

INFLUENCE OF REGIONAL TAXES, BALANCING FUNDS, AND REGIONAL RETRIBUTION ON CAPITAL EXPENDITURE IN REGENCY/CITY GOVERNMENTS IN CENTRAL JAVA PROVINCE YEAR 2018-2021

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Abstract: Study This aiming For knowing: 1) Influence Regional Taxes on Capital Expenditure on Government Regency and Cities in the Province Central Java 2018-2021; 2) Influence of Balancing Funds to Capital Expenditure on Government Regency and Cities in the Province Central Java 2018-2021; 3) Influence Regional Retributions on Capital Expenditure on Government Regency and Cities in the Province Central Java 2018-2021. Object on study this is government regency And cities in the Province Central Java has 35 districts And city. Data retrieval comes from Report Realization of the 2018-2021 APBD. Engineering data collection using method documentation. Technique data analysis using test assumption classic that is test normality, test multicollinearity, test heteroscedasticity, and test autocorrelation. Testing hypothesis in study This use analysis multiple linear regression, F test , t test , and test coefficient determination (R^2). Results study show that: 1) Regional taxes have an impact significant to Capital Expenditure on Government Regency and Cities in the Province Central Java 2018-2021; 2) Balancing Funds influential significant to Capital Expenditure on Government Regency and Cities in the Province Central Java 2018-2021; 3) Regional Retribution has an impact significant to Capital Expenditure on Government Regency and Cities in the Province Central Java 2018-2021.

Keywords: *regional taxes, balancing funds, regional levies, and capital expenditures*

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1. Introduction

The definition of tax is a contribution must to areas that must be paid by private person or body , nature force based on Law , without reward directly , and used For interest area use maximize prosperity community (Law No. 28 of 2009). This confirms that regional taxes are a vital instrument in supporting local development financing.

Allocation of funds from the central government to the regions is carried out through the Balancing Fund mechanism, which is sourced from the State Budget (APBN). This fund aims to meet regional needs within the framework of decentralization, as regulated in Law No. 33 of 2004. The Balancing Fund consists of three components: General Allocation Fund (DAU), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH). This transfer is the foundation of regional finances to implement autonomy and improve public services.

Capital expenditure is part of the long-term financial planning of local governments. The allocation of this expenditure should be focused on the development of productive infrastructure, such as public infrastructure, which has a direct impact on the comfort and productivity of the community. Increasing capital expenditure—for example through the construction of roads, health facilities, or education—can encourage economic growth, because adequate infrastructure creates a conducive environment for increasing economic activity and community welfare.

2. Research Method

The research methods used in this study can be described as follows:

- a. The population in this study includes all Budget Realization Reports (APBD) of the Regency and City Governments in Central Java Province, totaling 35 regencies/cities. While the sample in this study amounted to 140 data.
- b. Data collection technique with an observation period of 4 years.
- c. The sampling technique was carried out through the documentation method by utilizing secondary data available in the APBD Realization Report on the official website of the Directorate General of Regional Government Financial Balance.
- d. The research variables consist of:
 - 1) Independent variables:
 - a) Regional Tax (X_1),
 - b) Balancing Fund (X_2)
 - c) Regional Retribution (X_3)
 - 2) Dependent variable: Capital Expenditure (Y).
- e. To analyze the influence of independent variables on dependent variables, this study uses Multiple Linear Regression Analysis. The regression equation applied is:
- f. $Y = a + b_1$
Where:
a = Constant
 b_1 = Regional Tax (X_1)
 b_2 = Balancing Fund (X_2)
 b_3 = Regional Retribution (X_3),
e = Error term

3. Results and Discussion

3.1 Results

Test Data Normality

Test normality aiming for test whether variable dependent and variable free (independent) in a regression model own normal distribution or no. Regression model considered ideal if the data used distributed normally or approaching normal. In study this, test normality done with One Sample Kolmogorov-Smirnov Test for measure conformity data distribution. Results analysis testing normality the can explained as following:

Table 1. Test Normality

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 140 |
| Normal Parameters ^{a,b} | Mean | -.0000075 |
| | Std. Deviation | 101506665525.11404000 |
| Most Extreme Differences | Absolute | .058 |
| | Positive | .058 |
| | Negative | -.037 |
| Test Statistics | | .058 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

Source: Results SPSS Data Processing

Multicollinearity Test

Multicollinearity test is used to detect the presence of correlation between independent variables in the regression model. An ideal regression model should be free from correlation between the independent variables. This test is done by analyzing the VIF (Variance Inflation Factor) and Tolerance values, where VIF measures the level of variance inflation due to multicollinearity, while Tolerance shows the model's tolerance to correlation between variables. The results of the multicollinearity test in this study can be seen in the following explanation:

Table 2. Test Multicollinearity

| Model | Collinearity Statistics | |
|--------------|-------------------------|-------|
| | Tolerance | VIF |
| 1 (Constant) | | |
| PD | .279 | 3,589 |
| DP | .907 | 1.102 |
| RD | .274 | 3,643 |

Source: Results SPSS Data Processing

Autocorrelation Test

The Autocorrelation Test aims to test whether in the linear regression model there is a correlation between the error term (disturbing error) at a certain time period (t) with the previous period (t-1). To detect the presence or absence of autocorrelation, this study uses the Durbin-Watson Test (DW Test). The statistical value of this test will indicate the level of dependence between residuals in the model. The results of the autocorrelation test analysis are presented in the following explanation:

Table 3. Test Autocorrelation

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .800 ^a | .640 | .632 | 102620117469.932 | .895 |

Source: Results SPSS Data Processing

Heteroscedasticity Test

The Heteroscedasticity Test aims to see whether in the regression model there is inequality of residual variance (heterogeneity) from one observation to another. One method to detect heteroscedasticity is to analyze the scatter plot that compares the predicted value of the dependent variable (predicted value) with its residual. If the points on the graph are randomly distributed (do not form a certain pattern) around the zero line on the Y axis, then the model is considered not to contain heteroscedasticity. Conversely, structured patterns (such as clumping, narrowing, or widening) can indicate a heteroscedasticity problem.

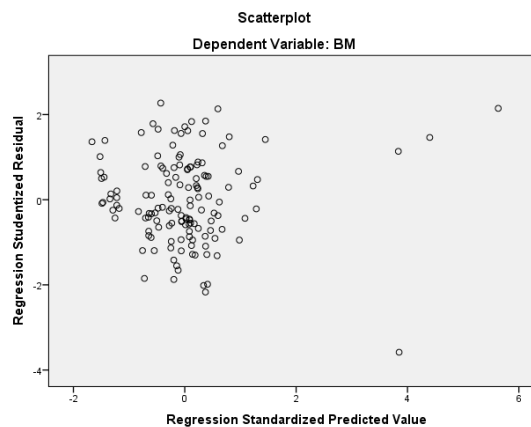


Figure 1. Heteroscedasticity Test

Hypothesis Testing

Multiple Linear Regression Test

This study obtained the following regression equation:

$$Y = 35,136,238,043 + 0.450 (X1) + 0.188 (X2) + 2,352 (X3)$$

Based on the regression equation, it can be explained that the value of 35,136,238,043 shows the value of Y when all independent variables (X1, X2, X3) are zero. The following is an explanation of the regression coefficient:

- 0.450 X1 : For every 1 unit increase in X1, the value of Y will increase by 0.450 units , assuming X2 and X3 are constant.
- 0.188 X2 : For every 1 unit increase in X2, the Y value increases by 0.188 units, assuming X1 and X3 are constant.
- 2.352 X3 : For every 1 unit increase in X3, Y increases by 2.352 units , assuming X1 and X2 are constant.

F Test

Based on the results of the F statistical test presented in Table 4 below, a test was conducted on the simultaneous influence of Regional Taxes, Balancing Funds, and Regional Retributions on Capital Expenditures. The test results show an F-count value of 80,724 with a significance level of 0.000. Because this significance value is smaller than $\alpha = 0.05$ (5%) and F-count (80,724) > F-table (2.67), it can be concluded that Regional Taxes, Balancing Funds, and Regional Retributions together have a significant effect on Capital Expenditures.

Table 4. F Test

| Model | df | F | Sig. |
|--------------|-----|--------|-------------------|
| 1 Regression | 3 | 80,724 | .000 ^b |
| Residual | 136 | | |
| Total | 139 | | |

Source : Results SPSS Data Processing

t-test

The t-test is used to determine the effect of independent variables on dependent variables and the t-test is used to see the effect one by one or partially. The results of the partial test can be seen in the table, so it can be concluded that:

Table 5. t -test

| Model | t | Sig. | Results Study |
|------------|--------|------|-------------------------|
| (Constant) | -1.002 | .318 | |
| 1 PD | 3.989 | .000 | Influential Significant |
| DP | 7,034 | .000 | Influential Significant |
| RD | 2.385 | .018 | Influential Significant |

Source: Results SPSS Data Processing

Coefficient of Determination

The coefficient of determination is used to determine the extent to which the independent variable contributes to the dependent variable. The results of the calculation of the coefficient of determination can be seen in table 6 as follows:

Table 6. Test Coefficient Determination (R²)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .800 ^a | .640 | .632 | 102620117469.932 |

Source: Results SPSS Data Processing

The adjusted determination coefficient value (adjusted R²) of 0.632 means that 63.2% of the dependent variable, namely Capital Expenditure, can be explained by the independent variables, namely Regional Taxes, Balancing Funds, and Regional Retributions, and the remaining 36.8% is explained by other variables outside the variables used.

3.2 Discussion

- a. Influence Regional Taxes Against Capital Expenditure
Results study it was found that t- count result Regional Tax of 3,989 with significant of 0.000. Value significant For Regional Tax shows mark under level significant by 5% ($\alpha = 0.05$) and t - value 3.989 > t- table of 1,978. Can concluded that Regional Taxes have an impact in a way significant to Capital Expenditure .
- b. Influence of Balancing Funds To Capital Expenditure
Results study it was found that t- count results of Balancing Funds of 7,034 with significant of 0.000. Value significant for Balancing Fund show mark under level significant by 5% ($\alpha = 0.05$) and t- value count 7,034 > t- table of 1,978. Can concluded that the Balancing Fund influential in a way significant to Capital Expenditure .
- c. Influence Regional Retribution Against Capital Expenditure
Results study it was obtained that the t- count results Regional Retribution of 2,385 with significant of 0.018. The value significant For Regional Retribution shows mark on level significant by 5% ($\alpha = 0.05$) and t- value count 2,385 > t- table of 1,978. Can concluded that Regional Retribution has an impact in a way significant to Capital Expenditure .

4. Conclusion

Based on results analysis that has been done , then the conclusion that can be drawn taken from study This including :

- a. Regional Taxes have a significant impact on Capital Expenditures in District and City Governments in Central Java Province in 2018-2021. This explains that if Regional Taxes increase, the allocation for Capital Expenditures will also increase.
- b. The Balancing Fund has a significant effect on Capital Expenditure in the Regency and City Governments in Central Java Province in 2018-2021. This explains that if the Balancing Fund increases, the allocation for Capital Expenditure will also increase.
- c. Regional Retribution has a significant effect on Capital Expenditure in Regency and City Governments in Central Java Province in 2018-2021. This explains that if there is an increase in Regional Retribution, it will increase Capital Expenditure.

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