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THE EFFECT OF ORIGINAL LOCAL GOVERNMENT REVENUE AND SPECIAL ALLOCATION FUNDS ON CAPITAL EXPENDITURE OF BANDUNG CITY IN 2008-2018

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Keywords: Regional Original Revenue(PAD), Special Allocation Funds(DAK), and Capital Expenditures(BM).

ABSTRACT

This study aims to determine whether partially and simultaneously local original income and special allocation funds affect capital expenditure in the city of Bandung in 2008-2018. The factors tested in this study are regional original income and special allocation funds as an independent variable, while capital expenditure as the dependent variable.

The research method used in this study is the explanatory method. The population in this study is the report of the realization of the Bandung City Government budget. The sampling technique used in this study is non probability sampling with a purposive sampling method, so the sample in this study is the realization report of the Bandung City Government budget for 11 years from 2008-2018. In addition, data analysis used in this study is multiple linear regression analysis at a significance level of 5%. The program used in analyzing data uses Eviews 9.

The results showed that partially the original regional income affected capital expenditure and special allocation funds affected capital expenditure. Simultaneously, regional own-source revenues and special allocation funds influence capital expenditure.

Keywords: Regional Original Revenue(PAD), Special Allocation Funds(DAK), and Capital Expenditures(BM).

INTRODUCTION

In Indonesia, the regional budget is included the Local Government Budget (APBD)the Local Government Budget is a political process which contains planning, revenue and expenditure in the coming one year period, either in the form of money, goods or services which are part of the plan by the Regional Government and will be discussed, approved and determined by the local

government or (DPRD)Regional Representative Assembly, based on applicable Local Regulations. The process of making Local Government Budget it must be in accordance with the prevailing regional autonomy and the Regional Government has the right to manage its finances based on the budget that has been made for one period as a guideline for the Regional Government.

Since the introduction of the regional autonomy policy to the one set forth in Law No. 23 of 2014 concerning the latest Regional Government. By implementing regional autonomy, the regional government gets the freedom to manage and allocate its resources effectively and efficiently to develop the potential of the region, the regional government needs to increase the budget. One of regional expenditures that needs to be considered by the regional government is capital expenditure. The sources of funds used to finance capital expenditure consist of Original Local Government Revenueand Special Allocation Funds(Ndede et al., 2016). In the interest of increasing regional income by involving the role of the community to be directly involved in the development process, improving welfare, equity and justice in accordance with the ideals of the Indonesian people.

Based on the Government Regulation No. 71 of 2010 concerning Government Accounting Standards refers to capital expenditure is a budget expenditure for fixed assets and other assets that provide benefits over one accounting period. Capital expenditure includes, among others, capital expenditure for the acquisition of land, buildings and buildings, equipment, and intangible assets. An indicator of the success of infrastructure development in an area can be seen from the amount of the regional budget itself. It can be seen from the capital expenditure, especially in capital expenditure in the regional budget which reflected in the Bandung City Government spending in the form of capital expenditure, which intended in an effort to provide public services. Based on previous research, conducted by researchers at Financial and Asset Management Agency of Bandung (Badan PengelolaanKeuangan dan Aset Kota Bandung/BPKA)researchers found several problems relating to the Capital Expenditure in Bandung, particularly in capital expenditure. For capital expenditure each year has a realization of fluctuating decreases and increases and does not reach the target for achievement each year. This is corresponding with data obtained from BPKAregarding the target and realization of capital expenditure in Bandung City in 2008 to 2018.

Table 1.1Targets and Realizations of Capital Expenditures in Bandung City In 2008 – 2018

Year	Budget	Realization	Percentage	Difference
2008	434.712.235.682,00	344.715.202.873,00	79,29 %	(89.997.032.809,00)
2009	527.278.492.974,00	390.988.308.073,00	74,15%	(136.290.184.901,00)
2010	649.706.612.517,40	405.699.482.843,00	62,22%	(244.007.129.674,40)
2011	721.027.735.640,59	612.081.890.549,00	84,89%	(108.945.845.091,59)
2012	1.039.746.735.667,26	806.665.039.823,00	77,58%	(233.081.695.844,26)
2013	1.429.167.838.243,00	1.064.845.440.308,00	74,50%	(364.322.397.935,00)
2014	1.607.514.078.873,00	971.440.599.331,00	60,43%	(636.073.479.542,00)
2015	1.908.650.351.654,81	1.287.802.827.811,00	67,47%	(620.847.523.843,81)
2016	1.995.568.170.865,53	1.254.021.785.263,00	62,84%	(741.546.385.602,53)

2017	1.420.262.999.917,74	918.875.016.069,00	64.69%	(501.387.983.848,74)
2018	1.524.463.659.063,76	1.049.696.223.623,00	68,85%	(474.767.435.440,76)

Source : APBD Summary of Realization Reports In 2008-2018 Bandung City Government (Processed).

Based on table 1.1 the capital expenditure absorption of Bandung City is still in ground-level, can be seen from 84.89% in 2011. In 2012 to 2018 it increased considerably from 84.89%. The uptake of government capital expenditure, which is still very low at the moment, will affect the overall welfare of the community.This low absorption of capital expenditure has negative implications for economic development and the provision of public infrastructure (Ndede et al., 2016). The lack of good planning and the low capability of the work program in Bandung City SKPD is also one of the problems related to capital expenditure. Moreover, can be seen from the phenomena that occur related to the impact of capital expenditure for Regional Representative Assemblyfrom PSI-PKB fraction (one of the parties in Indonesia), Erick Darmajaya said that it seen in terms of a relatively small portion of capital expenditure with goods and services expenditure, the Bandung City Government reduced the Capital expenditure ratio by 37 percent. In fact, if we look deeper, the infrastructure of capital expenditure actually correlates with economic growth and the addition of regional assets and the budget composition in the (R-APBD) draft local government budgetdoes not reflect the seriousness of the city government to tackle the fundamental problems experienced by Bandung citizens.Furthermore, the infrastructure spending only runs 3 percent. In fact, if it refers to Law No. 15 of 2017 concerning the 2018 TA Regional Budget, the value of infrastructure spending cannot be less than 25 percent of general transfer funds. (*portaljabar.net)*

In Law No. 32 ofconcerning central and regional governments explained that Original Local Government Revenue are sources of local government revenue originating from the region itself based on capabilities. The law states that one source of regional income is Original Local Government Revenue consisting of local tax proceeds, regional levies, separated regional wealth management results, and other legal PAD. The relationship between PAD and capital expenditure is a source of funding for capital expenditure budget. This can be seen from the responsibility of the local government to the community by providing convenience public services. The form of public services that the government provides to the community by providing adequate facilities or infrastructure where the procurement of infrastructure facilities or infrastructure is financed from the APBD. (Susanti & Fahlevi, 2016).

Table 1.2Targets and Realizations of Original Regional Income in the City of Bandung
In 2008 – 2018

Year	**Budget**	**Realization**	**Percentage**	**Difference**
2008	338.376.369.006,00	314.627.155.412,30	92,98%	(23.749.213.593,70)
2009	369.137.442.213,08	360.152.627.690,00	97,56%	(8.984.814.523,08)
2010	416.030.066.849,00	441.863.068.294,00	106,29%	25.833.001.445,00

2011	719.988.881.243,00	833.254.175.288,00	115,73%	113.265.294.045,00
2012	933.920.994.572,00	1.005.583.424.429,00	107,67%	71.662.429.857,00
2013	1.407.759.106.133,00	1.442.775.238.323,00	102,48%	35.016.132.190,00
2014	1.808.509.055.075,00	1.716.057.298.378,00	94,88%	(92.451.756.697,00)
2015	2.066.246.830.526,00	1.859.694.643.505,00	90,00%	(206.552.187.021,00)
2016	1.995.568.170.865,53	1.254.021.785.263,00	62,84%	(741.546.385.602,53)
2017	3.015.836.590.302,00	2.578.457.420.885,00	85,49%	(437.379.169.417,00)
2018	3.397.309.517.811,00	2.571.591.786.199,00	75,69%	(825.717.731.612,00)

Source : APBD Summary of Realization Reports In 2008-2018 Bandung City Government (Processed).

Based on table 1.2 the uptake of Bandung's original regional income is still in the bottom, this can be seen from the largest absorption in 2011 as much as 115.73% while in 2012 to 2018 it has decreased considerably from 115.73%.

Law No. 33 of 2004 concerning Fiscal Balance between the Central and Regional Governments states that Special Allocation Funds, hereinafter Special AllocatioFunds sourced from (APBN) State Budget which are allocated to the Regions certain with and in accordance with national priorities. The regional government allocates funds in the form of capital expenditure budget in the APBD to add fixed assets.Utilization of Special Allocation Funds is directed at investment activities in the development, procurement, improvement and improvement of physical facilities and infrastructure with a long economic life, including the procurement of supporting physical facilities(Prastiwi, Ayu, Nurlaela & dan Chomsatu, 2016).Therefore, in an effort to improve the quality of public services, local governments should change the composition of spending. All this time, regional expenditure has been used for routine expenditures which are relatively less productive states that the use of expenditure should be allocated to productive matters, for example to carry out development activities. Utilization of Special Allocation Funds is directed at investment activities in the development, procurement, improvement and improvement of physical facilities and infrastructure with a long economic life, including the procurement of supporting physical facilities. The allocation of the Special Allocation Fund is expected to influence the allocation of the capital expenditure budget, because the Special Allocation Fund tends to add fixed assets owned by the government to improve public services.

Table 1.3
Targets and Realizations of Special Allocation Funds in the City of Bandung In 2008 – 2018

Year	Budget	Realization	Percentage	Difference
2008	8.166.000.000,00	8.166.000.000,00	100%	0,00
2009	45.609.771.000,00	45.609.771.000,00	100%	0,00
2010	63.544.800.000,00	51.515.510.000,00	81,06%	(12.029.290.000,00)
2011	59.077.400.000,00	44.307.900.000,00	74,99%	(14.769.500.000,00)
2012	37.047.460.000,00	37.047.460.000,00	100%	0,00
2013	67.312.530.000,00	67.312.530.000,00	100%	0,00
2014	63.607.140.000,00	47.705.355.000,00	75,00%	(15.901.785.000,00)
2015	32.198.800.000,00	17.709.340.000,00	55,00%	(14.489.460.000,00)
2016	822.262.082.000,00	455.654.078.000,00	55,41%	(366.608.004.000,00)

2017	423.866.199.000,00	345.608.315.944,00	81,53%	(78.257.883.056,00)
2018	58.969.042.000,00	39.228.791.268,00	66,52%	(19.740.250.732,00)

Source : APBD Summary of Realization Reports In 2008-2018 Bandung City Government (Processed).

Based on table 1.3 the initial research results of the Financial Management Agency and the assets of Bandung. The target and realization of the special allocation funds in Bandung City in 2008-2018, the high proportion of special allocation funds illustrates that regional revenues are highly dependent on financial assistance (transfers) of the central government. This fact does not reflect the emergence of independence as the aim of the implementation of regional autonomy, however in the long run this kind of dependency should be getting smaller.

Based on the description above the question arises whether the factors that influence the allocation of capital expenditure in Bandung City. In this case the factors being analyzed are Original Local Government Revenueand also the central government transfer funds in this case the factor being analyzed isSpecial Allocation Funds.

LITERATURE REVIEW

Local Expenditure

According to(Baldric Siregar, 2015:31)states regional expenditures are all expenditures from regional general cash accounts that reduce the budget balance more in one period of the fiscal year concerned that will not be repaid by the local government. Regional expenditure based the Minister of Home Affairs Regulation (Permendagri) was also issued No.13 of 2006)regarding regional financial management is grouped into direct expenditure and indirect expenditure.

a. Direct Expenditures are budgeted expenditures that are directly related to the implementation of programs and activities, namely personnel expenditure, goods and services expenditure, and capital expenditure.

b. Indirect expenditure is budgeted expenditure that is not directly related to the implementation of programs or activities, including revenue sharing, employee expenditure, social assistance expenditure, interest expenditure, subsidy expenditure, grant expenditure, financial assistance expenditure, and unexpected expenditure.

Capital Expenditure

In(Abdul Halim dan Muhamad Syam Kusuf, 2012:107)stated that capital expenditure is an expenditure for the acquisition of other assets that provide benefits over the accounting period.

(Baldric Siregar, 2015:167)mentioned that capital expenditure is an expenditure to procure fixed assets. In accrual basis accounting, expenses for obtaining fixed assets are categorized as fixed assets.

According to(Baldric Siregar, 2015:168)type of capital expenditures consists ofLand Capital Expenditure, Upgrades to Equipment Capital Expenditure, Buildings and Property Capital Expenditure, Roads, Irrigation, and Networks Capital Expenditure, and others Fixed Assets Capital Expenditure.

Original Local Government Revenue

(Nababan & Putra, 2018)stated that original local government revenueare incomes obtained from the regions in many sources within their own territory and collected based on regional regulations in accordance with the applicable laws and regulations. Sources of original local government revenueconsist of local taxes, regional retributions, income from management of separated regional assets, and other legitimate locally-generated regional income.

Special Allocation Funds

According to Law No. 23 of 2014 concerning Regional Government, the Special Allocation Funds, hereinafter referred to as Special Allocation Funds, is a fund sourced from APBN revenue allocated to certain regions with the aim of helping to fund special activities which are governmental affairs who has the authority of the regions.

***Relationship of Original Local Government Revenue to Capital* expenditure**

One source of regional expenditure financing is that Original Local Government Revenue is used, therefore the regional government optimally seeks to use all its regional potential to obtain an increase in PAD. This is done by the regional government in order to be able to finance the activities of the public service function for the community, therefore the regional government needs to budget capital expenditure from local expenditure to create facilities and infrastructure for the people in the region. With an increase in PAD, it is expected to significantly influence spending(Siantur & Putri, 2018).

Regional autonomy and fiscal decentralization expect local governments to have greater independence in regional finance. Therefore, the role of PAD largely determines regional financial performance. With the potential that is owned by each region is expected to be utilized to increase regional revenue. The regional revenue can be used to finance all of its obligations in running its government, including to be used in improving regional infrastructure(Pradana, 2017).

Based on the theoretical basis and some of the results of the above research, the researchers set the hypothesis as follows:

H1: Original Local Government Revenue has a significant effect on Capital Expenditure.

Relationship of Special Allocation Funds to Capital Expenditure

The balancing fund aims to create a financial balance between the central and regional governments as well as between regional governments. Special Allocation Funds as one form of balancing funds are funds intended to fund special activities that are regionally-related and are national priorities, in accordance with functions that are manifestations of governmental tasks in certain fields, particularly in the effort to meet the needs for service facilities and infrastructure basic society. The use of DAK is directed towards investment activities in the development, procurement, improvement,

improvement of physical facilities and infrastructure of public services with a long economic life. By directing the use of DAK for these activities, it is expected to improve public services realized in capital expenditure (Novianto & Hanafiah, 2015).

Arrangements for the use of special allocation funds allocated to fund physical needs with the aim of increasing facilities and infrastructure to support the rate of economic growth, in accordance with the mandate of the Minister of Finance Regulation, the regional government should be able to increase the allocation of infrastructure development spending higher with funding from the special allocation funds to be sure will have an impact on increasing the allocation of physical expenditure in the APBD which is accommodated in the type of capital expenditure (Siantur & Putri, 2018).

Based on the theoretical basis and some of the results of the above research, the researchers set the hypothesis as follows:

H2: Special Allocation Fund has a significant effect on Capital Expenditure.

The Relationship between Original Local Government Revenue and ***Special Allocation Funds to Capital expenditure***
Original Local Government Revenue, and Special Allocation Funds are sources of regional revenue used by regional governments to finance regional expenditures including capital expenditures made to local governments in order to provide public services to the public. Thus the role of PAD and DAK is quite important in the current local government.

Local governments need to regulate regional spending and focus on capital expenditure for regional development in the implementation of public services to the public. In this case, local governments need to optimize the use of local revenue sources including PAD and DAK. If an area occurs with an increase in PAD and DAK simultaneously it is expected to significantly influence capital expenditure(Siantur & Putri, 2018).

Based on the theoretical basis and some of the results of the research above, the researcher agrees with the following hypothesis:

H3: Original Local Government Revenueand Special Allocation Funds significantly influence capital expenditure.

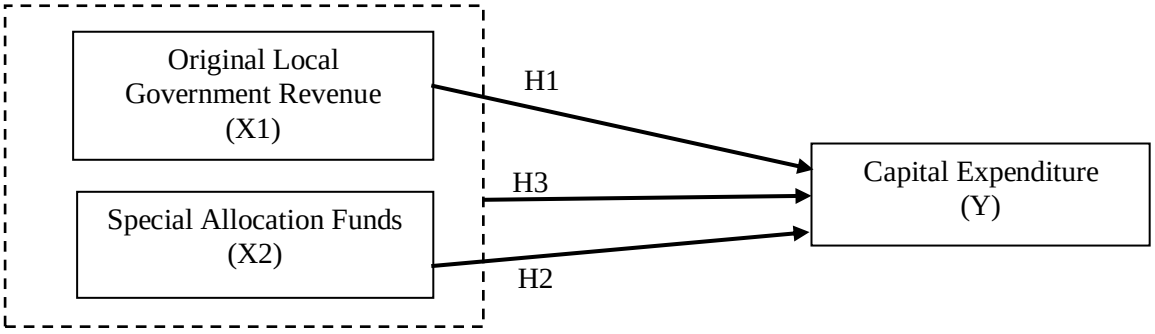


Figure2.1Conceptual Framework

METHODOLOGY

This study uses quantitative research. The dependent variable in this study is capital expenditure. Whereas the independent variable is original local government revenue and special allocation funds. The data source used in this study is secondary data in the form of the Realization of the Budget of the Bandung City Government in 2008-2018 obtained from the Financial and Asset Management Agency of Bandung City.

The population in this study is Summary of Realization Reports Bandung City Government in 2008-2018 that is in the form of real revenue realiation data, special allocation funds, and capital expenditure. The sampling technique used in this study is non probability sampling with a purposive sampling method, so the sample in this study is the realization report of the Bandung City Government budget for 11 years from 2008-2018. The research instrument used in this study is in the form of documentation carried out by collecting secondary data, recording and processing data related to this research. The research method used in this study is the explanatory method.

Data processing was done by using the Eviews 9. program by using descriptive statistical research eviews, the methods and steps for data analysis in research using Eview 9 do descriptive statistics where the classical assumption test produces the normality test, multicollinearity test, autocorrelation test and also heteroscedasticity test.

Where researchers do multiple linear analysis that produces regression models, T statistical tests, and F statistical tests. And conduct a Coefficient of Determination Test.

RESULT AND DISCUSSION

Research Findings

Research Overview

The objects in this study are original local government revenue, special allocation funds, and capital expenditure. The dependent variable in this study is capital expenditure. The independent variables in this study are local revenue and special allocation funds. The subject in this study was the Bandung City period 2008-2018.

Research Variable Descriptions

Descriptive Statistics

Descriptive analysis aims to find a picture of each variable used in research. Descriptive statistics used in this study include minimum, maximum, average values, standard deviations, skewness, and kurtosis. Based on the results of descriptive statistics testing the following results were obtained:

Table 5.1Descriptive Statistics

	PAD	DAK	BM
Mean	1.31E+12	1.05E+11	8.28E+11
Maximum	2.58E+12	4.56E+11	1.29E+12
Minimum	3.15E+11	8.17E+09	3.45E+11
Std. Dev.	8.16E+11	1.49E+11	3.43E+11
Skewness	0.329978	1.709414	-0.205038
Kurtosis	1.908570	4.169626	1.656993

Source: Eviews 9 Output Results

Based on table 5.1 above, the descriptive statistical test results can be explained as follows:

1. The variable of original local government revenue shows an average value of 1.31E+12. The maximum value of 2.58E+12 is in 2017. The minimum value of 3.15E+11 is in 2008. The standard deviation value is 8.16E+11. Skewness value of 0.329978. The value of kurtosis is 1.908570.

2. The variable special allocation fund shows an average value of 1.05E+11. The maximum value of 4.56E+11 is in 2016. The minimum value of 8.17E+09 is in 2008. The standard deviation value is 1.49E+11. Skewness value of 1.709414. The value of kurtosis is 4,169626.

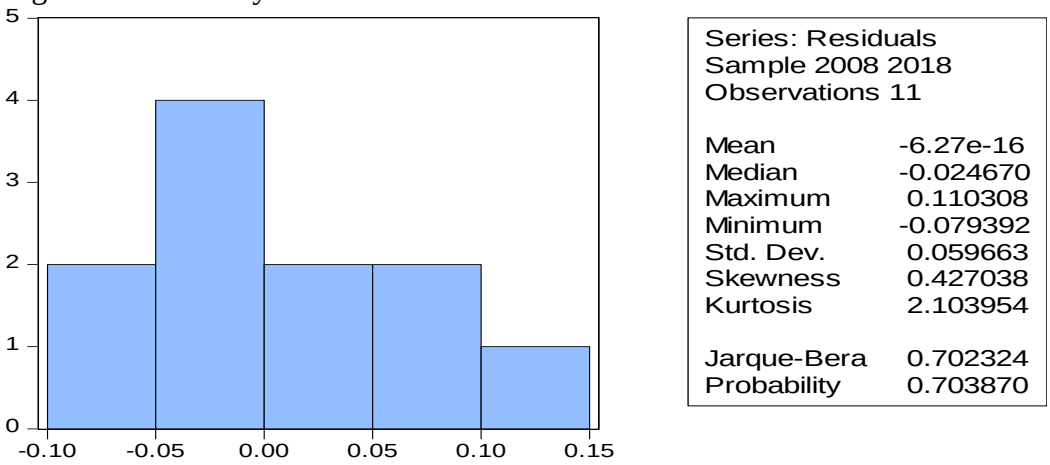
3. Variable capital expenditure shows an average value of 8.28E+11. The maximum value of 1.29E+12 was in 2015. The minimum value of 3.45E+11 was in 2008. The standard deviation value of 3.43E+11. Skewness value of -0.205038. The value of kurtosis is 1.656993.

Classical Assumption Testing

Normality Test

Normality test aims to test whether in the regression model, the dependent variable and the independent variable both have a normal distribution or not. Based on the results of normality testing using the *JarqueBera* test the following results are obtained:

Figure 5.1Normality Test



Source: Eviews 9 Output Results

Based on Figure 5.1 it can be seen the probability value or significance value obtained from the *Jarque-Bera* test of 0.703. Because the probability value in

the *Jarque-Bera* test is greater than the level of 5% (0.05), it can be concluded that the regression model is normally distributed, where the residual data distribution forms a normal distribution curve.

Multicollinearity Test

This test aims to test whether in the regression analysis model found a correlation between independent variables. A good regression model should not occur correlation between independent variables. Based on the results of multicollinearity testing using the Variance Inflation Factor (VIF) value, the following results are obtained:

Table 5.2Multicollinearity Test

Variance Inflation Factors			
Date: 05/23/20 Time: 02:35			
Sample: 2008 2018			
Included observations: 11			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.597174	1476.312	NA
PAD	0.006176	2207.039	1.495298
DAK	0.002676	763.2535	1.495298

Source: Eviews 9 Output Results

Based on table 5.2 the multicollinity test results above can be seen that the value of centered Variance Inflation Factors (VIF) shows the value of each variable is not more than 10 or <10. Therefore, it can be concluded that there is no multicollinearity between independent variables in the regression model.

Heteroscedasticity Test

Heteroscedasticity test aims to test whether the regression model occurs in variance inequality from residuals of one observation to another. If the variance of the residuals from one observation to another is fixed, then it is called homoscedasticity, and if the variance is different, it is called heteroscedasticity. Based on the results of heteroscedasticity testing using the white test obtained the following results:

Table 5.3Heteroscedasticity Test

Heteroskedasticity Test: White			
F-statistic	0.388103	Prob. F(2,8)	0.6905
Obs*R-squared	0.972889	Prob. Chi-Square(2)	0.6148
Scaled explained SS	0.284040	Prob. Chi-Square(2)	0.8676

Source: Eviews 9 Output Results

Based on table 5.3 the results of the heteroscedasticity test show the Obs*R-squared multiplication value of 0.972, then from the chi-square table at an error rate of 5% (0.05) and the degree of freedom 2 obtained a value of 5.991. If seen from the value of Obs*R-squared (0.972) shows the value is less than

the value of the chi-square table (5.991). Meanwhile, if seen from the chi-square probability value of 0.614 indicating a value greater than 5% (0.05), it can be concluded that there are no symptoms of heteroscedasticity in the regression model.

Autocorrelation Test

Based on the results of autocorrelation testing obtained the following results:

Table 5.4Autocorrelation Test

R-squared	0.919800	Mean dependent var	11.87623
Adjusted R-squared	0.899750	S.D. dependent var	0.210677
S.E. of regression	0.066705	Akaike info criterion	-2.350076
Sum squared resid	0.035596	Schwarz criterion	-2.241559
Log likelihood	15.92542	Hannan-Quinn criter.	-2.418481
F-statistic	45.87551	Durbin-Watson stat	1.652854
Prob(F-statistic)	0.000041		

Source: Eviews 9 Output Results

Based on table 5.4 the results of the autokoleration test show the Durbin-Watson number of 1.652. This value will be compared with the DW table with the number of observations (n) = 11, the number of independent variables (k) = 2 and the significance level of 0.05 in the value of dl = 0.758 and the value of du = 1.604. Because the DW value = 1.652 is above the value of du = 1.604 but below the value of 4-du = 2.339, i.e. (1.604 <1.652 <2.3396), because DW is between the value of du and 4-du (du <d <4-du) then the hypothesis which states there is no positive and negative autocorrelation in the regression model cannot be rejected.

Multiple Linear Regression Analysis

Based on the test results using multiple linear regression analysis obtained the following results:

Table 5.5Multiple Linear Regression Analysis

Dependent Variable: BM				
Method: Least Squares				
Date: 05/23/20 Time: 02:34				
Sample: 2008 2018				
Included observations: 11				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.829518	0.772770	6.249617	0.0002
PAD	0.445069	0.078589	5.663253	0.0005
DAK	0.158188	0.051727	3.058119	0.0156

Source: Eviews 9 Output Results

The regression equation model formed based on the results of the study are as follows:

$Y = 4{,}829518 + 0{,}445069\ X_1 + 0{,}158188\ X_2 + e$

From the regression equation model it can be explained as follows:

1. If the constant value of 4.829518 means that if the independent variable is a variable that is original local government revenueand special allocation funds, it is considered constant (0 value), then the dependent variable that is the capital expenditure variable will be worth 4.829518.

2. If the regression coefficient value of the regional income variable shows 0.445069, it means that if the original local government revenuevariable increases by (one) unit, while the other independent variable, namely the special allocation fund variable is considered constant (0 value), then the dependent variable is capital expenditure variable will experience an increase of 0.445069.

3. If the regression coefficient value of the special allocation fund variable shows 0.158188, it means that if the special allocation fund variable has an increase of (one) unit, while the other independent variable is the original local government revenuevariable is considered constant (0 value), then the dependent variable is the capital variable expenditure will experience an increase of 0.158188.

Hypothesis Test

Parsial Hypothesis Test (T Test)

Based on the partial results of hypothesis testing the following results are obtained:

Table 5.6Parsial Hypothesis Test (T Test)

Dependent Variable: BM				
Method: Least Squares				
Date: 05/23/20 Time: 02:34				
Sample: 2008 2018				
Included observations: 11				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.829518	0.772770	6.249617	0.0002
PAD	0.445069	0.078589	5.663253	0.0005
DAK	0.158188	0.051727	3.058119	0.0156

Source: Eviews 9 Output Results

Based on table 5.6, the results of partial hypothesis testing are as follows:

1. Based on the results of partial hypothesis testing in the regression model above, the significance value of the original local government revenuevariable is 0.0005 <0.05 (significant level of research significance). Besides that, it can also be seen from the results of the comparison between t-count and t-table that shows the t-count value of 5.663, while the t-table is 2.306. From these results it can be seen that t-count> t-table is 5.663> 2.306, it can be concluded that H_1 is accepted, meaning that partially the regional original income variable influences the capital expenditure variable.

2. Based on the results of partial hypothesis testing in the regression model above obtained the significance value of the variable special allocation funds of 0.0156 <0.05 (the significance level of research significance). Besides that, it can also be seen from the result of the comparison between t-count and t-table that shows the t-count value is 3.058, while t-table is 2.306. From these results it can be seen that t-count>t-table is 3.058> 2.306, it can be concluded that H_2 is accepted, meaning that partially the special allocation fund variable influences the capital expenditure variable.

Simultaneous Hypothesis Test (Test F)

Based on the results of simultaneous hypothesis testing, the following results are obtained:

Table 5.7Simultaneous Hypothesis Test (Test F)

R-squared	0.919800	Mean dependent var	11.87623
Adjusted R-squared	0.899750	S.D. dependent var	0.210677
S.E. of regression	0.066705	Akaike info criterion	-2.350076
Sum squared resid	0.035596	Schwarz criterion	-2.241559
Log likelihood	15.92542	Hannan-Quinn criter.	-2.418481
F-statistic	45.87551	Durbin-Watson stat	1.652854
Prob(F-statistic)	0.000041		

Source: Eviews 9 Output Results

Based on table 5.7 above, the results of simultaneous hypothesis testing obtained a significance value of 0,000, this value is smaller than the significance level of 0.05 (5%), which is 0.0000 < 0.05. In addition, it can also be seen from the results of the comparison between F-count and F-table which shows the value of F-count of 45.875 while F-table of 4.46. From these results it can be seen that F-count> F-table is 45.875 > 4.46, it can be concluded that H_3 is accepted, meaning that together or simultaneously the variable of original regional income and special allocation funds affect the capital expenditure variable.

Coefficient of Determination Test

Below will be presented the results of testing the coefficient of determination are as follows:

Table 5.8Coefficient of Determination

R-squared	0.919800	Mean dependent var	11.87623
Adjusted R-squared	0.899750	S.D. dependent var	0.210677
S.E. of regression	0.066705	Akaike info criterion	-2.350076
Sum squared resid	0.035596	Schwarz criterion	-2.241559
Log likelihood	15.92542	Hannan-Quinn criter.	-2.418481
F-statistic	45.87551	Durbin-Watson stat	1.652854
Prob(F-statistic)	0.000041		

Source: Eviews 9 Output Results

Based on table 5.8 above, the results of the determination coefficient test show that the R^2 value is 0.919 which means that the variability of the dependent variable is capital expenditure that can be explained by the independent variables namely original local government revenueand special allocation funds in this study amounting to 91.9% while the remaining 8.1% is explained by other variables outside the research model.

DISCUSSION

The Effect of Original Local Government Revenue toCapital expenditure

The results of the study showed that original local government revenue had a significant effect on capital expenditure. The results of this study are in line with the results of previous studies conducted by (Juniawan & Suryantini, 2018), (Susanti & Fahlevi, 2016), (Priambudi, 2017),(Siantur & Putri, 2018), (Ndede et al., 2016), and(Prastiwi, Ayu, Nurlaela & dan Chomsatu, 2016).The results of those research show that original local government revenue influenced capital expenditure. In addition, the results of this study are not in line with the results of previous studies conducted by (Tolu el al, 2016).The results of those research show that original local government revenue has no effect on capital expenditure.

The Effect of Special Allocation Fundsto Capital expenditure

The results showed that the special allocation funds had a significant effect on capital expenditure. The results of this study were in line with the results of previous studies conducted by (Juniawan & Suryantini, 2018), (Siantur & Putri, 2018), and(Ndede et al., 2016).The results of those research show that special allocation funds affected capital expenditure. In addition, the results of this study are not in line with the results of previous studies conducted by(Tolu el al, 2016), and(Prastiwi, Ayu, Nurlaela & dan Chomsatu, 2016).The results of those research show that special allocation funds do not affect capital expenditure.

The Effect of Original Local Government Revenueand Special Allocation Funds to Capital expenditure

The results showed that the original local government revenue and special allocation funds significantly influence capital expenditure. The results of this study are in line with the results of previous studies conducted by (Juniawan & Suryantini, 2018), (Siantur & Putri, 2018), and(Ndede et al., 2016).The results of those research show that original local government revenue and special allocation fund affected capital expenditure. In addition, the results of this study are not in line with the results of previous studies conducted by (Tolu et al , 2016). The results of those research show that original local government revenue and special allocation funds have no effect on capital expenditure.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the results of research and discussion in the previous chapters, the following conclusions are obtained:

1. The results of the study show that original local government revenuehas a significant effect on capital expenditure. The higher the original local government revenue, the higher the capital expenditure.

2. The results of the study show that special allocation funds significant influence capital expenditure. The higher the special allocation fund, the higher the capital expenditure.

3. The results of the study indicate that original local government revenueand special allocation funds significant influence capital expenditure. So the higher

the original local government revenue and special allocation funds, the higher the capital expenditure will be.

Recommendations

Based on the results of the study, the authors intend to submit several suggestions that are expected to be useful input for the parties concerned. The suggestions that researchers can convey based on the results of research that has been carried out are as follows:

1. Bandung City Government

a. Increase original local government revenueby increasing the performance of regional agencies or regional apparatuses in obtaining and increasing local tax revenues, regional user fees, the results of the management of separated regional assets, others legitimate PAD.

b. Increase the effectiveness of the use of special allocation funds to finance capital expenditure for regions that have the same program or related to the central government to show the policies or programs of the central government.

2. Increase capital expenditure allocation by increasing regional infrastructure development as a form of regional investment for the long term through increasing the value of the capital expenditure budget. In addition, it must be supported by effective local government performance in allocating the realization of capital expenditure so that local government goals can be achieved.

3. Next Researcher

a. It is recommended for further researchers not to focus only on the variables that exist in this study, but can add other variables outside of this study that if it has an influence on capital expenditure such as general allocation funds, profit sharing funds, and others.

b. It is recommended to be able to use other research samples such as Regional Governments of City / Regency in other Provinces and always use the research period with the latest year. These are intended to provide a broad and up-to-date picture of an area's capital expenditure allocation.

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