

**THE EFFECT OF REGIONAL TAXES, REGIONAL LEVIES, GENERAL ALLOCATION FUNDS, SPECIAL ALLOCATION FUNDS ON CAPITAL EXPENDITURES IN REGENCIES/CITIES IN WEST JAVA PROVINCE
2014 – 2021**

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ABSTRACT

This study aims to determine whether Regional Taxes, Regional Levies, General Allocation Funds and Special Allocation Funds affect Capital Expenditures in Regencies/Cities in West Java Province. The population and sample of this research are districts/cities in West Java Province. This study aims to analyze the effect of Regional Taxes, Regional Levies, General Allocation Funds, and Special Allocation Funds on Regional Expenditures. Regional expenditure has an important role in running the government system, namely to improve public welfare and as a form of good governance. In this study using multiple linear regression analysis using data obtained from the summary of the 2014 to 2021 regional budget realization reports with the SAP format published at the Central Statistics Agency of West Java Province. The results of the study partially show that Regional Taxes, General Allocation Funds and Special Allocation Funds have no effect on capital expenditures. Regional levies, and General Allocation Funds have a significant positive effect on Capital Expenditures. Meanwhile, regional levies have an effect on capital expenditures. Simultaneously, Regional Taxes, Regional Levies, General Allocation Funds and Special Allocation Funds affect Capital Expenditures.

Keywords: *Regional Tax, Regional Retribution, General Allocation Fund, Special Allocation Fund, Capital Expenditure*

A. Introduction

Regional autonomy has the essence and purpose of strengthening local democracy. The implementation of regional autonomy since 1999 also gives elected regional heads the authority to regulate and manage their respective regions. However, after almost 25 years of implementation, not all regions that were granted autonomy were able to improve services and the

welfare of their people. In fact, many regions are still very dependent on the central government. One of the powers granted by the Central Government is in financial management through the Regional Revenue and Expenditure Budget. The implementation of regional autonomy gives local governments the authority to explore the potential of regional financial resources followed by allocating resources to capital expenditures. The

explanation is in line with the regulations contained in PP No. 58 of 2005 confirms that local governments have the authority to allocate resources to capital expenditures. The higher the financial resources extracted, the local revenue will increase (Kuntandi et al., 2022)

Table 1 Distribution of expenditure allocations in Cities/Regencies in West Java Province

Year	Capital	Expenditures Personnel	Expenditures Goods and Services	Expenditures Total
2019	Rp. 7.621.110.804.74	Rp. 3.499.442.015.16	Rp. 25.884.334.985.35	Rp. 37.004.887.805.25
2020	Rp 2.315.824.731.42	Rp 3.562.935.736.76	Rp 24.544.691.615.57	Rp 30.423.452.083.75
2021	Rp 2.911.215.867.08	Rp 1.316.880.052.56	Rp 27.561.141.609.80	Rp 31.789.237.529.44

Budget allocation is currently the main problem being faced in terms of the public sector, while budget allocation is the sum of the allocation of funds in each regional program.

Table 2 Percentage of City and Regency Capital Expenditure allocation in West Java Province in 2019-2021

Year	Capital Expenditure	Total Expenditure	Percentage
2019	Rp. 7.621.110.804.74	Rp. 37.004.887.805.25	20.59%
2020	Rp. 2.315.824.731.42	Rp. 30.423.452.083.75	7.61%
2021	Rp 2.911.215.867.08	Rp 31.789.237.529.44	9.61%

According to Permendagri No. 27 of 2013 the allocation of capital expenditure is set at least 30%. Meanwhile, what happened in the City/Regency in West Java Province,

based on data from table 2, for the allocation of capital expenditures for 2019-2021 has never reached this provision and since the covid pandemic occurred, it has decreased drastically from 20.59% to 7.61% and slightly increased. in 2021 to 9.61%.

This condition illustrates how the district and city governments in West Java Province do not prioritize the allocation of spending for capital expenditures, even though these capital expenditures are directly felt by the community through the development of both infrastructure and public services.

The development of industrial infrastructure and providing facilities for increasing investment will have a positive impact by increasing Regional Original Income so that it can reduce the dependence of the Regional Government on the Central Government. Regional Original Income consists of regional taxes, regional levies, the results of separated regional wealth management, and other legitimate regional original revenues (Napitupulu & Malau, 2021). In Law no. 28 of 2009 concerning regional taxes and levies, it is stated that regional taxes are mandatory

contributions made by individuals or entities to the region without balanced direct compensation, which can be imposed based on applicable laws and regulations, which are used to finance the implementation of Regional Government and regional development. Regional taxes for each Regency/City can be seen from the Regional Original Revenues in the Realization Report of the Regional Revenue and Expenditure Budget. Sources of regional income include Motor Vehicle Tax, Motor Vehicle Transfer Fee, Motor Vehicle Fuel Tax, Surface Water Tax, and Cigarette Tax.

Regional levies are one of the important sources of regional income to finance the implementation of regional government and regional development. In Law no.28 of 2009 it is stated that regional retribution, hereinafter referred to as retribution, is a regional levy as payment for services or the granting of certain permits specifically provided or granted by the Regional Government for the benefit of individuals or entities. The ability of the regions to provide funding originating from the regions is highly dependent on the ability to realize these economic potentials into forms of

economic activity that are able to create revolving funds for sustainable regional development. Opinion (Simanjuntak & Ginting, 2019) states that Regional Taxes and Regional Levies have no effect on Capital Expenditures. The granting of authority from the Central Government to the Regional Government is balanced with the transfer of funds, facilities and infrastructure as well as human resources. The transfer of funds is in the form of a balancing fund, which consists of a Special Allocation Fund, a General Allocation Fund and a Revenue Sharing Fund which has been described in Law No. 33 of 2004 concerning financial balance between the Central Government and Regional Governments.

General Allocation Fund is a number of funds allocated to each Autonomous Region (Province and Regency/City) in Indonesia annually as development funds aimed at equalizing financial capacity among regions to fund the needs of Autonomous Regions in the context of implementing decentralization. In a study conducted by (Pratama et al., 2022) stated that the General Allocation Fund had an effect on Capital Expenditure.

Special Allocation Funds are funds sourced from the State Revenue and Expenditure Budget which are allocated to certain regions with the aim of helping to fund special activities which are regional affairs and in accordance with national priorities. The use of the Special Allocation Fund is more directed at investment activities. development, procurement, improvement, and repair of physical facilities and infrastructure with a long economic life, including the provision of supporting physical facilities, and excluding capital participation. With the allocation of the Special Allocation Fund, it is hoped that it will affect capital expenditure, because the Special Allocation Fund tends to increase the fixed assets owned by the government in order to improve public services. Research conducted (Kuntandi et al., 2022) states that the Special Allocation Fund has a positive and significant effect on regional capital expenditures. This research is also in line with research conducted by (Budiartha, 2017)

A lot of research on General Allocation Funds and Special Allocation Funds has indeed been done, by adding more to the previous

research variables, namely detailing the Regional Original Income variables into Regional Taxes and Regional Levies and accompanied by the use of the latest data, researchers want to know whether these new variables will affect spending capital and whether the results of this study are consistent with previous research or even provide new results. Based on this background, the title of this research is The Effect of Regional Taxes, Regional Levies, General Allocation Funds, and Special Allocation Funds on Capital Expenditures in Regencies/Cities in West Java Province for the period 2014 – 2021.

B. Method of Implementation

This research uses quantitative research. According to Sujarweni (2014:39) quantitative research is a type of research that produces findings that can be achieved (obtained) using statistical procedures or other means of quantification (measurement). Population is "a generalization area consisting of objects or subjects that become certain quantities and characteristics determined by researchers to be studied and then conclusions are drawn" (Erlina, 2011).

The population of this research is All Budget Realization Reports (LRA) Regional Revenue and Expenditures of West Java Province in 2015-2021.

Sampling is a saturated sampling technique, which in this study uses the population as a sample. Testing the research hypothesis using multiple linear regression analysis using SPSS 26

C. Result and Discussion

Based on statistical calculations, the data can be explained in the table below:

Tabel 3 Partial Test

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta			
1	(Constant)	-5265174232.492	.988		-2,803	.068
	Pajak Daerah	1,152	,381	,795	3,023	,057
	Retribusi Daerah	4,568	,967	1,331	4,722	,018
	DAU	,014	,052	,075	,270	,805
	DAK	-,159	,160	-,325	-,997	,392

a. Dependent Variable: Belanja Modal

a. The effect of local taxes on district/municipal capital expenditures in West Java Province

Using a significance level of 0.05, local taxes have a significance value of 0.057 > from 0.05, so it can be concluded that local taxes have no effect on capital expenditures

b. The effect of regional retribution on regency/municipal capital expenditures in West Java Province

Using a significance level of 0.05, regional levies have a significance value of 0.018 < 0.05, so it can be concluded that local taxes have an effect on capital expenditures.

c. The effect of general allocation funds on district/city capital expenditures in West Java Province

Using a significance level of 0.05, general allocation funds have a significance value of 0.805 > from 0.05, it can be concluded that general allocation funds have an effect on capital expenditures.

d. The effect of special allocation funds on district/city capital expenditures in West Java Province

Using a significance level of 0.05, special allocation funds have a significance value of 0.392 > from 0.05, it can be concluded that special allocation funds have no effect on capital expenditures.

Simultaneous Test

Tabel 4 F Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2365710450468	4	591427612617221	8,779	,043 ^b
		8845000,000		1200,000		
	Residual	2021081712678	3	673693904226013		
		039810,000		310,000		
	Total	2567818621736	7			
		6884000,000				

a. Dependent Variable: Belanja Modal

b. Predictors: (Constant), DAK, Pajak Daerah, DAU, Retribusi Daerah

The results of the F test in table 4 above, it is known that the significance value is 0.043, this means that using a significance level of <0.05 which means that Regional Taxes, Regional Levies, General Allocation Funds and Special Allocation Funds have an effect on capital expenditures in districts/cities in West Java province.

Coefficient of Determination

Test of the coefficient of determination is carried out with the aim of measuring the ability of the model to explain how the influence of the independent variables simultaneously affects the dependent variable which can be indicated by the *adjusted R - Squared value (Ghozali, 2016)*.

The coefficient of determination shows the extent to which the contribution of the independent variables in the regression model is able to explain the variation of the

dependent variable. The coefficient of determination can be seen through the value of R-square (R²) in the Model Summary table

Tabel 5

Coefficient of Determination

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,960 ^a	,921	,816	820788586,80

a. Predictors: (Constant), DAK, Pajak Daerah, DAU, Retribusi Daerah

b. Dependent Variable: Belanja Modal

From Table 5 above, the R Square result is 0.921, this shows that all independent/independent variables simultaneously have an effect of 92.1% on capital expenditures while 7.1% is influenced by other variables not tested in the study.

D. Conclusion

Based on the data and explanations above in this study, after statistical tests with the SPSS program were carried out which were then analyzed and discussed in the previous section, it can be concluded as follows:

1. Partially, local taxes have no effect on capital expenditure

2. Partially, regional retribution has an effect on capital expenditure
3. Partially, the general allocation fund has no effect on capital expenditure
4. Partially, the special allocation fund has no effect on capital expenditure.
5. Simultaneously local taxes, regional levies, general allocation funds, special allocation funds have an effect on capital expenditure.
6. The magnitude of the coefficient of determination in this study is 0.921, this indicates that all independent/independent variables simultaneously have an effect of 92.1% on capital expenditures while 7.1% is influenced by other variables not tested in the study.

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