Analyze the Effect of General Allocation Funds, Revenue Sharing Funds and Regional Original Income to Regional District Expenditure in North Sumatera Province

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Abstract: This research is intended to know the influence of the General Alocation Funds, Revenue–Sharing Fund, and regional original income to Regional District Expenditure and to detect the possibility of flypaper effect occurrences at Local Expenditure in Sumatera Utara Province. Population in this research is the regency/city in Sumatera Utara Province, and 33 of them were selected to be the samples for this research through purposive sampling technique. Estimates conducted by the multiple regression analysis. The data that were used in this study were secondary data, consisted of General Alocation Funds, Revenue–Sharing Fund, Regional Original Income, and Local Expenditure for the year 2011-2015. The results of this research, that General Alocation Funds, Revenue Sharing Funds and Regional Original Income simultaneously Receipt have a positive relationships to the Regional District Expenditure.

1 INTRODUCTION

Intergovernmental transfers are a common phenomenon that occurs in all countries in the world apart from the system of government and has even become the most prominent feature of financial relations between central and regional governments. The main purpose of the transfer implementation is to internalize fiscal externalities that arise across regions, improve taxation systems, correct fiscal inefficiencies, and fiscal distribution between regions (in Kuncoro, 2007: 2).

According to Brojonegoro and Vazquez (2005: 159): Balancing funds are regional funding sourced from the APBN consisting of Revenue Sharing Funds (DBH), General Allocation Funds (DAU), and Special Allocation Funds (DAK). In general, Revenue Sharing Funds (DBH) and General Allocation Funds (DAU) are classified into unconditional transfers or commonly referred to as unconditional transfers, while Special Allocation Funds (DAK) are classified as conditional transfers or commonly referred to as conditional transfers.

Basically, the transfer of central government to regional government can be distinguished on revenue sharing (revenue sharing) and assistance (grants). A lot of literature on economics and public finance explains a number of reasons why transfers from the central government to local governments are needed. There are at least five reasons that support the transfer from the center to the regions. These five reasons, according to Mulyana et. al. (2006: 32), namely maintaining or guaranteeing the achievement of minimum standards of public service throughout the country, besides the goal of the transfer is to reduce the horizontal financial gap between regions, reduce the central-regional vertical gap, overcome the problem of the effect of inter-regional public services, and to create stabilization of economic activities in the area. The dominant role of transfers relative to local revenue in financing regional government spending actually does not provide good guidance for the government on the transfer flow itself. Transfer allocations in developing countries are generally more based on the aspect of spending but less attention to local tax collection capabilities. As a result, from year to year local governments always demand greater transfers

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from the center, rather than maximally exploring local taxes. This situation is also found in the case of district and city regional governments in Indonesia (Mulyana, 2006).

According to observers of regional autonomy, Mardiasmo (2002), new regions tend to rely on general allocation funds (DAU) and special allocation funds (DAK) from central government transfers without optimal efforts to find sources of local revenue (PAD). This condition reflects the lack of autonomy of an autonomous region. Even worse, it has not been proven to be independent, new proposals for new expansion have emerged.

The achievement of autonomous autonomy is a great hope from the regional government to develop the region based on their own capabilities and initiations. However, the fact is that from year to year that expectation is felt further away from reality. Facts that often occur at this time, the regions are too dependent on general allocation funds to finance their regional expenditure, without trying

Therefore, the demand to change the spending structure becomes stronger, especially in regions that experience low fiscal capacity (Halim, 2004). Regions with low fiscal capacity tend to experience strong fiscal pressure. This low capacity indicates a low level of regional independence. Regions are required to optimize the potential income they have and one of them is by giving a greater portion of regional expenditure to the sector

The change in expenditure allocation is also intended for the construction of various capital facilities. The government needs to facilitate various economic improvement activities, one of them is by opening investment opportunities. Infrastructure development and the provision of various facilities are carried out to increase the attractiveness of this investment (Supardi, 2008).

Efforts to improve the quality of public services, the Regional Government is obliged to allocate funds in the form of budget in the APBD to add fixed assets. This regional expenditure allocation is based on regional needs for facilities and infrastructure, both for the smooth implementation of government duties and for public facilities. So far regional spending has been used more for routine spending which is relatively less productive. Saragih (2003) states that the use of spending should be allocated for productive matters, for example to carry out development activities and government revenues should be more for public service programs. This opinion implies the importance of allocating expenditure for various public interests.

The facts above generally show that the fiscal behavior of local governments in responding to transfers from the central government is a major concern in supporting the effectiveness of transfers. Empirical evidence regarding local government responses to transfers and own income (taxes) has been widely discussed by several researchers, such as Kuncoro (2007) who examined the financial performance of local governments in Indonesia, the results showed that any increase in transfer allocations was followed by higher spending growth. This implies that the dependence of regional governments on transfers from the center will increase. Research conducted by Panggabean (2014), the results of the analysis are not different.

That is, when regional revenues come from transfers, the stimulus for the resulting expenditure is different from the stimulus that arises from regional revenues. When local governments respond (spend) more by using transfer funds rather than using their own abilities (income).

2 THEORICAL FRAMEWORK

1. Regional Expenditures

Based on Law Number 32 of 2004 Article 1 Paragraph 16, regional expenditure is all regional obligations that are recognized as a deduction of net worth in the period of the relevant fiscal year. The main regional financing sources in the framework of implementing fiscal decentralization consist of local revenues, balance funds, and regional loans. The financial relationship between the central and regional governments is principally more about the issue of power sharing. Especially the right to make decisions about the budget, namely how to obtain and spend it. Regional shopping is used in the framework of implementing government affairs that are the authority of the province or district / city, which consists of compulsory and optional matters that are determined by statutory provisions.

2. General Allocation Funds

General Allocation Funds - hereinafter referred to as DAU are funds sourced from APBN revenues allocated with the aim of equal distribution of financial capacity between regions to fund regional needs in the context of implementing decentralization (Law Number 33 of 2004, Article 1 paragraph 21). The total amount of DAU is set at least 26 percent of the domestic net income stipulated in the APBN. DAU is also intended to close the fiscal gap between regions in order to realize the independence of regional governments in carrying out their functions and duties in serving the community (Panggabean, 2014: 13)

3. Revenue Sharing Funds

Revenue Sharing Funds hereinafter abbreviated as DBH are funds sourced from the APBN allocated to regions based on certain percentage figures according to the realization of tax and non-tax revenues (natural resources), in order to fund regional needs in the context of implementing decentralization. The main purpose of DBH transfers is intended to reduce vertical imbalance between the central government and regional governments. DBH is a strategic balancing fund for regions that have central sources of revenue in their regions, including central tax revenues and revenues from natural resources. The regional portion of the tax and natural resources has been determined based on a certain percentage (Masdjojo and Sukartono, 2009: 37).

4. Regional Original Revenue (PAD)

Regional governments in financing their expenditures, in addition to using transfers from the central government, also use their own funding sources, namely Regional Original Revenue. According to Law No. 33 of 2004, Regional Original Revenue - hereinafter abbreviated as PAD, is regional income derived from the results of local taxes, the results of regional retribution, the results of the separated management of regional assets, and other legitimate PAD intended to provide flexibility to the regions in order implementation of regional autonomy as a manifestation of decentralization.

5. Thinking Framework The frame of mind is as follows

6. Hypothesis

The hypothesis is a temporary answer to the problem that has been formulated. From the explanation of the theory and the formulation of the problem above, the Hypothesis is formulated as follows:
General Allocation Funds, Profit Sharing Funds, and Regional Original Revenues affect Regional Expenditures in North Sumatra.

3 RESEARCH METHOD

1. Population and Sample

According to Arikunto (2010) that the population is all objects to be studied. The population in this study are General Allocation Funds, Revenue Sharing Funds, Regional Revenues and Regional Expenditures in North Sumatra. The sample in the study were data on General Allocation Funds, Revenue Sharing Funds, Regional Original Revenues and Unemployment and Regional Expenditures in North Sumatra from the period of 2011 to 2015.

2. Operationalization of Variables

The variables used in this study are as follows:

a. Regional Expenditures are all regional expenditures whose benefits exceed one fiscal year and will increase regional assets or wealth.
b. General Allocation Fund is the total transfer of funds from the central government which is given to the regional government.
c. Revenue Sharing Fund is the transfer of funds from the central government to the regional government in the form of revenue sharing funds derived from taxes and non-taxes.
d. Regional Original Revenue is the total realization of regional revenues originating from and other legitimate local revenue.

3. Data Analysis Techniques

The data analysis technique used in this study is to use the Multiple Regression Analysis Model. Multiple linear regression analysis aims to test hypotheses about the strength of independent variables on the dependent variable with the following model:

Where :

Y: Regional Expenditures (in rupiah)
α : Intercept
$\beta 1 \beta 2 \beta 3$: Regression coefficient
X1: General Allocation Funds (in rupiah)
X2: Profit Sharing Funds (in rupiah)
X3: Regional Original Income (in rupiah)
μ : Term of Error.

4 ANALYSIS

Table 1: Regression Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-9765161.408	4411030.579		-2.214	.270
	X1	1.555	.329	.815	4.729	.133
	X2	7.140	2.830	.099	2.523	.240
	X3	.900	1.133	.140	.795	.572

a. Dependent Variable: Y

From the regression results above, the estimation model can be formed as follows:

Y = -9765161,408 + 1,555 X1 + 7,140 X2 + 0,900 X3

Model Interpretation

Based on the estimation model above, it can be explained the influence of independent variables, namely the value of general allocation fund (X1), profit sharing fund (X2), regional original income (X3) on regional expenditure in North Sumatra as follows:

1. General Allocation Fund

General Allocation Funds turned out to have a positive effect on regional spending in North Sumatra. This is indicated by the regression coefficient X1, which is equal to 1.555. This means that for every 1% increase in general allocation funds, regional expenditure will increase by 1.555% (ceteris paribus).

2. Profit Sharing Funds

Revenue Sharing Funds have a positive effect on regional spending in North Sumatra. This is indicated by the regression coefficient X2, which is equal to 7.140. That is, every 1% increase in profit sharing funds will increase regional expenditure by 7.140% (ceteris paribus).

3. Regional Original Income

Regional Original Revenue turns out to have a positive effect on regional spending in North Sumatra. This is indicated by the X3 regression coefficient value of 0.900. This means that for every 1% increase in regional revenue, regional expenditure will increase by 0.900% (ceteris paribus).

Testing Individual Regression Coefficients (Statistic T Test)

1. General Allocation Fund

For general allocation fund variables obtained t-count value of 4.729 with a probability value (significance) of 0.133. Thus Ho is accepted, because the probability value is greater than the value of 0.05 (0.133> 0.05) and t-count <t-table (4.729 <12.706). This means that it can be concluded that the general allocation fund variable does not have a significant (significant) effect on regional expenditure variables in North Sumatra by testing at a 95% confidence level (= 5%).

2. Profit Sharing Funds

For the profit sharing fund variable, the t-count value is 2.523 with a probability value (significance) of 0.240. Thus Ho is accepted, because the probability value is greater than the value of 0.05 (0.240> 0.05) and t-count <t-table (2.523 <12.706). It means that it can be concluded that the profit sharing fund variable does not have a significant (significant) effect on regional expenditure variables in North Sumatra by testing at a 95% confidence level (= 5%).

3. Regional Original Income

For the region's original income variable, the t-count value was 0.795 with a probability value (significance) of 0.572. Thus Ho is accepted, because the probability value is greater than the value of 0.05 (0.572> 0.05) and t-count <t-table (0.795 <12.706). It means that it can be concluded that the variables of local revenue have no significant (significant) effect on the variable regional expenditure in North Sumatra by testing at a 95% confidence level (= 5%).

Testing the Regression Coefficients Simultaneously (Statistic F Test) To prove the R-square value above, testing is done using the F test. The hypothesis is as follows:

H0 : $\beta 1 = \beta 2 = 0$

Ha : $\beta 1 \neq \beta 2 \neq 0$

That is, based on available data, it will be tested against 1 and 2 together, whether equal to zero, which means that there is no significant effect on the dependent variable, or not equal to zero, which means having a significant influence on the dependent variable.

Table 2: Test Anova

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	132741179171610.730	3	44247059723870.240	281.861	.044[b]
	Residual	156981575020.085	1	15698157502 0.085		
	Total	132898160746630.810	4			

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X2, X1

Based on the output of the SPSS program, the F-calculated value is 281.861 with a probability value (significance) of 0.044. Thus Ha is accepted, because the F-count> F-table (281,861> 215,707) and the probability value (significance) is greater than the value 0,05 (0,044 <0,05). It means that it can be concluded that the variable X1 (general allocation fund), variable X2 (profit sharing fund) and variable X3 (regional original income) have a significant (significant) effect on regional expenditure (Y) at a 95% confidence level (= 5%).

Table 3: Coefficient Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	.999	.995	396209.004

a. Predictors: (Constant), X3, X2, X1

Spss program output results, it can be seen that the R-square value is equal to 0.999, which means that the variable X1 (general allocation fund), X2 (revenue sharing), X3 (local revenue) are jointly able to provide an explanation of variations in regional spending in Sumatra North is 99.9% while the remaining 0.01% is explained by new variables that are not included in the model estimation.

5 CONCLUSIONS

Based on the results of research on the effect of general allocation funds, funds for revenue sharing and local revenues on regional expenditure in North Sumatra, the following conclusions can be drawn: (1). From the results of the F test, it was concluded that the general allocation fund, revenue sharing and local revenue during the period 2011 to 2015 had a significant effect simultaneously on regional spending in North Sumatra at a 5% significance level. Thus the research hypothesis is accepted. (2). Based on a partial test (t test), general allocation fund variables, revenue sharing and local revenues did not significantly affect the variable expenditure in North Sumatra by testing at a 95% confidence level (= 5%), (3). The coefficient of determination (R) is 0.999, which means that the variable X1 (general allocation fund), X2 (profit sharing), X3 (local revenue) are jointly able to explain 99 variations in regional spending in North Sumatra. 9% while the remaining 0.01% is explained by new variables that are not included in the model estimation.

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