the APBD. Every year, fixed assets are procured by local governments in accordance with budget priorities and public services that have a long-term financial impact. According to PP No. 71 of 2010, capital expenditures are local government expenditures whose benefits exceed 1 fiscal year and will increase regional assets or wealth and will further increase routine expenditures such as maintenance costs in the operational expenditure group. Capital expenditure is used to acquire local government fixed assets such as equipment, infrastructure, and other fixed assets. How to get capital expenditure by buying through an auction or tender process. According to Halim (2004: 73), capital expenditure is local government expenditure whose benefits exceed one fiscal year and will increase regional assets or wealth and will further increase routine expenditure such as maintenance costs in the operational expenditure group. Capital expenditures can also be summarized as expenditures made in the context of capital formation which are adding fixed assets / inventories that provide benefits for more than one accounting period, including expenditures for maintenance costs which are maintaining or increasing the useful life, increasing the capacity and quality of assets.

Regional Financial Ratios

Kara (2012) suggests that financial analysis serves as a vehicle for the development of state finances. Without an evaluation of the country's financial condition and the results of operations, there is no possibility of making consistent planning. For this reason, financial analysis is also important for the public sector in terms of fulfilling the planning function. In the context of transparent, honest, democratic, effective, efficient, and accountable regional financial management, financial ratio analysis of regional expenditure revenues needs to be carried out (Mardiasmo, 2002). The parties concerned with local government financial ratios (Halim, 2007: 232) are: The executive party as a basis for preparing the next APBD; Central / provincial government as input in fostering the implementation of regional financial management; The

community and creditors, as parties who will participate in owning local government shares, are willing to provide loans or buy bonds.

Performance is a description of the level of achievement of the implementation of an activity program or policy in realizing the goals, vision, mission of the organization as outlined through the strategic planning of an organization. Performance can run well and increase if employees get salaries as expected, get training and development, a conducive work environment, get the same treatment, employee placement according to their expertise and there is feedback from the company. Motivation is formed from the attitude of an employee in dealing with work situations (Simanjuntak (2005) (Awaloedin et al., 2020). According to Mangkunegara (2013) in (Awaloedin et al., 2020), performance (work performance) is a result of the work achieved by a person in carrying out the tasks assigned to him based on skills, experience and seriousness and time. According to (P. A. Mangkunegara, 2011) states that the factors that affect performance include: Ability factor Psychologically, the ability (ability) of employees consists of potential ability (Intelligence Quotient) and reality ability (education). Therefore, employees need to be placed in jobs that are in accordance with their expertise; Motivation factor, motivation is formed from the attitude of an employee in dealing with work situations. Motivation is a condition that moves employees towards achieving work goals. Mental attitude is a mental condition that encourages a person to try to achieve maximum work potential.

From several opinions regarding performance, it can be concluded that performance is the result of work both in quality and quantity that a person has achieved based on targets that have been set in accordance with roles and responsibilities in the company. Basically, humans work also want to earn money to meet their needs. For this reason, an employee begins to appreciate hard work and increasingly shows loyalty to the company and that is why the company rewards employee performance by providing compensation. One way for management to improve work performance, motivate and improve the performance of employees is through compensation (Jackson, 2000) Compensation is often also called reward and can be defined as any form of reward given to employees in return for the contributions they make to the organization (Panggabean, 2002). According to Dessler in (Awaloedin et al., 2020) compensation has three components as follows: Direct financial payment in the form of salary, and intensive or bonus / commission; Indirect payment (indirect payment) in the form of benefits and insurance; non-financial rewards such as flexible working hours and a prestigious office.

RESEARCH METHOD

This research is a study that uses a quantitative approach. In general, the research design in this study is to use an associative research design, which is a study that looks for the relationship between one variable and another. This research is a case study in one of the local governments.

RESULTS AND DISCUSSION

1. Data Result

This chapter presents data on the development of profit, SILPA, capital expenditure and financial performance of the Wamena Regency Government from 2001 to 2021.

Table 1. Development of Net Income and SILPA against Capital Expenditure Allocation Southeast Sulawesi Province 2001-2021

Years	Capital Expenditure Allocation	SILPA to Allocation Capital Expenditure
2001	1,31	0,18
2002	1,34	0,11
2003	1,41	0,07
2004	1,44	0,10
1995	1,54	0,13
2006	1,32	0,07
2007	2,64	0,29
2008	2,20	0,38
2009	1,86	0,06
2010	2,02	0,02
2011	2,97	0,02
2012	2,72	0,19
2013	2,46	0,39
2014	4,17	0,41
2015	2,00	0,35
2016	2,92	0,13
2017	2,30	0,02
2018	4,91	0,02
2019	2,77	0,23
2020	2,14	0,60
2021	2,07	0,52

Source: BPKAD data processed (2022)

The data in Table 1 illustrates the development of Net Income against capital expenditure allocations from 2001 to 2021. In 2001, net income amounted to 1.31 and increased in 2005 to 1.32 then in 2017 it increased to 2.92 until in 2015 the fiscal space fell to 2.07. The average development of fiscal space on capital expenditure allocation is 2.33. This figure indicates that the trend of Net Income owned by the Wamena Regency government from 2001 to 2021 is increasing. This means that the higher the Net Income figure, it also shows that the flexibility of the government to use the budget for spending needs that really meet real needs is still quite large, especially for allocating capital expenditures, especially for infrastructure needs, is getting wider, in the sense that the government can still increase spending allocations, especially for capital expenditures, in order to improve services to the community.

The remaining budget surplus (SILPA) is a source of local revenue that comes from the remaining cash of the previous fiscal year. The data in Table 5.1 illustrates that the development of SILPA in Wamena Regency towards the allocation of capital expenditure shows a trend that tends to fluctuate from 2001 to 2021. The amount of SILPA to the allocation of capital

expenditure in 2001 was 0.18 and in 2006 it decreased to 0.07, then in 2011 it decreased to 0.02, increased to 0.13 in 2011, and in 2021 to 0.52. The small development rate of SILPA on the allocation of capital expenditure is because the SILPA amount during the period 2001 to 2021 fluctuates in a relatively small amount. This shows that the existing SILPA has not been able to fully encourage an increase in the allocation of capital expenditure.

2. Development of Capital Expenditure in Wamena Regency Capital expenditure is a budget expenditure used in the context of acquiring or adding fixed assets or other assets that provide benefits for more than one accounting period, and is one of the forms of direct government expenditure that has a direct relationship with government programs and activities, where the allocation of capital expenditure is based on regional needs for facilities and infrastructure, both for the smooth running of government tasks and for public facilities. The data in Table 5.2 illustrates that the amount of capital expenditure in Wamena Regency tends to fluctuate from 2001 to 2021, where capital expenditure in 2001 amounted to Rp.55,080,625,189 and continued to increase until 2011 to Rp. 102,450,320,000, but then decreased to Rp.43,488,760,000 in 2007, then increased to Rp. 238,027,543,343 in 2017, and in 2021 capital expenditure increased to Rp. 683,508,524,457.

Table 2. Capital Expenditure of Wamena Regency, 2001-2021

Year	Capital Expenditure (Billion Rupiah)
2001	55.080.625.180
2002	62.371.951.034
2003	64.663.306.348
2004	66.086.293.203
2005	86.083.820.390
2006	102.950.320.000
2007	43.488.760.000
2008	87.780.470.000
2009	92.772.590.000
2010	89.383.630.000
2011	75.617.490.000
2012	153.132.100.000
2013	174.660.850.000
2014	150.072.333.000
2015	305.969.283.263
2016	238.027.543.343
2017	341.367.452.911
2018	204.203.183.045
2019	430.716.881.967
2020	530.493.129.799
2021	683.508.524.457

Source: BPKAD (2022)

Table 2 shows the development of Wamena Regency's Financial Performance Local financial performance as measured by financial independence shows the ability of local governments to finance their own government activities, development and services to the community who have paid taxes and levies as a source of revenue needed by the government. The higher the level of independence means the higher the level of community participation in paying local taxes and levies which are components of local revenue.

2. Statistical Results

Normality Test

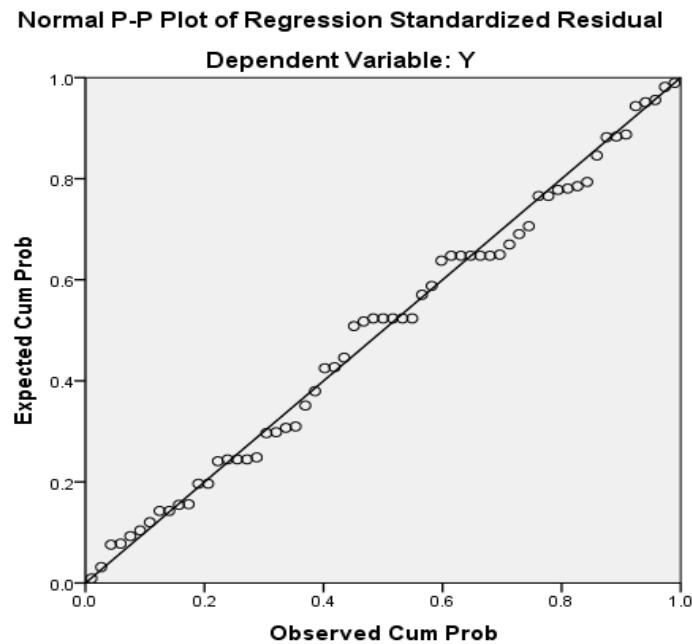


Figure 1. Normality Test

Normality testing has the aim of testing whether in the regression model, confounding or residual variables have a normal distribution. Based on the normality test Plot Graph, the data points follow the diagonal line, so it can be concluded that the regression model fulfills the normality assumption. In addition, the statistical test that can be used to test the normality of residuals is the Kolmogrov-Smirnov (K-S) nonparametric statistical test. Based on Table 5.6, it shows that the Kolmogrov-Smirnov value is 0.982 which is greater than the 0.05 required value so it can be concluded that the data is normally distributed.

Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables. Based on Table 3, it shows that the VIF value is $1.739 < 10$, so it can be concluded that the regression model does not occur multicollinearity, this means that the independent variables Profit (X1) and SILPA (X2) are not correlated.

Table 3. Multicollinearity Test Results

Model	Correlations			Collinearity Statistics	
	Zero-Order	Partial	Part	Tolerance	VIF
Profit (X1)	,940	,896	,612	,575	1,739
SILPA (X2)	,730	,455	,155	,575	1,739

Autocorrelation Test

The Autocorrelation test aims to test whether in the regression model there is a correlation between confounding errors in period t and confounding errors in period $t-1$ (previous). Autocorrelation arises because consecutive observations over time are related to each other. Based on Table 4 shows that the DW value of 1.947 is between -2 to +2, so it can be concluded that the regression model does not occur autocorrelation, this means that the independent variables Profit (X1) and SILPA (X 2) do not occur autocorrelation.

Table 4. Autocorrelation Test Results

Change Statistics					Durbin-Watson
R Square Change	F Change	df1	df2	Sig. F Change	
,908	89,009	2	18	,000	1,947

Coefficient of Determination (R Square)

Based on the results of data processing shown in Table 5 the R² (R Square) number is 0,908 or (90.8 percent). This shows that the percentage contribution of the influence of the independent variables (Net Income and SILPA) on the dependent variable (Capital Expenditure) is 90,8 percent, or the variation of the independent variables used in the model (Profit and Loss and SILPA) can explain 90.8 percent of the variation in the dependent variable (Capital Expenditure). While the remaining 9.2 percent is influenced or explained by other variables not included in this research model.

Simultaneous Regression Coefficient Test (F-test)

This test is used to determine whether the independent variables together (simultaneously) have a significant effect on the dependent variable, or to determine whether the regression model can be used to predict the dependent variable or not. Based on the results of data processing as shown in Table 4, it shows that the value of F-count = 89.009, while the Ftable value is 3.13, this means that F-count > F-table (89.009 > 3.13), which means that there is a positive and significant influence of the independent variables consisting of Net Income (X1) and SILPA (X 2) together (simultaneously) on the allocation of capital expenditure (Y1).

Partial Regression Coefficient Test (t-test)

Based on the results of data processing as shown in table 5.4, it shows that the t statistic of the Profit and Loss variable (X1) > the t-table value $\alpha = 0.05$ amounting to (8.570 > 1.734), the SILPA variable (X2) > the t-table value $\alpha = 0.05$ amounting to (2.171 > 1.734) which means that there is a positive and significant influence of the independent variables consisting of fiscal space (X1) and SILPA (X2) individually (partially) on the allocation of capital expenditure (Y1) Wamena Regency. While table 4 shows that the tcount value = 4.845 while the t-table value is 1.739, this means that t-count > t-table (4.845 > 1.739) which means that there is a positive and significant influence of the Capital Expenditure variable (Y1) on Financial Performance (Y2).

Estimation Results of the Effect of Independent Variables on the dependent variable

After describing the data for each variable, namely data on the development of Profit and Loss, SILPA, capital expenditure, Wamena Regency financial performance ratio, then the data is processed using the help of the SPSS version 21 data processing program with the Two Stage Least Square (2 SLS) method to see the effect of Net Income (X1), SILPA (X2) on Capital Expenditure Allocation (Y1) and its impact on Financial Performance (Y2). Southeast Sulawesi Provincial Government, and the results of data processing can be seen in table 4 and table 4 as follows: The results of data processing in table 5.4, show that the constant value of 6.082 states that if the Net Income variable, (X1) and SILPA (X2) are considered zero or nonexistent, then the average capital expenditure of Wamena Regency is 6.082. Based on the results of data processing as shown in table 4, it can be made the regression equation can be made as follows:

$$Y1 = 6.082 + 0.647 X1 + 0.105 X2$$

DISCUSSION

Referring to the results of the data processing above, then descriptive interpretation of the results is carried out by paying attention to the output of data processing and comparing with the results of previous studies. Interpretation of data processing will be more systematic and measurable if it is done by paying attention to the relationship between variables, then testing the suitability based on the theory or the results of previous research results as described in the previous chapter chapter with facts based on the processed data.

1. Results and implications of the effect of Profit on the allocation of capital expenditure in Wamena Regency

Based on the results of partial testing (t-test), it shows that there is a positive and significant relationship between Net Income and the allocation of capital expenditures in the government of Southeast Sulawesi Province, with a t-statistic value of 8.570, meaning that the hypothesis H1 is accepted, and a significance value of 0.000 with a regression coefficient of the fiscal space variable of 0.647. This shows that every 1 percent increase in the Net Income variable, the Capital Expenditure Allocation will increase by 64.7. This shows that every 1 percent increase in the Net Income variable, the Capital Expenditure Allocation will increase by 64.7. The results of this study are in line with research conducted by Hidayat (2019), and Huda (2021), which found a significant positive effect between fiscal space on capital expenditure allocation. This result also reflects that increasing the amount of Net Income will also be able to increase the allocation of spending. Net Income for capital expenditure is very important, because it will be able to stimulate the regional economy. The government is expected to make policies that can create a conducive economic climate, for this reason, Net Income is a part that must receive serious attention. The step taken is that the government must continue to encourage an increase in Net Income. To enlarge regional Net Income, local governments can do so through increased local revenue and budget efficiency. In the context of budget efficiency, local governments need to review what are the development priorities in their regions. Expenditures that are consumptive in nature but provide a small multiplier effect in the economy should be reduced or tightened again. Thus, expenditure allocations, especially capital expenditures, can be planned in accordance with development priorities in the regions.

In terms of agency theory, the management of regional net income can cause agency problems, especially in efforts to increase net income through spending efficiency. Expenditure efficiency efforts will certainly lead to conflicts between the parties who have an interest in it, in this case the executive and the legislature. If so, then the effort to increase Net Income will encounter severe challenges so that it will have an impact on the policy of allocating expenditure, especially capital expenditure. Agency theory also explains that there is opportunistic behavior. In public sector organizations, this kind of behavior will appear in the executive. This is shown through the large role of the legislature in making public policy, including in regional budgeting. The power possessed by the legislature results in the executive being under increasing pressure, this kind of pressure results in distorted budget outcomes in the form of allocating resources to the public that are not on target.

In terms of rational choice theory, it explains that how to choose actions that can maximize benefits or uses or that can satisfy their wants and needs or in other words maximize benefits and minimize costs. This theory explains a choice of actions taken by local governments in the formulation of public policies. Increasing revenues in various sectors, especially through increasing tax sector revenues or strengthening tax administration, and the effectiveness of budget use also support the creation of fiscal space. In this case, the planning and budgeting carried out by the Wamena Regency government as outlined in the APBD plays a very important role, so that the Wamena Regency government has a breakthrough to utilize the existing fiscal space to further increase the portion of the capital expenditure budget to increase infrastructure development.

2. Results and implications of the effect of SILPA on the allocation of capital expenditure in Wamena Regency.

Based on the partial test results (t-test), it shows that there is a positive and significant relationship between Net Income and the allocation of capital expenditures in the Wamena Regency government, with a t-statistic value of 2.171, meaning that the hypothesis H1 is accepted and significant at 0.044 with a SILPA variable regression coefficient of 0.105. This indicates that every 1 percent increase in the SILPA variable, the Capital Expenditure Allocation will increase by 0.105. This shows that every 1 percent increase in the SILPA variable, the Capital Expenditure Allocation will increase by 0.105. The results of this study are in line with the research of Simamora Sihar (2014), and Farel Rully (2015), which state that the Remaining Budget Calculation influences capital expenditure. However, these results contradict the research of Asmara Andra John (2010), which states that SILPA has no effect on the allocation of capital expenditures.

The low influence of SILPA on the allocation of capital expenditures is also due to the number of SILPA faithfully fluctuating in a relatively small amount. This result is also a reflection that the amount of SILPA at the end of the year is certainly one of the sources of financing in the following year to fund regional expenditures. If the SILPA is able to be used for expenditure in the relevant year, it provides an indication that the region is able to optimize the use of SILPA. This means that the SILPA obtained each year can increase the capital expenditure budget in the Net Profit government, due to the increase in revenue sources resulting from the remaining excess of an activity or budget carried out by the local government, so that the excess budget can be used to spend on assets or increase public service infrastructure in the following year. This shows that the Local Government has used SILPA for the implementation of local government programs / activities including public services. With the increase in the financing budget in the following year with the SILPA, the government can use it for infrastructure spending. SILPA from other activities can also be used to accelerate the completion of an activity

or project for public services. This is in accordance with the mandate of Permendagri 13/2012 which regulates the provisions for the use of SILPA, including stating that the remaining budget surplus (SILPA) of the previous year is a financing revenue used for:

1. Cover the budget deficit if the realization of revenue is less than the realization of expenditure;
2. Funding the implementation of further activities at the expense of direct expenditure;
3. Funding other obligations that have not been resolved by the end of the fiscal year.

In terms of rational choice theory, it explains that how to choose actions that can maximize benefits or uses or that can satisfy their wants and needs or in other words maximize benefits and minimize costs. This theory explains a choice of actions taken by local governments in the formulation of public policies, especially in determining the amount of capital expenditure allocations. If it is related to the allocation of capital expenditure, the local government has a choice of actions that must be taken with the SILPA formed in the previous year, namely choosing to allocate capital expenditure, where the government has a choice whether to provide good public services, then the SILPA formed in the previous year, the government needs to increase the amount of capital expenditure budget spent to provide good services to the community. However, if the local government prioritizes budget expenditures for other sectors, the government has the right to choose this option.

3. Results and implications of the effect of Capital Expenditure Allocation on the Financial Performance of Wamena Regency.

Based on the results of partial testing (t-test), it shows that there is a positive and significant relationship between the allocation of capital expenditure on financial performance in the government of Southeast Sulawesi Province, with a t-statistic value of 4,845, meaning that the hypothesis H1 is accepted and significant at 0.000 with a regression coefficient of the capital expenditure variable of 7,876. This shows that every 1 percent increase in the capital expenditure allocation variable will increase the Financial Performance by 7.876. The R-Squared value is 0.553, indicating that the relationship between capital expenditure and financial performance is quite strong, and there are 0.447 other factors that affect financial performance that have not been included in the research model. This shows that the allocation of capital expenditures realized can improve financial performance in terms of independence, namely in the form of an increase in local revenue which is a component part of local revenue. The low influence of capital expenditure allocations on financial performance in terms of financial independence indicates that realized capital expenditures have not been able to fully encourage an increase in financial performance in terms of financial independence. This is reflected in the average financial performance of the Southeast Sulawesi Provincial government in the period 2001 to 2021 of only 25.52%. For this reason, the government still must take various steps, especially in terms of allocating expenditure, including changing the composition of expenditure, so that it is expected to be able to encourage increased financial independence. These results are in line with the research of Handajajni & Anjani (2015), which states that realized capital expenditure will have a significant positive effect on the performance of regional financial independence, this condition reflects that the allocation of capital expenditure is one of the determinants of increasing regional financial performance. However, these results contradict Darwis (2015), which states that capital expenditure has a negative and significant effect on the level of Regional Financial Independence.

This result also reflects that capital expenditures allocated for the acquisition of fixed assets that can be used as a means of regional development, especially when focused on the development of infrastructure facilities and infrastructure that can directly touch the public, can increase the growth of regional financial performance, because capital expenditures are not only aimed at the development of industrial infrastructure, but also aimed at various service infrastructures that are directly related to the provision of services to the public, so that with the rapid development of development there will be an increase in regional independence in financing its activities, especially in financial terms. This is because, the higher the realization of capital expenditures that can directly touch the community, it will be able to stimulate the community in carrying out all activities and the wheels of the economy, and can increase its social and economic ability to pay a number of legitimate levies, which can increase the source of local government revenue, which in turn is expected to increase the independence of local governments, as well as reduce the fiscal pressure faced by local governments.

According to the theory of government spending, it is stated that what can change income is by investing. So, the government should invest through fiscal and monetary policies to encourage full employment, price stability, and economic growth. Capital formation is not only seen as an expenditure that will increase the ability of an economy to produce goods and services but will also increase the effective demand of the community, if a certain period of capital formation occurs, then in the following period the economy will have a greater ability to produce goods and services. In line with this, the APBD, which is an instrument of government fiscal policy to direct regional economic activities, through policies reflected in the composition of its expenditure, if it is related to the realization of the APBD, if the greater the realization of the APBD, especially the increase in capital expenditure, the greater the impact on the welfare of a region. This is in line with the government's efforts to encourage the acceleration of budget absorption by preparing various strategic steps that can encourage the creation of sources of regional income sources to further increase the level of regional independence, especially in the Wamena Regency Government.

CONCLUSION

This study aims to see how the influence of Net Income and SILPA on the allocation of capital expenditure and its impact on financial performance. After conducting research through data processing and analysis of each variable, the following conclusions were obtained:

1. Net Income has a positive and significant effect on the allocation of capital expenditure. This result shows that the Wamena Regency Government in determining the amount of capital expenditure allocation is also very dependent on the amount of fiscal space available. These results are also in line with Agency theory and Rational Choice Theory.
2. SILPA has a positive and significant effect on the allocation of capital expenditure. This is in line with Rational Choice Theory. These results prove that the higher the SILPA, the higher the allocation of capital expenditures, because the SILPA obtained each year can increase the capital expenditure budget, due to the increase in revenue sources from the remaining activities or budgets carried out by the local government, so that the budget can be used for spending on public service infrastructure in the following year.
3. Capital Expenditure has a positive and significant effect on the Financial Performance of Wamena Regency in terms of financial independence. These results are in line with the theory of government spending. This finding also shows that the higher the capital expenditure realized, especially the capital expenditure allocated to increase infrastructure development and facilities and infrastructure for public services, it will

also increase regional financial independence in the form of an increase in local revenue which is a component of regional income.

REFERENCE

- Abdullah, Syukri. 2011. Penilaian Kinerja Daerah. Blog Pribadi. <https://syukriy.wordpress.com/2011/11/29/penilaian-kinerja-keuangandaerah/>
- Abdullah, S. & Asmara, J.A, 2006. Perilaku Oportunistik Legislatif Dalam Penganggaran Daerah: Bukti Empiris atas Aplikasi Agency Theory di Sektor Publik. Makalah Simposium Nasional Akuntansi 9. Padang: 23-26 Agustus 2006
- Asmara, A J. 2010. Analisis Perubahan Anggaran Belanja Dalam Anggaran Pendapatan Daerah (APBA) Provinsi Nanggroe Aceh Darussalam. Jurnal Telaah Riset & Akuntansi.Vol.2 No,3 Tahun 2010.
- Agung, N.B. 2007. Strategi Jitu Memilih Metode Statistik Penelitian dengan SPSS, Penerbit ANDI.
- Arsyad, L. 2010. Ekonomi Pembangunan. Cetakan Pertama. Yogyakarta: UPP STIM YKPN..
- Buchanan, J.M. 1972. Towards Analysis of closed Behavioral system “ In Theory of Public Choice Political of Application of Economic. Ann Arbor MichiUniversity of Michigan Press
- Buchanan, J. M., & Tullock, G. 1962. The calculus of consent: Logical foundations of constitutional democracy. Vol. 100: University of Michigan Press.
- Budiarto, B. 2007. Pengukuran Keberhasilan Pengelolaan Keuangan Daerah.Seminar Ekonomi Daerah. Surabaya.
- Darwis, E.T.R. 2015. Pengaruh Belanja Modal dan Belanja Pegawai Terhadap Tingkat Kemandirian Keuangan Daerah pada Kabupaten/Kota Provinsi Sumatera Utara. <http://ejournal.unp.ac.id/students/index.php/akt/article/view/1605/1228>. Diakses tanggal 15 Februari 2016.
- Direktorat Jenderal Perimbangan Keuangan 2011. Deskripsi dan Analisis APBD 2011. Kementerian Keuangan Republik Indonesia.
- Direktorat Jenderal Perimbangan Keuangan 2014. Analisis APBD Tahun 2014 Diunduh tanggal 5 Juni 2016. <http://apbd-2014/2-buku/www.djpk.depkeu.go.id/ebook/buku/book/28-buku-diskripsi-dananalisis> Kementerian Keuangan Republik Indonesia.
- Eisenhardt, K. 1989. Agency Theory: An Assesment and Review. Academy of Management Review, 14. Hal 57-74.
- Farel, R. 2015. Faktor-Faktor yang Mempengaruhi Belanja Modal di Kabupaten Bogor. Jurnal Signifikan Vol.4.No.2 2015.
- Fahmi, Irham. 2010. Manajemen Kinerja: Teori dan Aplikasi. Bandung: Alfabeta.
- Ghozali, Imam. 2006. Aplikasi Analisis Multivariate Dengan Sess. Cetakan keempat.Badan Penerbit Universitas Diponegoro. Semarang.
- Greiling D. 2005. Performance Measurement in the Public Sector: the German Experience. International Journal of Productivity and Performance Management, (Online), Vol. 54 Iss: 7(<http://www.emeraldinsight.com/journals.htm?articleid=1523669&show=abstract>, diakses 21 Februari 2016).

- Handajani, L & Anjani D.S.E 2015 . Faktor Penentu Belanja Modal dan Konsekuensinya Terhadap Kinerja Keuangan Pemerintah Daerah di Nusa Tenggara Barat.Simposium Nasional Akuntansi Sumatera Utara,16- 19 Sepetember 2015.
- Halim, A. 2002 . Akuntansi Keuangan Daerah. Jakarta, Salemba Empat
- Haim , A. 2007. Akuntansi Sektor Publik:Akuntansi Keuangan Daerah Edisi Revisi .Jakarta Salemba.
- Halim, A. 2008 . Akuntansi Keuangan Daerah. Jakarta, Salemba Empat
- Hidayat, F. M. 2013. Pengaruh kinerja keunagan terhadap alokasi belanja modal studi dilakukan pada kabupaten dan kota di Jawa Timur.Jurnal Riset Akuntansi dan Bisnis.Vol.11 No.2 2013..
- Huda, S.A. 2015. Pengaruh Kinerja Keuangan,Fiscal Stress dan Kepadatan Penduduk Terhadap Alokasi Modal Di Nusa Tenggara Barat.Jurnal Assets,Vol5.No 2.2015
- Jensen,M & Meckling W.1976.Theory of The Firm:Mangerial Behaviour,Agency Cost And Ownership Structure.Journal Of Financial Economic 3:305- 360