# The Influence of Regional Original Revenue (Pad) And Balancing Funds on Capital Expenditure Budget in Kupang Regency

**Enjelina Fanggidae[1], Thobias E. D. Tomasowa[2], Agusta A. Wulandari[3], Donny T.S Junias[4]**

[1,2] Departement Of Accounting, Kupang State Polytechnic, Kupang, Indonesia

| A R T I C L E   I N F O | ABSTRACT |
|---|---|
| | The regional budget includes the basis for financial budgeting which is implemented for public services or the Regional Revenue and Expenditure Budget (APBD). The regional budget and expenditure is a detailed list of regional income and expenditure in one year which consists of various components such as Regional Original Income (PAD) and Balancing Funds including General Allocation Funds (DAU) and so on as well as expenditures which include various expenditures such as capital expenditure. Original Regional Income is a source of regional revenue that comes from the region itself based on its capabilities. Balancing funds are funds sourced from the State Revenue and Expenditure Budget (APBN) which are allocated to regions to fund regional needs in the context of implementing decentralization. Capital Expenditures are budget expenditures for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period. This research uses quantitative research methods, with research results that Original Regional Income (PAD) has a positive effect on the capital expenditure budget. Balancing funds have a positive effect on the capital expenditure budget. Regional Original Income (PAD) and Balancing Funds have a positive effect on the capital expenditure budget in Kupang Regency. |

***Corresponding Author:***

Enjelina Fanggidae,
Departement Of Accounting, Kupang State Polytechnic, Kupang, Indonesia
Email: enjelinafanggidae10@gmail.com

# INTRODUCTION

Regional budgets include the basis for financial budgeting, which is implemented for public services or the Regional Revenue and Expenditure Budget (APBD). The regional budget and expenditures become a detailed list of the region's income and expenses within one year, consisting of various components such as Original Regional Revenue (PAD) and balancing funds, including the General Allocation Fund (DAU) and others, as well as expenditures that cover various expenses such as Capital Expenditures. The problem faced by the regional government in the public sector organization is related to budget allocation. Budget allocation is the amount of funds allocated for each program activity. With limited resources, the local government must be able to allocate the revenue obtained for productive regional expenditures. Regional spending is an estimate of the regional expenditure burden allocated fairly and evenly so that it can be relatively enjoyed by all groups in society without discrimination, especially in the provision of public services (Kawedar et al., 2018).

The term capital expenditure in the public sector generally relates to budgeting that can explain the amount of money used during one budget period. Capital expenditure, in its essence, refers to financing activities in the form of investments, which are subsequently recorded in the balance sheet. The

implementation of capital expenditure can have a comprehensive impact, both macro and micro, on the national economy, particularly the regional economy.

Regional original revenue is a source of local income that comes from the region itself based on its own capabilities. Regional Original Revenue aims to provide flexibility to the region in optimizing its own funding potential in the implementation of regional autonomy as a manifestation of decentralization assets. Balance funds are funds sourced from the state budget (APBN) allocated to regions to finance regional needs in the context of implementing decentralization. The Regional Government uses those funds to provide better services to the public.

# LITERATURE REVIEW

Original Local Revenue (PAD) is the income obtained from sources within its own region. The higher the role of PAD in the regional financial structure, the greater the financial capability of the region to carry out its development activities. Carunia (2017) Based on Law Number 33 of 2004, balancing funds are funds sourced from revenue, the State Revenue and Expenditure Budget (APBN), and allocated to regions to finance regional needs in the context of decentralization implementation.

According to Darise (2008), capital expenditure is an expenditure made for the purchase, procurement, or construction of tangible fixed assets that have a useful life of more than twelve months for use in government activities, such as in the form of land, machinery, buildings and structures, roads, irrigation and networks, and other fixed assets. This study shows that local revenue has a positive but insignificant effect on capital expenditure and cannot be an intervening variable in the relationship between local revenue and balancing funds on economic growth.

This research shows that local revenue has a significant positive impact on poverty, balancing funds do not have a significant negative impact on economic growth and poverty, and economic growth does not have a significant negative impact on poverty.
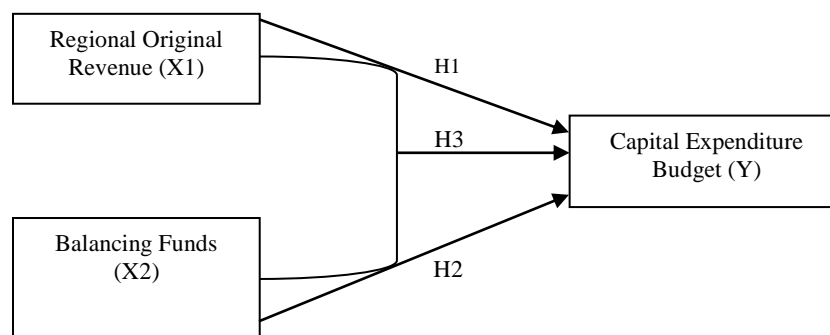


**Figure 1.** Research Framework

# RESEARCH METHOD

Quantitative data is data in the form of numbers sourced from the field with research subjects. Quantitative data includes financial report data. Qualitative data is data that is not in numerical form or, in other words, data in the form of words, sentences, or images. Qualitative data consists of answers to questions from respondents. The data sources used in this research include Primary data is the main data collected by the research using survey methods through the distribution of questionnaires in order to obtain data from parts that correspond to the research object, and the questionnaire list will be distributed to respondents to obtain their answers. Secondary data is data obtained through the collection of information from existing sources.

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by the researcher to be studied and then concluded. The population in this study is the Budget Realization Reports and Operational Reports from 2015-2021. A sample is a part of the quantity and characteristics possessed by that population. The determination of the sample size to be processed from the population is carried out using the technique that corresponds to the author's title, namely nonprobability sampling. The type of nonprobability sampling that the author will use is saturated sampling. Saturation sampling is a sampling determination technique when all members of the population are used as the sample. Another term for a saturated sample is a census, where all members are used as a sample.

The data analysis technique used in this research is multiple linear regression. This method is used to test the research hypothesis. The multiple linear regression equation in this study is as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 + b_4 + b_5 + e$$

Keterangan:
**Y**        : Capital Expenditure Budget
**a**        : Constant
**b**        : Regression Coefficient
**X₁**       : Regional Original Revenue
**X₂**       : Balancing Funds
**E**        : Eror

The multicollinearity test aims to examine whether the regression model shows a correlation among independent variables (Gozali, 2018: 107). The basis for decision-making is as follows:

- If the correlation value >0.80, then H0 is rejected, indicating a multicollinearity problem.
- If the correlation value < 0.80, then H0 is accepted, indicating that there is no multicollinearity problem.

# RESULTS AND DISCUSSIONS

**Tabel 1.** Data on Local Revenue of Kupang Regency for the Period 2015-2021

| Year | Descriptoin | Tax Results | Regional Retribution Results | Results of Regional-Owned Enterprises and Results of Regional Wealth Management | Other Legitimate Regional Revenues | Total Regional Original Revenue |
|---|---|---|---|---|---|---|
| 2015 | Realization | 12.632.465.919,00 | 8.827.745.102,00 | 22.885.186.838,00 | 22.925.394.587,37 | 67.270.792.446,37 |
| | % | 93,33 | 46,39 | 100,00 | 53,08 | 68,20 |
| 2016 | Realization | 14.547.761.178,00 | 9.401.430.379,00 | 21.346.010.143,00 | 27.919.529.852,25 | 73.214.731.552,25 |
| | % | 107,48 | 49,41 | 93,27 | 64,65 | 74,23 |
| 2017 | Realization | 18.846.718.341,00 | 5,797,929,674.00 | 15,728,041,344.00 | 78.725.371.276,33 | 119.098.060.635,33 |
| | % | 128,16 | 41,29 | 100,00 | 80,71 | 83,86 |
| 2018 | Realization | 15.639.947.591,00 | 6,806,148,825.00 | 15,579,962,678.00 | 28.156.936.300,25 | 66.182.995.394,25 |
| | % | 75,53 | 52,26 | 100,24 | 73,81 | 75,71 |
| 2019 | Realization | 14,336,020,545.00 | 6,587,052,420.00 | 16,542,552,638.00 | 24,581,909,945.64 | 62.047.535.548,64 |
| | % | 69,24 | 50,58 | 106,43 | 64,44 | 70,98 |
| 2020 | Realization | 18.833.784.379,00 | 5.649.187.699,00 | 14.803.591.909,62 | 26.665.789.512,33 | 65.952.353.499,95 |
| | % | 77,74 | 156,41 | 103,88 | 97,62 | 95,02 |
| 2021 | Realization | 16.402.781.461,00 | 22.549.625.694,00 | 14.050.373.195,00 | 21.339.769.188,39 | 74.342.549.538,39 |
| | % | 67,71 | 624,34 | 98,60 | 78,12 | 107,11 |

*Source: Processed Data Bpkad*

Based on table 4.1 above, it can be seen that the original regional revenue of Kupang Regency in 2015 was 68.20%, because the regional retribution decreased by 46.39%. In 2016, the original regional revenue was 74.23%, because the regional retribution decreased by 49.41%. In 2017, the local revenue was 83.86%, because the local retribution decreased by 41.29%. In 2018, the local revenue was 75.71%, because the local retribution decreased by 52.26%. In 2019, the local revenue was 70.98%, due to a 50.58% decrease in local retribution. In 2020, the local revenue was 95.02%, because tax revenue decreased by 77.74%. In 2021, the local revenue was 107.11% because the regional retribution increased by 624.34%. Thus, it can be concluded that the original regional revenue of Kupang Regency decreased from 2015 to 2020, but in 2021, the original regional revenue increased due to a 624.34% rise in regional retribution.

**Table 2.** Data on the Equalization Fund for Kupang Regency for the Period 2015-2021

| Year | Description | General Allocation Fund | Special Allocation Fund | Profit-Sharing Fund | Total Equalization Fund |
|------|-------------|-------------------------|-------------------------|---------------------|-------------------------|
| 2015 | Realization | 622.237.030.000,00 | 189.494.420.000,00 | 10.758.553.450,00 | 822.490.003.450,00 |
|      | % | 91,25 | 64,27 | 95,08 | 83,24 |
| 2016 | Realization | 681.932.149.000,00 | 276.529.804.843,00 | 12.727.651.636,00 | 971.189.605.479,00 |
|      | % | 100,00 | 93,78 | 112,49 | 98,29 |
| 2017 | Realization | 674,899,674,000.00 | 183,749,673,179.00 | 8,685,347,489.00 | 867.334.694.668,00 |
|      | % | 100,00 | 83,29 | 84,05 | 95,75 |
| 2018 | Realization | 681,370,762,000.00 | 26,140,336,065.00 | 8,166,263,328.00 | 715.677.361.393,00 |
|      | % | 96,88 | 30,08 | 93,10 | 89,57 |
| 2019 | Realization | 703,344,472,000.00 | 81,848,707,353.00 | 6,739,135,398.00 | 791.932.314.751,00 |
|      | % | 100,00 | 94,18 | 76,83 | 99,11 |
| 2020 | Realization | 633.088.936.000,00 | 210.087.033.428,00 | 7.973.797.222,00 | 851.149.766.650,00 |
|      | % | 100,65 | 85,86 | 109,29 | 96,62 |
| 2021 | Realization | 629.001.506.000,00 | 195.835.143.942,00 | 11.896.959.599,00 | 836.733.609.541,00 |
|      | % | 100,00 | 80,04 | 163,06 | 94,98 |

*Source: Processed Data Bpkad*

Based on Table 2 above, it can be seen that the balancing fund for Kupang Regency in 2015 was 83.24%, because the special allocation fund decreased by 64.27%. In 2016, the balancing fund was 98.29%, because the special allocation fund decreased by 93.78%. In 2017, the balancing fund was 95.75%, because the special allocation fund decreased by 83.29%. In 2018, the balancing fund was 89.57%, because the special allocation fund decreased by 30.08%. In 2019, the balancing fund was 99.11%, because the revenue-sharing fund decreased by 76.83%. In 2020, the balancing fund was 96.62%, due to a decrease in the special allocation fund of 85.86%. In 2021, the balancing fund was 94.98% because the special allocation fund decreased by 80.04%. Thus, it can be concluded that the balancing funds from 2015 to 2021 have decreased.

**Table 3.** Capital Expenditure Data for Kupang Regency Period 2015-2021

| Year | Description | Land Purchase | Shopping for Equipment and Machinery | Building and Construction Expenditures | Road, Irrigation, and Network Expenditures | Other Fixed Asset Expenditures | Total Capital Expenditure |
|------|-------------|---------------|--------------------------------------|----------------------------------------|--------------------------------------------|-------------------------------|---------------------------|
| 2015 | Realization | | 28.384.479.135,00 | 38.805.868.110,00 | 84.462.623.685,00 | 788.339.400,00 | 152.441.310.330,00 |
|      | % | | 77,96 | 53,52 | 24,36 | 26,60 | 33,24 |
| 2016 | Realization | 70.000.000,00 | 33.477.070.996,00 | 40.230.366.395,00 | 332.954.145.181,00 | 2,925,123,109.00 | 409.656.705.681,00 |
|      | % | 93,33 | 91,94 | 55,48 | 96,04 | 98,69 | 89,32 |
| 2017 | Realization | | 47,937,585,726.00 | 43,966,919,817.00 | 111,687,224,020.00 | 10,091,185,539.00 | 213.682.915.102,00 |
|      | % | | 89.70 | 72,24 | 93.50 | 60,27 | 85,30 |
| 2018 | Realization | | 34,247,136,374.00 | 81,653,512,460.00 | 93,358,416,353.00 | 8,805,574,448.00 | 218.064.639.635,00 |

| | | | 120,38 | 180,41 | 112,54 | 39,14 | 121,71 |
|---|---|---|---|---|---|---|---|
| 2019 | Realization | | 23,721,200,084.00 | 35,555,494,061.00 | 80,430,365,157.00 | 20,510,031,439.00 | 160.217.090.741,00 |
| | % | | 83,38 | 78,56 | 96,96 | 91,16 | 89,42 |
| 2020 | Realization | 1.526.750.000,00 | 36.661.601.541,00 | 20.645.147.151,00 | 43.517.020.292,00 | 18.279.596.467,00 | 120.630.115.451,00 |
| | % | 132,76 | 65,66 | 41,72 | 65,63 | 310,95 | 67,52 |
| 2021 | Realization | 206.421.000,00 | 49.942.209.728,00 | 41.064.349.219,00 | 57.997.784.377,00 | 4.117.571.085,00 | 153.328.335.409,00 |
| | % | 17,95 | 89,45 | 82,99 | 87,47 | 70,04 | 85,83 |

*Source: Processed Data Bpkad*

Based on table 3 above, it can be seen that the capital expenditure of Kupang Regency in 2015 was 33.24%, because spending on roads, irrigation, and networks decreased by 24.36%. In 2016, capital expenditure was 89.32%, as spending on buildings and structures decreased by 55.48%. In 2017, capital expenditure was 85.30%, because spending on other fixed assets decreased by 60.27%. In 2018, capital expenditure was 121.71%, because spending on buildings and structures increased by 180.41%. In 2019, capital expenditure was 89.42%, as spending on buildings and structures decreased by 78.56%. In 2020, capital expenditure was 67.52%, because spending on buildings and structures decreased by 41.72%. In 2021, capital expenditure was 85.83%, as land expenditure decreased by 17.95%. Thus, it can be concluded that capital expenditure from 2015, 2016, 2017, 2019, 2020, and 2021 decreased, but in 2018, capital expenditure increased due to a 180.41% rise in building and construction expenses.

**Table 4.** Research Variable Data

| Year | Regional Original Revenue | Balance Fund | Capital Expenditure |
|---|---|---|---|
| 2015 | 67.270.792.446,37 | 822.490.003.450,00 | 152.441.310.330,00 |
| 2016 | 73.214.731.552,25 | 970.889.605.479,00 | 409.656.705.681,00 |
| 2017 | 119.098.060.635,33 | 867.334.694.668,00 | 213.682.915.102,00 |
| 2018 | 66.182.995.394,25 | 715.677.361.393,00 | 218.064.639.635,00 |
| 2019 | 62.047.535.548,64 | 791.932.314.751,00 | 160.217.090.741,00 |
| 2020 | 65.952.353.499,95 | 851.149.766.650,00 | 120.630.115.451,00 |
| 2021 | 74.342.549.538,39 | 836.733.609.541,00 | 153.328.335.409,00 |

Sumber: *Processed Data Bpkad*

From table 4 above, there are 3 data points: Regional Original Revenue, Balancing Funds, and Capital Expenditure. To describe and test the influence between independent and dependent variables, this section will present a description of the obtained data. The data description to be presented includes the minimum, maximum, mean, and standard deviation values.

**Tabel 1.** Descriptive Statistics

| Descriptive Statistics | | | | | |
|---|---|---|---|---|---|
| | N | Minimum | Maximum | Mean | Std.Deviation |
| PAD | 7 | 67270792446.00 | 128945571482600.00 | 2341332019811700.00 | 46742510125082790.00 |
| DP | 7 | 98741802800.00 | 97257762300000.00 | 52135028864843.2800 | 48357952275346.28000 |
| BM | 7 | 144761518932.00 | 40965607568100.00 | 14278280364873.4300 | 15361779036194.67400 |
| PE | 7 | 396842.00 | 488512.00 | 450496.1429 | 34787.55855 |
| Valid N (listwise) | 7 | | | | |

*Source: SPSS Version 25 Processed Data Output*

Based on the results of the descriptive statistical calculations in Table 4 above, with a total of 7 samples analyzed, it can be explained as follows:

1. The Original Regional Revenue variable has a minimum value of 67,270,792,446.00 or equivalent to Rp. 67.270.792.446,00 a maximum value of 128,945,571,482,600.00 or equivalent to Rp. 128.945.571.482.600,00 a mean (average) of 23,413,320,198,117.00 or Rp. 23.413.320.198.117,00, and a standard deviation of 46,742,510,125,082,790.00 or equivalent to Rp. 4.674.251.012.508.279,00.

2. The Equalization Fund variable has a minimum value of 987418028.00 or equivalent to Rp. 987.418.028,00, a maximum value of 97257762300.00 or equivalent to Rp. 972.577.623.000,00, a mean of 5213502886484328.00 or equivalent to Rp. 5.213.502.886.484.328,00, and a standard deviation of 48357952275346280.00 or equivalent to Rp. 48.357.952.275.346.280,00.

3. The capital expenditure variable has a minimum value of 144,761,518,932.00 or equivalent to Rp. 144,761,518,932.00, a maximum value of 409,656,075,681.00 or equivalent to Rp. 409,656,075,681.00, a mean of 1,427,828,036,487,343.00 or equivalent to Rp. 1,427,828,036,487,343.00, and a standard deviation of 15,361,779,036,194,674.00 or equivalent to Rp 15,361,779,036,194,674.00.

**Tabel 2.** Results of the One-Sample Kolmogorov-Smirnov Test Normality Test

| One-SampleKolmogorov-Smirnov Test | | |
|---|---|---|
| | | Unstandardized Residual |
| N | | 7 |
| NormalParameters[a,b] | Mean | .0242746 |
| | Std.Deviation | 10477510005333.52700000 |
| MostExtremeDifferences | Absolute | .142 |
| | Positive | .115 |
| | Negative | -.142 |
| TestStatistic | | .142 |
| Asymp.Sig.(2-tailed) | | .200[c,d] |
| a.Testdistribution isNormal. | | |
| b.Calculated fromdata. | | |
| c.LillieforsSignificanceCorrection. | | |
| d.Thisis alowerboundofthetruesignificance. | | |

*Source: SPSS Version 25 Processed Data Output*

Based on the table above, the significance value of 0.200 > 0.05, so it can be concluded that the data is normally distributed and this regression model meets the normality test.

**Tabel 3.** Results of the Multicollinearity Test

| Coefficients[a] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Unstandardized Coefficients | | Standardized Coefficients | | | Collinearity Statistics | |
| Model | | B | Std.Error | Beta | T | Sig. | Tolerance | VIF |
| 1 | (Constant) | 156773030956289.780 | 93799041648205.140 | | 1.671 | .193 | | |
| | PAD | -.026 | .165 | -.078 | -.155 | .886 | .618 | 1.617 |
| | DP | -.028 | .151 | -.087 | -.183 | .866 | .688 | 1.452 |
| | PE | -311783970.854 | 204526814.669 | -.706 | -1.524 | .225 | .723 | 1.383 |
| a.DependentVariable: BM | | | | | | | | |

*Source: SPSS Version 25 Processed Data Output*

Based on the table 6 above, it can be seen that the tolerance value (PAD) is 0.618>0.10, the tolerance value (DP) is 0.688>0.10, and the tolerance value (PE) is 0.723>0.10. The VIF value (PAD) is 1.617< 10, the VIF value (DP) is 1.452 < 10, the VIF value (PE) is 1.383<10. Thus, it can be concluded that there is no multicollinearity among the independent variables in the regression model.

**Tabel 4.** Results of the Auto-correlation Test using the Run Test Method

| **Runs Test** | |
|---|---|
| | Unstandardized Residual |
| TestValue[a] | -1145304284113.79000 |
| Cases<Test Value | 3 |
| Cases>=Test Value | 4 |
| TotalCases | 7 |
| NumberofRuns | 3 |
| Z | -.788 |
| Asymp.Sig.(2-tailed) | .431 |
| a.Median | |

*Source: SPSS Version 25 Processed Data Output*

Based on Table 7, the results of the autocorrelation test using the Run Test method yielded an Asymp. Sig. (2-tailed) of 0.431. The value is greater than 0.05 (0.431 > 0.05), so it can be concluded that the regression model does not have an autocorrelation problem.
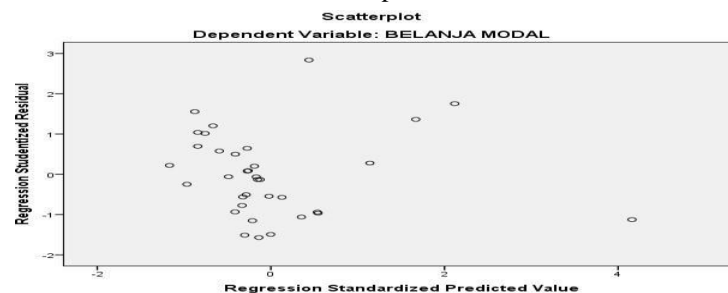


*Source: SPSS Version 25 Processed Data Output*

**Figure 2.** Scatter Plot Test Results

Based on the scatterplot graph above, it can be seen that the points are scattered above and below the number 0 on the Y-axis and do not form a specific pattern, so it can be concluded that there is no issue of heteroscedasticity and the regression model is suitable for use.

**Tabel 5.**  Results of the Determination Coefficient Test

| **Model Summary**[b] | | | | |
|---|---|---|---|---|
| **Model** | **R** | **Rsquare** | **Adjusted R Square** | **Std. Error of theEstimate** |
| 1 | .731[a] | .535 | .070 | 14817436749442.46500 |
| a.Predictors:(Constant),PE,DP,PAD | | | | |
| b.DependentVariable:BM | | | | |

*Source: SPSS Version 25 Processed Data Output*

Based on table 8 above, an R square value of 0.535 was obtained, meaning the contribution of the independent variable to the dependent variable is 53.5%, while 46.5% is determined by other factors not explained in this study.

**Tabel 6**. T-Test Results (Partial Test)

| Model | | Coefficients[a] | | | | |
|---|---|---|---|---|---|---|
| | | Unstandardized Coefficients | | Standardized Coefficients | | Sig. |
| | | B | Std.Error | Beta | t | |
| 1 | (Constant) | 14386895326649.908 | 9924622675025.076 | | 1.450 | .001 |
| | PAD | .151 | .164 | .460 | 6.260 | .000 |
| | DP | .066 | .159 | .207 | 7.123 | .000 |

a.DependentVariable:BM

*Source: SPSS Version 25 Processed Data Output*

Based on Table 9, the PAD variable obtained a t-value of 6.260 compared to the t-table value at a 5% significance level with n = 7-3 = 4, resulting in a t-table value of 2.776. The distribution of the t-table values can be seen in the appendix on page 59. Because t-observed > t-table (6.260 > 2.776) and the significance value 0.00 < 0.05, H1 is accepted, meaning that Local Original Revenue has a positive effect on Capital Expenditure. The DP variable obtained a t-value of 7.123 compared to the t-table value at a 5% significance level with n = 7-3 = 4, resulting in a t-table value of 2.776. Because t-observed > t-table (7.123 > 2.776) and the significance value 0.00 < 0.05, H2 is accepted, meaning that the Equalization Fund has a positive effect on Capital Expenditure.

Based on the results of the multiple linear regression analysis in table 9, the following regression equation was obtained:

$$Y = a + b1X1 + b 2 X 2 \ Y = 14386895326649.908 + (0,151) X1 + (0,066) X 2$$

Nilai a (konstanta) sebesar 14386895326649.908 menyatakan bahwa jika tidak ada variabel independen (Pendapatan Asli Daerah dan Dana Perimbangan) atau variabel independen sama dengan nol, maka besarnya nilai Belanja Modal adalah 14386895326649.908. Koefisien regresi Pendapatan Asli Daerah (b1) sebesar 0,151 berarti jika Pendaparan Asli Daerah bertambah sebesar 1% maka akan menambah Belanja Modal sebesar 15,1%. Koefisien regresi Dana Perimbangan (b2) sebesar 0,066 berarti jika Dana Perimbangan bertambah sebesar 1% maka akan menambah Belanja Modal sebesar 06,6%.

**Tabel 7.** F-Test Results (Simultaneous Test)

| | Model | ANOVA[a] | | | | |
|---|---|---|---|---|---|---|
| | | Sumof Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 2470200.000 | 2 | 1235100.000 | 12.423 | .000[b] |
| | Residual | 11689000.000 | 4 | 2922200.000 | | |
| | Total | 14159000.000 | 6 | | | |

a.DependentVariable:BM

b.Predictors:(Constant),DP,PAD

*Source: SPSS Version 25 Processed Data Output*

Based on Table 11, the significance value for the independent variable is obtained as 0.00 < 0.05, meaning that simultaneously, the local revenue variable (PAD) and the balancing fund variable (DP) influence capital expenditure (BM).

# CONCLUSION

Based on the results of the research and data analysis that have been conducted, the following conclusion can be drawn: Regional Original Revenue (PAD) has a positive effect on the Capital Expenditure Budget in Kupang Regency for the years 2015-2021. The higher the Regional Original Revenue (PAD), the higher the allocation of Capital Expenditure obtained. The results of this study prove that Local Own Revenue (PAD) has a positive effect on the Capital Expenditure Budget. The results of this study support the research by Arwati & Hadiyati (2013), proving that Local Revenue has a positive effect on the Capital Expenditure Budget. The Balance Fund has a positive effect on the Capital Expenditure Budget in Kupang Regency from 2015 to 2021. The higher the Transfer Funds, the more the Capital

Expenditure will increase. This study also proves that the Equalization Fund has a positive effect on the Capital Expenditure Budget. The results of this study support Tuasikal's (2008) research, proving that the Balance Fund has a positive effect on the Capital Expenditure Budget. Original Local Revenue (PAD) and Balancing Funds have a positive effect on the Capital Expenditure Budget in Kupang Regency from 2015 to 2021. each region can strengthen the relationship between Local Own Revenue and Balancing Funds towards Capital Expenditure. based on the results of this study, it is proven that Local Revenue (PAD) and Balancing Funds have a positive effect on the Capital Expenditure Budget. The results of this study are in line with Wulandari's (2013) research, which proves that Local Own Revenue (PAD) and Balancing Funds have a positive effect on the Capital Expenditure Budget.

The results of this study indicate that Local Original Revenue (PAD) and Balancing Funds have a positive impact on the capital expenditure budget in Kupang Regency. These findings have important implications for regional policy formulation, particularly in fiscal planning and regional infrastructure development. Local governments can use these findings as a basis for formulating strategies to increase PAD through the optimization of local resource potential, such as local taxes, levies, and asset management. In addition, the effectiveness of utilizing the Equalization Fund needs to be improved through targeted allocation to strategic sectors that support local economic growth.

By improving the quality of capital expenditure through funding sourced from PAD and the Balance Fund, adequate public infrastructure can be realized, which in turn creates a conducive investment climate, opens up job opportunities, and boosts the economic activities of the community. This positive impact will encourage an overall increase in the regional fiscal capacity, which will subsequently enhance the contribution of PAD in the future. Therefore, the results of this study can be used as a reference by local governments in directing regional financial management policies that are oriented towards fiscal independence and the sustainable improvement of community welfare.

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