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## INFLUENCE OF REGIONAL ORIGINAL INCOME AND REGIONAL GROSS DOMESTIC PRODUCT ON THE CAPITAL EXPENDITURE OF THE WEST NUSA TENGGARA PROVINCIAL GOVERNMENT FROM 2012-2021

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### Abstract

*This study aims to analyze the partial and simultaneous influence of Regional Original Income and Regional Gross Domestic Product on the Capital Expenditure of the West Nusa Tenggara Provincial Government from 2012-2021. The data in this study is secondary data obtained from the Central Bureau of Statistics of West Nusa Tenggara Province. The analytical method used in this study is Multiple Linear Regression Analysis processed with SPSS. The results of this study indicate that partially the Regional Original Income variable has a significant effect on the Capital Expenditure of West Nusa Tenggara Province during the 2012-2021 period, while the Gross Regional Domestic Product variable has no significant effect on the Capital Expenditure of West Nusa Tenggara Province during the 2012-2021 period. Simultaneously, the variables of Regional Original Income and Gross Regional Domestic Product have no significant effect on the Capital Expenditures of West Nusa Tenggara Province during the 2012-2021 period.*

**Keywords:** *Influence Of Regional Original Income, Regional Gross Domestic Product, and Capital Expenditure*

### INTRODUCTION

Government performance is a very important thing to pay attention to in order to achieve programs to improve people's welfare. This was further strengthened after the government issued regulations regarding regional autonomy which stated that it gave the broadest possible mandate to regional governments in governing their respective regions. Regional autonomy opens up opportunities and challenges obstacles, especially in districts and cities which have more freedom in managing development finances in their respective regions. Therefore, regional governments must take advantage of existing opportunities in an effort to increase PAD as a real manifestation of regional autonomy (Bati, 2009: 20).

West Nusa Tenggara Province is one of the provinces in Indonesia which is located in the central part of the Nusa Tenggara Islands. West Nusa Tenggara Province consists of 2 (two) large islands, namely Lombok Island and Sumbawa Island and hundreds of small islands. The area of West Nusa Tenggara Province reaches 20,153.20 km<sup>2</sup>. Located between 115.46 – 119.5 East Longitude and 8.10 – 9.5' South Latitude, with a population of 5.41 million people. The area of Sumbawa Island reaches 15,426.20 km<sup>2</sup> (76.50%) or 2/3 of the area of West Nusa Tenggara Province, and the area of Lombok Island only reaches 1/3.

According to (Badrudin 2017: 98) original regional income (PAD) is all regional revenue originating from original regional economic

sources in accordance with statutory regulations. PAD sources come from local regional taxes, regional levies, shares of regional business profits, and other income that is legal according to law. In 2018 the PAD target was IDR 1,767,746,421,040 with realization of IDR 1,660,417,707,372, (93.93%) in that year the PAD figure decreased due to earthquake disasters in all districts and cities in West Nusa Tenggara so the average building in NTB experienced damage.

One indicator of the level of prosperity of the population in an area/region can be seen from the GRDP value. According to Firdaus (2013), GRDP is the total added value generated by the entire economic activity of a region in a certain time. The increase in GRDP is caused by increased production of goods and services (Silvia, 2013).

Previous research results show that there is no influence of local original income and gross regional domestic product on government capital expenditure according to Handayani (2022), in several GRDP sectors in Central Java Province.

Problem Formulation: How big is the influence of local revenue and gross regional domestic product on the capital expenditure of the West Nusa Tenggara Province government from 2012 – 2021

## LITERATURE REVIEW

### REGIONAL ORIGINAL INCOME (PAD)

According to Law Number 23 of 2014 concerning Regional Government, Original Regional Income is income obtained by the region which is collected based on regional regulations in accordance with statutory regulations. According to Halim (2004) in his book entitled "Regional Financial Management" states that PAD is all regional revenues originating from original regional economic sources.

PAD is a component for calculating the financial independence of a region in implementing regional autonomy. The higher a region's PAD revenue, the greater its level of independence so that dependence on transfers from the central government and other regional governments decreases. An increase in PAD shows higher regional success in managing regional revenue sources.

PAD sources come from:

#### 1. Regional Tax

Regional tax according to Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Government is a mandatory contribution to the region owed by an individual or entity that is coercive based on law without receiving direct compensation and is used for regional needs for the greatest prosperity of the people.

Regional governments have the right to collect regional taxes in accordance with statutory provisions, so that if taxpayers do not pay them, they will be considered a tax debt. For taxpayers to be orderly in paying regional taxes, administrative sanctions are imposed in the form of tax fines for taxes owed that are paid after the payment deadline.

Regional Taxes are managed by the provincial government and district/city governments. The types of taxes it manages are different as shown in the following table:

Regional Taxes Managed by the Provincial Government

Regional Taxes Managed by Regency/City Governments

#### a. Motor Vehicle Tax (PKB)

- b. Motor Vehicle Title Transfer Fee (BBNKB)
- c. Heavy Equipment Tax (PAB)
- d. Tax on Motor Vehicle Fuel Use (PBBKB)
- e. Surface Water Tax (PAP)
- f. Cigarette Tax
- g. Non-Metal and Rock Mineral Tax Opportunities (MBLB)
- a. Rural and Urban Land and Building Tax (PBB-P2)
- b. Land and Building Rights Acquisition Fee (BPHTB)
- c. Certain Goods and Services Tax (PBJT)
- d. Advertisement tax
- e. Groundwater Tax
- f. Non-Metal and Rock Mineral Tax (MBLB)
- g. Swallow's Nest Tax
- h. Motor Vehicle Tax Option (PKB)
- i. Motor Vehicle Title Transfer Fee Option (BBNKB)

Handayani (2022) believes that local original income is income generated within its jurisdiction which is recognized as adding to the value of net assets in one fiscal year, and its growth must be encouraged in order to be able to cover part of the necessary expenditure burden. Regional original income is income obtained by the region which is collected based on regional regulations in accordance with statutory regulations. Sources of original regional income include regional taxes, regional levies, results from the management of separated regional assets, and other legitimate regional original income.

Nopitasari (2020) stated that gross regional domestic product is an indicator that describes the ability of a region to generate income or remuneration for a production factor in a region. This GRDP consists of Real GRDP and Nominal GRDP. There are three approaches to calculating GRDP, namely the Production approach, the Income approach and the Expenditure approach.

According to the Central Statistics Agency (BPS), capital expenditure is expenditure used for the purchase/procurement or construction of tangible fixed assets whose useful value is more than a year. The formation of these assets includes procurement of land, heavy equipment, transportation equipment, workshop equipment, agricultural equipment, equipment and office equipment, computers, kitchen equipment, room decoration, studio equipment, communication equipment, measuring instruments, medical instruments, laboratory equipment, road construction, bridges, water networks, street lighting, parks and urban forests, electrical and telephone installations, buildings, books/libraries, art items, procurement of animals/livestock and plants, as well as weapons/security. Capital expenditures are classified as Routine expenditures and Development expenditures

## METHOD

This research was conducted in West Nusa Tenggara Province. This location was chosen because there are island characteristics that require different handling to improve development. The objects of this research are PAD, GRDP and Capital Expenditures in West Nusa Tenggara Province. This research uses data presented in tabular form obtained from the Central Statistics Agency (BPS) of West Nusa Tenggara Province for 2012-2021 which is measured in percent. The analysis techniques used are multiple linear regression analysis, classical assumption testing, and hypothesis testing.

#### 1. Multiple Regression Analysis

Regression analysis is a statistical technique that is useful for examining and modeling relationships between variables. The multiple linear regression equation is as follows:

$$Y = a + b_1 X_1 + b_2 X_2$$

Where: Y = Capital Expenditure

a = Constant

b = Coefficient

X1 = Original Regional Income

X2 = Gross Regional Domestic Product

## 2. Classic Assumption Test

Classical assumptions are made to determine whether or not the regression equation formed is valid.

### a. Normality test

By carrying out statistical tests, if the significant value is greater than  $\alpha = 5\%$  or 0.05, it can be concluded that the residuals in the regression model follow a normal distribution.

### b. Multicollinearity Test

If the VIF value of each independent variable is less than 10 then the regression model is free from multicollinearity problems.

### c. Autocorrelation Test

If the calculated d value is greater than  $d_u$  in the Durbin-Watson table and smaller than  $4-d_u$  ( $d_u < d < 4-d_u$ ), then it can be said that the regression model used is free from autocorrelation problems.

### d. Heteroscedasticity Test

A regression model is said to not contain heteroscedasticity if the significance probability is above the 5% confidence level.

## 3. Hypothesis Testing

### a. Partial Test (t Test)

If the calculated t value  $<$  t table it can be concluded that there is no significant influence of variable x on y and if on the contrary t calculated  $>$  t table there is a significant influence of variable x on y.

### b. Simultaneous Test (F Test)

If the calculated F value  $<$  F table it is concluded that there is no significant influence of variable x on y and if on the contrary F calculated  $>$  F table there is a significant influence of variable x on y.

## DISCUSSION RESULT

### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-45.017	68.766		-.655	.534
PAD	1.393	.731	.549	1.906	.098
PDRB	.507	.496	.294	1.021	.341

Based on the results of the analysis above, the formula for multiple linear regression analysis is obtained as follows:

$$Y = -45.017 + 1.393X_1 + 0.507X_2$$

The results of the analysis obtained that the Constant is -45.01 percent states that if Original Regional Income (X1) and Gross Regional Domestic Product (X2) are zero (0) then the level of Capital Expenditure (Y) is -45.01 percent, the regression

coefficient of Original Income Regional (X1) is 1.39 percent, indicating that if regional original income increases by 1%, capital expenditure will increase by 1.39 percent. Likewise, if regional original income decreases by 1%, capital expenditure decreases by 1.39 percent, and the regression coefficient for Gross Regional Domestic Product (X2) is 0.50 percent, indicating that if gross regional domestic product increases by 1%, capital expenditure decreases. of 0.50 percent. Likewise, if gross regional domestic product decreases by 1%, capital expenditure increases by 0.50 percent.

Classic assumption test

### a. Normality test

#### One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		10
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	9.34321036
Most Extreme Differences	Absolute	.160
	Positive	.110
	Negative	-.160
Test Statistic		.160
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

To ensure that the residual data has normality, the residual data is tested again using the Kolomorov Smirnov test. The table shows that the value of Asymp.Sig. (2-tailed) is greater than 0.05, namely 0.200. Thus it can be concluded that the data is normally distributed.

### a. Multicollinearity Test

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	45.017	68.766		.655	.534		
	PAD	1.393	.731	.549	1.906	.098	.982	1.018
	PDRB	.507	.496	.294	1.021	.341	.982	1.018

a. Dependent Variable: BM

The results of the multicollinearity test for research from 2012-2021 in West Nusa Tenggara Province show that the Tolerance value of the independent variable, namely Regional Original Income (X1) is 0.982 and Gross Regional Domestic Product (X2) is 0.982. The Tolerance value of the two independent variables is more than 0.1. And the VIF value of Original Regional Income (X1) is 1,018 and Gross Regional Domestic Product (X2) is 1,018. From the VIF value of the two independent variables is less than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

b. Autocorrelation Test

**Model Summary<sup>b</sup>**

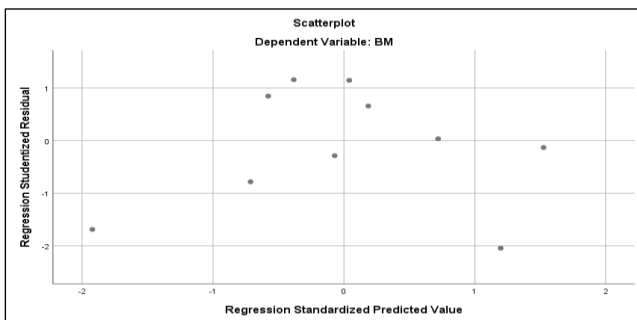
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.656 <sup>a</sup>	.430	.268	10.59420	2.115

A. Predictors: (Constant), PDRB, PAD

B. Dependent Variable: BM

The Autocorrelation test results can be seen with a Durbin-Watson value of 2.115 so that the du value = 1.6413 and the dl value = 0.6972. Therefore, we can test  $4-dl = 4-0.6972 = 3.3028$  and the value of  $4-du = 4-1.6413 = 2.3587$  so that it can be seen from the value of  $du < dw < 4-du$  ( $1.6413 < 2.115 < 2.3587$ ). So the Durbin-Watson test value obtained at 2.115 is between the upper limit du (1.6413) and 2.3587 (4-du) so that the decision maker accepts H0 which means that there is no autocorrelation.

c. Heteroscedasticity Test



As you can see in the image above, it can be seen that the points do not form a clear pattern, and the points are spread above and below the number 0 on the Y axis, so it can be concluded that the 2012-2021 research analysis in West Nusa Tenggara Province did not occur. Heteroscedasticity.

Hypothesis testing

a. Partial Test (t Test)

**Coefficients<sup>a</sup>**

Unstandardized Coefficients		Standardized Coefficients		t	Sig.
B	Std. Error	Beta			
-45.017	68.766			-.655	.534
1.393	.731	.549		1.906	.098
.507	.496	.294		1.021	.341

a. Dependent Variable: BM

Effect of Regional Original Income (X1) on Capital Expenditures (Y)

Based on the results of the t value for the Regional Original Income variable (X1), the t value obtained is 1,906 with a t table of 2,262, so the t value < t table. Meanwhile, the significant value for the regional original income variable is 0.098 > 0.05. So it can be concluded that Ha is rejected and H0 is accepted, meaning that the level of local revenue does not have a significant effect on capital expenditure. This means that the Regional Original Income in West Nusa Tenggara Province has not been able to meet the needs for Capital Expenditures in West Nusa Tenggara Province

- Influence of Gross Regional Domestic Product (X2) on Capital Expenditures (Y)

Based on the results of the t value for the Gross Regional Domestic Product variable, the t value obtained is 2,262 with a t table of 1,859, so the t value < t table. Meanwhile, the significant value for the gross regional domestic product variable is 0.341 > 0.05. So it can be concluded that Ha is rejected and H0 is accepted, meaning that Gross Regional Domestic Product does not have a significant effect on Capital Expenditures. This means that the Gross Regional Domestic Product in West Nusa Tenggara Province has not been able to increase capital expenditure, due to the lack of income received by the region to be spent by the regional government.

b. Simultaneous Test (F Test)

**ANOVA<sup>a</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	593.692	2	296.846	2.645	.139 <sup>b</sup>
Residual	785.660	7	112.237		
Total	1379.352	9			

a. Dependent Variable: BM

c. Predictors: (Constant), GRDP, PAD

From the results of the calculation above, it can be seen that the calculated F value is 2.645 percent and the sig value is 0.139. So in this study, the Fcount < Ftable ( $2.645 < 4.74$ ) and the sig value is  $0.139 > 0.05$ . So it can be concluded that hypothesis testing H2 is rejected and H0 is accepted. This explains that regional original income and gross regional domestic product simultaneously (together) do not have a significant effect on the capital expenditure of the West Nusa Tenggara Province government.

Based on Discussion Results

The Influence of Original Regional Income (PAD) and Gross Regional Domestic Product (GRDP) on Government Capital Expenditures.

1. Effect of Regional Original Income on Capital Expenditures

The results of the first hypothesis test show that the regression direction coefficient of the variable Original Regional Income (X1) is 0.731 or positive, so it can be said that the variable Original Regional Income (PAD) has no significant effect on Capital Expenditures (BM). Based on the test results of the t calculated value on the Regional Original Income variable (X1), the t calculated value was obtained at 1,906 with a t table of 2,262, so the calculated t value < t table. Meanwhile, the significant value for the regional original income variable is 0.098 > 0.05. So it can be

concluded that  $H_a$  is rejected and  $H_0$  is accepted, meaning that the level of local revenue does not have a significant effect on capital expenditure. This means that the Regional Original Income in West Nusa Tenggara Province has not been able to meet the needs for Capital Expenditures in West Nusa Tenggara Province.

According to Nopitasari (2017: 56) states that Regional Original Income (PAD) is income obtained by the region which is collected based on regional regulations in accordance with statutory regulations. Original Regional Income (PAD) as a source of regional revenue itself needs to be increased so that it can bear part of the expenditure burden required for government administration and development activities which increases every year so that broad, real and responsible regional autonomy can be implemented. The results of this research support research by Puri (2018) and Handayani (2022) which states that there is no significant influence between Capital Expenditures on increasing Original Regional Income.

## 2. Influence of Gross Regional Domestic Product on Capital Expenditures

The results of the first hypothesis test show that the regression direction coefficient of the Gross Regional Domestic Product ( $X_2$ ) variable is 0.496 or positive, so it can be said that the Gross Regional Domestic Product (GRDP) variable has a negative effect on Capital Expenditure (BM). Based on the results of the t value for the Gross Regional Domestic Product variable, the t value obtained is 0.765 with a t table of 1.859, so the t value  $<$  t table. Meanwhile, the significant value for the gross regional domestic product variable is  $0.469 > 0.05$ . So it can be concluded that  $H_2$  is rejected and  $H_0$  is accepted, meaning that Gross Regional Domestic Product does not have a significant effect on Capital Expenditures.

According to Nopitasari (2017: 57), it was concluded that there was no significant influence of Gross Regional Domestic Product (GRDP) on Capital Expenditures (BM), so the hypothesis proposed was not proven. This means that the Gross Regional Domestic Product in West Nusa Tenggara Province has not been able to increase capital expenditure, due to the lack of income received by the region to be spent by the regional government. This does not mean that regional government expenditure management related to capital expenditure allocation, GRDP is not the main reference in the process of preparing the APBD and capital expenditure allocation, but there are a number of certain factors that influence it, for example the process of preparing the general budget policy (KUA) every year which in addition to pay attention to regional economic conditions but also socio-political conditions in the area.

The results of this research support the research of Nopitasi (2017), Ermiwati (2021) which states that there is no influence between Capital Expenditures on increasing Gross Regional Domestic Product.

## CONCLUSION

Based on the results of the data analysis and discussion explained in the previous chapter, it can be concluded that there is no significant influence of Original Regional Income on Capital Expenditures, "acceptable." This is based on multiple linear regression analysis (test), it is known that the calculated t value is 1.906 with a t table of 2.262, so the calculated t value  $<$  t table or  $1.906 <$  2.262 and a significant value of 0.098  $>$  0.05, "There is no significant influence of Domestic Products

Regional Gross to Capital Expenditure" is unacceptable. This is based on multiple linear regression analysis (t test), it is known that the calculated t value is 1.021 with a t table value of 2.262, then the calculated t value  $<$  t table or  $1.021 <$  2.262 and a significant value of 0.341  $>$  0.05, and the results of the coefficient of determination test ( $R^2$ ) of 43% shows that the influence of the amount of Original Regional Income and Gross Regional Domestic Product together on Capital Expenditures while the remainder is influenced by other variables that were not studied such as Profit Sharing Funds, General Allocation Funds and Special Allocation Funds.

## SUGGESTIONS AND ACKNOWLEDGMENTS (if any)

West Nusa Tenggara Province needs to explore all existing potentials in order to optimize regional capabilities in the financial sector, then dependence on central government assistance must be minimal so that the role of regional government becomes greater in increasing Gross Regional Domestic Product by exploring GRDP sources and developing sectors. excellence in order to increase regional income, as well as providing facilities and infrastructure in the context of developing regional development and economy.

For future researchers, further research should develop the variables studied, because it does not rule out the possibility that research that includes more variables will be able to produce good conclusions.

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