

Factors Affecting Capital Expenditure with Economic Growth as a Moderating Variable

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ABSTRACT

The purpose of this study is to determine the effect of Banten Province Regencies/Cities: Regional Original Income, General Allocation Funds, and Special Allocation Funds on Capital Expenditures. For the years 2017–2021, all of the regencies and cities in Banten Province make up the study's population. This study's data analysis technique is multiple linear regression analysis, which uses pooled data and the Eviews 9 software. The study's findings demonstrated the concurrently significant effects of regional original income, general allocation funds, and special allocation funds on capital expenditure. While General Allocation Funds and Special Allocation Funds have no discernible impact on capital expenditures, Regional Original Income has a positive and significant effect on them. While DAU in response to capital expenditures cannot be moderated, PAD and DAK can be by the moderating variable of economic growth.

INTRODUCTION

The expectation is that the Banten Province regional government will be able to raise the amount of money it receives from regional levies by being more assertive and creative in collecting regional levies, to improve regional development and infrastructure to create regional independence. As fiscal instruments managed by the Government, the APBN and APBD must be formulated appropriately to encourage growth, development, and equal distribution of prosperity in all regions. In its implementation, the APBN and APBD are greatly influenced by macroeconomic conditions at both national and global levels. At the regional level, what needs to be considered is the rate and level of Regional Gross Domestic Product (GRDP) and other indicators that show regional independence in collecting revenue and allocating expenditure in the APBD. Banten's Economic Growth Rate (LPE) in the second quarter of 2021 grew 0.27 percent (q-to-q). The GDP structure for the second quarter of 2021 is still dominated by the tertiary sector group which reached 48.72 percent, the secondary sector 45.06 percent, and the sector that utilizes natural resources only reached 6.22 percent. The trend of low monthly inflation rates in Banten since the beginning of 2021, ranging from 0 percent to below 0.5 percent, is the impact of the pandemic whose end is still unclear, even in June 2021, Banten Province experienced deflation of 0.17 percent. The most dominant cause of deflation was the decline in the index for the food, beverage, and tobacco groups.

The realization of APBD revenues throughout Banten Province for the second quarter of 2021 was IDR 17,224.84 billion or 52.20 percent of the target, growing 13.08 percent compared to the same period in 2020. Meanwhile, the realization of expenditure for the second quarter of 2021 was IDR 11,393.59 billion or 29.51 percent of the target with actual capital expenditure only reaching 8.80 percent. If we look at the results of proportion and comparison analysis, consolidated income has grown by 12.71 percent compared to the same period in 2020. Meanwhile, consolidated state expenditure realization reached IDR 16,675.01 billion, growing 6.88 percent compared to the same period in 2020. Meanwhile, In terms of consolidated spending, Banten's consolidated spending is dominated by operational spending of IDR 13.85 trillion or 88.42 percent, while capital spending is IDR 1.81 trillion or 11.58 percent of total consolidated spending or an increase of 40.46 percent compared to the same period. 2020 (source: banten.bps.go.id). Based on this phenomenon, researchers are interested in knowing what factors influence the Provincial Government of Banten receiving funding for capital projects. The dependent variables in this study were PAD, DAU, and DAK; the independent variable was capital expenditure; and the moderating variable was economic growth.

The following table shows information on Banten Province's district and city government capital expenditure trends from 2017 to 2021:

Table 1. Total Capital Expenditure of Banten Province City/Regency Government

Kabupaten/Kota	2017	2018	2019	2020	2021
Kota Tangerang	1.013.676.204	1.024.749.199	880.363.220	278.622.423	555.020.000
Kota Tangerang Selatan	1.007.512.393	1.019.928.804	1.206.419.179	732.898.351	748.800.000
Kota Serang	333.514.135	431.082.095	252.842.394	178.523.626	245.660.000
Kab. Tangerang	1.530.660.350	1.763.560.497	1.392.365.179	976.512.264	1.245.790.000
Kota Cilegon	500.709.558	304.636.620	413.224.917	201.312.400	202.120.000
Kab. Serang	463.747.394	589.719.505	600.917.055	371.988.143	245.660.000
Kab. Lebak	374.004.043	313.774.638	384.607.182	228.259.512	281.850.000
Kab. Pandeglang	541.393.604	343.009.277	361.843.940	224.200.219	335.790.000

source : Badan Pusat Statistik 2017-2021

This Because capital expenditure is a top priority for economic development in Banten Province in 2022, research on capital expenditure is intriguing. It would also be interesting to talk about factors that could affect capital expenditure, since capital expenditure is the cost of developing infrastructure that directly boosts the population's economy. This study pertains to Ananda's (2019) research; however, it differs from earlier studies in that the earlier studies focused on a different time period 2008-2017 period while this research examined the 2017-2021 period. In Ananda (2019), the research objects were districts/cities in Aceh Province, while this research examined districts/cities in Banten Province.

LITERATURE REVIEW

Stewardship theory explains the condition of management which is not motivated by personal interests, but rather prioritizes achieving the main interests of the organization (Donaldson, 1989 and Davis, 1991). It can be defined that stewardship theory basically explains how the Regional Government as a trustworthy agency can act and prioritizing the public interest through appropriate work programs, with a scope such as producing financial accountability reports entrusted to agencies, so that once the agency's goals of improving the economy, quality of public services and community welfare are achieved, they can be carried out well. The creation of regional government success in its efforts to increase the realization of There's little doubt that regional spending will rise in tandem with regional income. Thus, the expectation is that regional administrations will be able to oversee expenditure expenses well, effectively and efficiently.

Stakeholder theory explains that there are elements involving many parties from all groups, for example shareholders, investors, government, local communities from various environments, institutions outside the company or

agency and so on (Harmoni, 2013). Regardless of whether this group has influence or not, either directly or indirectly in society. The existence of a process in an agency must certainly have achievements. The process of achieving an agency's goals is influenced by the decisions and performance of groups or individuals. Groups or individuals are usually referred to as stakeholders. Stakeholder theory is a group of people, organizations or communities consisting of various groups and professions, ethnic groups, and cultures, united into an organization that has thinking in line to achieve shared goals that match expectations. Based on this description, if it is linked to government governance, then the realization of income which is considered to have high accuracy is linked to the realization of expenditure which is more efficient. In this way, income and expenditure can explain the strength of stakeholder theory in relation to measuring organizational performance. The expectation is that the government can fulfill its mandate and open up opportunities to advance the Banten region by growing and exploring all existing potential and controlling strategic assets as a source of regional income from Banten and can determine regional expenditures in a reasonable, efficient, and effective manner.

Capital Expenditures

According to Regulations Capital expenditures are defined as payments made for the acquisition of assets and/or the enhancement of the value of fixed assets and other assets that yield benefits for more than one accounting period and surpass the government-determined minimum capitalization limit for fixed assets and other assets (Ministry of Finance number 101/PMK.02/2011). In bookkeeping, the cost of procurement of assets is determined by factoring in all funding necessary to bring the asset to completion and readiness for use, as well as committee procurement of goods and services related to procurement-related assets. Every day operations rely on fixed assets; these assets are not for sale. Fixed assets have tangible characteristics, will increase the government assets, have a useful life of more than 1 year, and their value is relatively material. Meanwhile, the characteristics of other assets are intangible, will increase the government assets, and have a useful life of more than 1 year and its value.

Regional original income and capital expenditure

Regional original income (PAD) is the main source of the regional government to provide opportunities for the region to maximize potential funding in carrying out its government. Allocation of capital expenditure adjusted to regional needs and paying attention to PAD that is obtained. If one wants The government must investigate possible ideal PADs in order to enhance capital expenditures that will benefit society and public services. Revenue derived from sources inside its region is known as regional original income, or PAD. The region's ability to fund regional development initiatives increases with the proportion of PAD in the regional financial structure (Carunia Mulya Firdausy, 2017).

H1: Regional original income affects capital expenditure

General allocation funds and capital expenditure

General Allocation Funds, also known as DAUs, are funds allotted in APBN to regions with the intention of equalizing capacity, per Law Number 18 of 2016 Article 1. interregional financing to support local needs while enacting decentralization. One of the ways the central government transfers money to regional governments is through general allocation funds, which come from APBN revenues. The purpose of these funds is to balance out the financial resources available to each region to meet its own needs within the framework of decentralization. DAU is a block grant, meaning that the region uses it in accordance with priorities and needs specific to the region for enhancing community services within the framework of regional autonomy implementation. While the percentage allotted to provinces and districts/cities is decided in accordance with the balance of authority between provinces and districts/cities, general allocation funds are allocated for regions, provinces, and districts/cities with the amount of DAU determined at least 26% of Domestic Income (GDP) net determined in APBN (Asyaidah, 2015).

H2: General allocation funds affect capital expenditure

Special allocation funds and capital expenditure

Law Number 18 Year 2016 Article 1 Special Allocation Funds, hereinafter abbreviated as DAK, are funds allocated in APBN to regions specific to help fund specific activities that are local concerns and are in line with national priorities, as per the Government Regulation of the Republic of Indonesia, 2016. The regions that will receive DAK are required to meet special, general, and technical criteria, as stated in PP Number 55 of 2005. The general criteria are determined by deducting regional civil servant expenditure from general revenue APBD, and then based on the financial capabilities of the region. Regulations governing the application of special autonomy and regional features serve as the foundation for the formulation of specific criteria. In the interim, pertinent technical ministers prepare technical criteria in the form of indicators of particular activities that DAK will fund. When physical activities

are the subject of DAK funding, the region receiving the funding is required to budget matching funds equal to at least 10% of the DAK allocation received.

H3: Special allocation funds have a positive effect on capital expenditure

Economic growth

An economy's ability to grow is a sign of its successful development. Changes in national and regional output serve as indicators of the growth rate of an economy. A macroeconomic measure of economic growth problem in the long term. Every country can realize economic growth because production factors increase from one period to another and therefore national income can be increased.

To find out the level of economic growth it can be calculated with the following formula:

$$\text{Pertumbuhan Ekonomi} = \frac{PDRB_{(n+1)} - PDRB_n}{PDRB_n} \times 100\%$$

Information:

GRDP = Gross Regional Domestic Product

N = Year to-n

H4: Economic growth can moderate funds designated for capital expenditures from regional original income, general allocation funds, and special allocation funds.

METHODOLOGY

This study employs a quantitative methodology, utilizing secondary data sourced from APBD reports and data published by the Central Statistics Agency via the www.bps.go.id portal and the www.djpk.kemenkeu.go.id portal for the Director General Regional Financial Balance (DJPK) between 2017 and 2022. The data is a combination of cross-sectional data collected at a specific point in time and sequential time data (time-series), which are arranged chronologically based on a given variable Lubis (2012). This process is known as pooling data with a combined model. Independent variables, moderating variables, and dependent variables make up the variables in this study.

Data Collection Procedures

In order for the conclusions reached to more accurately reflect the traits and components of the real population and to be useful when making decisions, the sampling strategy used in this study is saturated sampling/census of the entire population. decisions optimization planning budgets in the future in regional government districts and cities existing in Banten Province.

Data analysis technique

This study used pooled data and multiple linear regression analysis, with the EViews 9 program serving as the software. The objectives of this analysis are to ascertain whether there is a positive or negative relationship between each independent variable and the dependent variable, as well as to forecast the value of the dependent variable in the event that the independent variable increases or decreases.

Descriptive statistics

Descriptive Analyzing data based on its mean, standard deviation, maximum, and minimum values can give statistics an overview or description of the data. The variables in this study – profit-sharing funds, general allocation funds, special autonomy funds, special allocation funds, capital expenditure, and economic growth—are described using descriptive statistics. This is necessary to see an overview of the entire sample that has been collected and meets the criteria so that it can be used as a sample.

Classic Assumption Test

It is necessary to perform the classical assumption test prior to performing multiple regression analysis. This study used the multicollinearity, autocorrelation, heteroscedasticity, and normality tests as traditional assumption tests.

Hypothesis test

Hypothesis testing is carried out by using model analysis multiple regression. Multiple The goal of regression analysis is to forecast the degree to which the independent variable influences the dependent variable. Assuming a random or stochastic distribution, the dependent variable has a probability distribution. When sampling repeatedly, it is assumed that the independent variable has a fixed value. The testing hypothesis is tested with analysis of multiple linear regression with model as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Information:

Y: Capital Expenditures

b₁₋₃ : Regression Coefficient

X₁: Original Regional Income

X₂: General Allocation Fund

X₃: Special Allocation Fund

e : error

Steps to evaluate the impact of the three independent variables – General Allocation Funds, Special Allocation Funds, and Original Regional Income – on Capital Expenditures are carried out by simultaneous tests and partial tests.

Coefficient of Determination (R)

According to Ghozali (2013), Measuring the extent to which the independent variable can account for variations in the dependent variable is the goal of the coefficient of determination (R). The coefficient of determination has a value in the range of 0 (zero) to 1 (one). When an R-value is 1, it indicates that the independent variable is the only factor that can explain fluctuations in the dependent variable; conversely, if the R-value is between 0 and 1, it indicates that the independent variable has a greater ability to explain fluctuations in the dependent variable.

Simultaneous Test (F Test)

To find out if independent variables are simultaneously influencing the dependent variable, apply the F test. The testing criteria are as follows: H_a is accepted if the probability value (p value) is less than 0.05, and it is rejected if the p value is greater than 0.05. significant for the dependent variable. $F\text{-count} < F\text{-table}$ indicates the rejection of H_a . This indicates that all independent variables have no effect on the dependent variable, as demonstrated statistically by the available data.

Partial Test (t-Test)

To ascertain how much each independent variable influences the dependent variable, apply the t-test. Testing parameters include accepting H_a if the p-value is less than 0.05 and rejecting H_a if the p-value is greater than 0.05. As an alternative method of conducting the t-test, t can be calculated using the t table with degrees of freedom, comparing the number of observations (n) minus the number of model parameters (k), including the intercept. The conditions are as follows: if t count is greater than the t table (α 0.05), then H_a is accepted and H_o is rejected; if t calculated is less than the t table (α 0.05), then H_o is accepted and H_a is rejected.

Moderating Variable Test

Determining whether the moderating variable will improve or worsen the relationship between the independent and dependent variables is the aim of this analysis. The purpose of this study is to test regression using test interaction as the moderating variable. A special case of multiple linear regression is test interaction, also known as moderated regression analysis (MRA), in which an interaction term (the product of two or more independent variables) appears in the regression equation. The following is a description of the test interaction regression equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4Z + b_5X_1Z + b_6X_2 Z + b_7X_3Z + e$$

Information:

Y: Capital Expenditures

Z: Economic Growth

a : Constant
b1-7 : Regression Coefficient
X1: Original Regional Income
X2: General Allocation Fund
X3: Special Allocation Fund
X1Z: Interaction between X1 and Z
X2Z: Interaction between X2 and Z
X3Z: Interaction between X3 and Z

To conduct the interaction test, multiply the independent variable by the variable that is hypothesized to be the moderating variable. The variable can be considered hypothesized if the multiplication of the two variables yields a significant result. In actuality, the moderating variable moderates the correlation between the independent and dependent variables.

RESEARCH RESULT

The description of data in terms of the maximum, minimum, mean, and standard deviation values is ascertained through descriptive statistical analysis. The variables in this study—regional original income, capital expenditures, general and special allocation funds, and economic growth—were used to calculate descriptive statistics. The sample description that follows is the result of descriptive statistical analysis.

Table 2. Descriptive Statistics on Capital Expenditures, Original Regional Income, General Allocation Funds, Special Allocation Funds, Capital Expenditures and Economic Growth in Districts/Cities in Banten Province in 2017-2021

	Y	X1	X2	X3	Z
Mean	6.01E+08	1.06E+09	8.96E+08	2.81E+08	55.443.605
Maximum	1.76E+09	2.87E+09	1.22E+09	5.02E+08	1.11E+08
Minimum	1.79E+08	1.64E+08	5.58E+08	1.20E+08	17.866.428
Std. Dev.	4.13E+08	8.88E+08	2.44E+08	1.28E+08	31.994.797
Observations	40	40	40	40	40

Source: Research Results, 2022 (Processed Data)

The lowest known value of Original Regional Income is 1.64E+08, and the maximum known value is 2.87E+09, according to Table 2. Temporary Original Regional Income has a mean value of 1.06E+09. Original Regional Income has a standard deviation of 4.13E+08. The established range for general allocated funds is 1.22E+09 for the maximum value and 5.58E+08 for the minimum. The standard deviation of the fund common allocation is 2.44E+08, whereas the mean value of the general allocated funds is 8.96E+08.

It is known that special allocated funds have a minimum value of 1.20E+08 and a maximum value of 5.02E+08. The standard deviation of the value of the specially allocated funds is 1.28E+08, whereas the mean value is 2.81E+08.

The minimum capital expenditure value is 1.79E+08, and the maximum capital expenditure value is 1.76E+09. 6.01E+08 is the capital expenditure mean value, and 4.13E+08 is the capital expenditure standard deviation.

The lowest known value of capital expenditure is 1.79E+08, and the highest known value of capital expenditure is 1.76E+09. The lowest known value of economic growth is 17,866,428 and the highest known value is 1.11E+08. The economic growth figure is 55,443,605 on average, and 31,994,797 on a standard deviation basis. The cost is 1.76E+09. 6.01E+08 is the capital expenditure mean value, and 4.13E+08 is the capital expenditure standard deviation.

Chow test

The Chow test determines whether the estimation model used to form the regression model is the Fixed Effect Model (FEM) or the Common Effect Model (CEM). We are testing the following hypothesis. The Chow test is the foundation for the following findings:

Table 3. Results of the Chow Test

Redundant Fixed Effects Tests
 Equation: Untitled
 Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.610770	(7,29)	0.0064
Cross-section Chi-square	25.071002	7	0.0007

Source: Research Results, 2022 (Processed Data)

It is known that the probability value is 0.0007 based on the Chow test results in Table 3. The Fixed Effect Model (FEM) is the estimation model used because the probability value is $0.0007 < 0.05$.

Hausman test

Using the Hausman test, one can ascertain whether the estimated model in a regression model is a Random Effect Model (REM) or a Fixed Effect Model (FEM). The outcomes based on Hausman's test are as follows:

Table 4. Results of the Hausman Test

Correlated Random Effects - Hausman Test
 Equation: Untitled
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.641928	3	0.0003

Source: Research Results, 2022(Processed Data)

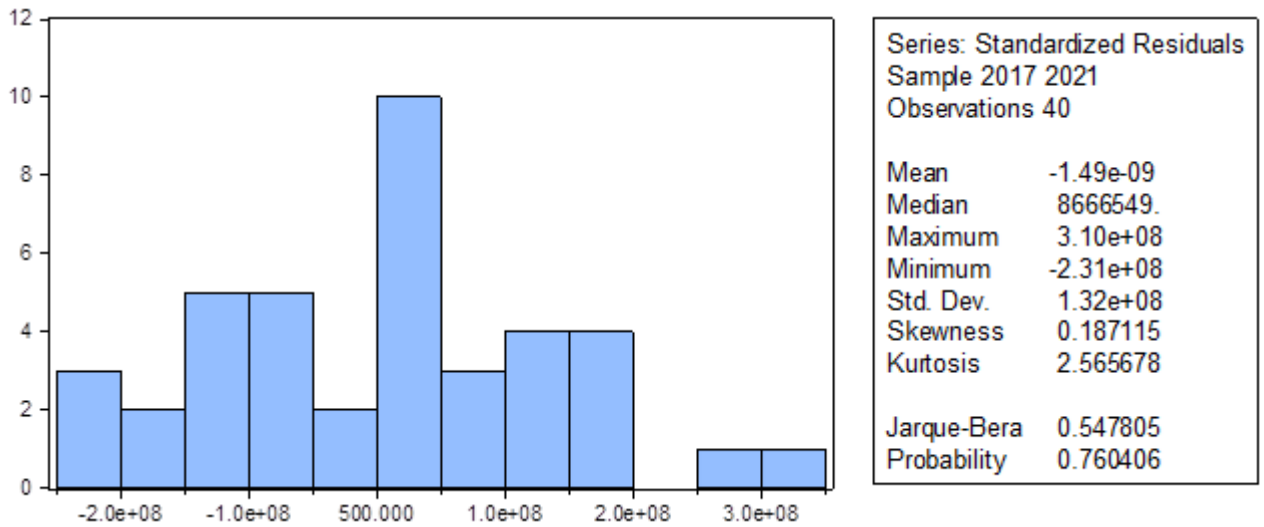
It is known that the probability value is 0.22 based on Table 4's Hausman test results. The Fixed Effect Model (FEM) model is the estimation model used because the probability value is $0.0003 \leq 0.05$.

Normality Test

This study used the Jarque-Bera (J-B) test to determine if the residuals were normal. The significance level applied in this study is. Examining the probability figures from J-B statistics under the following circumstances serves as the foundation for decision-making.

If the probability value is 0.05, then the normality assumption is met.

If the probability < 0.05 , then the normality assumption is not met.



Picture 1. Normality Test with the Jarque-Bera Test

Source: Research Results, 2022 (Processed Data)

Take note that the probability value of the J-B statistic is known to be 0.760406 based on Figure 2. because the significance level of 0.05 is less than the probability value of 0.760406, which is higher. As a result, the normalcy assumption is satisfied.

Multicollinearity Test

The correlation values between the variables in the correlation matrix in this study show signs of multicollinearity. Table 5 displays the outcomes of the multicollinearity test.

	X1	X2	X3
X1	1.000000	0.127013	0.089905
X2	0.127013	1.000000	0.091215
X3	0.089905	0.091215	1.000000

Source: Research Results, 2022 (Processed Data)

The multicollinearity test results in Table 5 indicate that there are no signs of multicollinearity between the independent variables. This is due to the fact that there is only a 0.9 correlation value between the independent variables (Ghozali, 2013).

Heteroscedasticity Test

One can use the Breusch-Pagan-Godfrey test to determine whether heteroscedasticity is present or not. The outcomes of the Breusch-Pagan-Godfrey test are as follows.

Table 6. Heteroscedasticity Test (Breusch-Pagan-Godfrey)
 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.858056	Prob. F(3,36)	0.1542
Obs*R-squared	5.363108	Prob. Chi-Square(3)	0.1471
Scaled explained SS	6.854402	Prob. Chi-Square(3)	0.0767

Source: Research Results, 2022 (Processed Data)

Prob. Obs*R-squared has a known value of $0.1471 > 0.05$, indicating the absence of heteroscedasticity.

Autocorrelation Test

Using the Durbin-Watson test, the assumption regarding the independence of the residuals (non-autocorrelation) can be verify. When the Durbin-Watson test has a statistical value of less than 1 or more than 3, autocorrelation is present.

Table 7. Autocorrelation Test with Durbin-Watson Test

Log likelihood	-804.2547	Hannan-Quinn criter.	40.93066
F-statistic	25.42716	Durbin-Watson stat	1.476479

Source: Research Results, 2022 (Processed Data)

Table 7 indicates that the Durbin-Watson statistic has a value of 1,476479. Observe that the non-autocorrelation assumption is satisfied since the Durbin-Watson statistic's value falls between 1 and 3, or $1 < 1,476479 < 3$. Stated differently, the residuals do not exhibit a high degree of autocorrelation.

Hypothesis Test

The simultaneous effect (F test), partial effect (t test), and analysis of the coefficient of determination will all be done in order to test the hypothesis. Table 8 displays the statistical values for the t test, F test, and coefficient of determination.

Table 8. Hypothesis Testing

Dependent Variable: Y
 Method: Panel Least Squares
 Date: 10/12/22 Time: 16:59
 Sample: 2017 2021
 Periods included: 5
 Cross-sections included: 8
 Total panel (balanced) observations: 40

Variable	Coefficien		t-Statistic	Prob.
	t	Std. Error		
C	-1.76E+09	7.19E+08	-2.452.033	0.0205
X1	0.952.524	0.309.237	3.080.235	0.0045
X2	1.551424	0.842.081	1.842.369	0.0757
X3	-0.140.426	0.715.308	-0.196.316	0.8457

Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.897625	Mean	dependent	
Adjusted	R-	var		6.01E+08
squared	0.862323	S.D. dependent	var	4.13E+08
S.E. of regression	1.53E+08	Akaike	info	
Sum squared resid	6.82E+17	critierion		40.76273
Log likelihood	-804.2547	Schwarz	critierion	41.22718
F-statistic	25.42716	Hannan-Quinn		
Prob(F-statistic)	0.000000	critier.		40.93066
		Durbin-Watson	stat	1.476479

Source: Research Results, 2022 (Processed Data)

Table 8 provides information on the coefficient of determination (Adjusted R-squared). This figure can be understood as follows: 86.2% of the total can be explained or influenced by regional original income, general allocation funds, and special allocation funds, either separately or in combination. The remaining 13.8% is determined by other factors. The purpose of the test is to evaluate the impact of each independent variable, either separately or in combination, on the dependent variable. Based on Table 8, it is known that the value of Prob. (F-statistics), namely 0.000000 0.05, it can be concluded that the hypotheses H1, H2 and H3 are accepted, namely that all independent variables, namely regional original income, general allocation

funds, special allocation funds and special autonomy funds simultaneously have a significant effect on the variables capital expenditure.

We derive the panel data regression equation as follows, based on Table 8.

$$Y = (-1.76E + 09) + (0.952524 X1) + (1.551424 X2) - (0.140426 X3)$$

Table 8 indicates that the original regional income (X1) variable has a positive coefficient value of 0.952524. This implies that an increase of 1% in Original Regional Income will result in a corresponding increase of Y in capital expenditure. Based on the significance value, the value of the local original income is 0.0045. At a significance level of 5%, this demonstrates that the influence of local revenue has a significant effect on increasing capital expenditure (Y), indicating the acceptance of H1.

Table 8 indicates that the independent variable general allocation funds has a positive coefficient value of 1,551,424. This means that for the variable X2, which is general allocation funds, the coefficient $b_2 = 1,551,424$ indicates that a 1% increase in general allocation funds will result in a corresponding increase in capital expenditure (Y) of Rp. The significance value indicates that the general allocation fund has a value of 0.0757. This indicates that, at the 5% significance level, the influence of general allocation funds has no discernible impact on the rise in capital expenditure (Y), thereby ruling out H2.

Table 8 indicates that the independent variable special allocation funds has a negative coefficient value of -0.140426. This implies that the variable X3 (special allocation funds) has a coefficient of $b_2 =$, which implies that a 1% increase in special allocation funds will result in a corresponding decrease in capital expenditure (Y). The significance value indicates that the special allocation fund has a value of 0.8457. This indicates that, at the 5% significance level, special allocation funds have no discernible impact on rising capital expenditure (Y), thereby ruling out H3.

Moderation Significance Test (Interaction Test)

Based on an interaction test, the following are the findings regarding the role that economic growth plays in reducing the impact of local revenue, general allocation funds, and special allocation funds on capital expenditure.

Table 9. Test of the Significance of Economic Growth in Moderating the influence of local revenue, general allocation funds and special allocation funds on Capital Expenditures

Dependent Variable: Y

Method: Panel Least Squares

Date: 10/12/22 Time: 18:48

Sample: 2017 2021

Periods included: 5

Cross-sections included: 8

Total panel (balanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1Z	9.23E-09	4.34E-09	2.125911	0.0421
X2Z	-4.39E-09	1.24E-08	-0.353331	0.7264
X3Z	-4.11E-08	1.99E-08	-2.062220	0.0482
C	6.50E+08	3.71E+08	1.751484	0.0904

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.870713	Mean dependent var	6.01E+08
Adjusted R-squared	0.826131	S.D. dependent var	4.13E+08
S.E. of regression	1.72E+08	Akaike info criterion	40.99613
Sum squared resid	8.61E+17	Schwarz criterion	41.46057
Log likelihood	-808.9226	Hannan-Quinn criter.	41.16406
F-statistic	19.53064	Durbin-Watson stat	1.624881
Prob(F-statistic)	0.000000		

Source: Research Results, 2022 (Processed Data)

The following is the moderation equation for the interaction test, based on Table 9.

$$Y = 6.50E+08 + 9.23E-09 X_1Z - 4.39E-09 X_2Z - 4.11E-08 X_3Z + e$$

It is known the value coefficient of is, that is has a positive value. This value can be interpreted as economic growth strengthens the influence of funds for results on capital expenditure. Known value Prob of Interaction is $0.0421 \leq 0.05$, then economic growth has a significant influence in moderating the influence of local native income on capital expenditure.

It is known the value coefficient of is, that is has a negative value. This value can be interpreted as economic growth as weakening the influence of funds' general allocation on capital expenditure. Known value Prob of Interaction is $0.7264 \leq 0.05$, then economic growth has no effect significant in moderating the influence of general fund allocation on capital expenditure.

It is known the value coefficient is negative. This number suggests that economic expansion is lessening the impact of Funds Special Allocation on

capital expenditure. Given that the known value of the interaction probability is $0.0482 \leq 0.05$, it can be concluded that economic growth significantly mitigates the impact of special allocation funds on capital expenditures. Therefore, H4 is accepted.

DISCUSSION

The Influence of Original Regional Income on Capital Expenditures

The results of using the t test to examine the relationship between original regional income and capital expenditure reveal that, with other variables held constant, the value coefficient of the independent variable, original regional income, is positive. This implies that adding new original income regions will result in higher capital spending the following year. It is possible to interpret these values. Positive correlation exists between the variable expenditure capital and the variable income native regional. It is well known that the variable expenditure capital is significantly (statistically) influenced by the variable income original region.

The study's findings are consistent with those of studies by Sari and Wirama (2018), Delyanti (2019), and Bintang Marseno and Erly Mulyani (2020), which find that regional original income affects capital expenditure where regional revenue shows regional capacity which continues to increase and efforts to increase regional revenue from revenue PAD increasingly increasing. done correctly. Meanwhile, capital expenditure shows that is getting bigger regional income grows then government capital expenditure will increasingly increase. Nevertheless, the study's findings According to research (Muhammadiyah Jember et al., n.d.), capital expenditure is not unaffected by original regional income.

The Influence of General Allocation Funds on Capital Expenditures

The t-test results demonstrating the impact of funds general allocation on capital expenditure indicate that the independent variable, namely funds general allocation, has a positive value. One way to interpret this value is to make sure that the allocation of variable funds generally has a positive impact on variable capital expenditures. The overall known variables funds allocation has no statistically significant impact on the variable capital expenditure. The positive correlation indicates that general fund allocation and capital expenditure are moving in the same direction, with rising general fund allocation leading to higher capital expenditures. The findings of this study are consistent with those of studies by Fitri (2020), Gogor Mustawa Zais (2017), and Surya Abbas et al. (2020) showing that general location funds have no effect on capital expenditure and that a province with a large DAU budget is naturally more likely to have dependents with large capital expenditures as well. Nonetheless, the government's inefficiency in applying the DAU contribution to capital expenditures persists. In other instances, it is purported that the DAU

budget is used to finance various expenses, possibly just like that of purchasing goods and services and other expenses.

The Effect of Special Allocation Funds on Capital Expenditures

The results of using t-tests to examine the impact of fund special allocations on capital expenditures reveal that the coefficient value of the free variable, funds special allocation, is negative, indicating that, under the assumption that other variables remain constant, every increase in fund allocation specifically will result in a decrease in capital expenditure in the following year. It is possible to interpret these values. In particular, the variable capital expenditure suffers from the variable funds allocation. Suhendra et al. (2015) produced Dwi Septiadi, where The study's findings indicated that funds special allocations had a negative but negligible impact on regional expenditures. Surya Abbas et al. (2020) did, however, find different research findings suggesting that funding special allocations affected capital expenditure.

According to PP Number 55 of 2005, regions that are eligible for special allocations of funds must fulfill three requirements: general, special, and technical. After deducting the costs incurred by regional civil servants, general revenues from APBD are used to formulate criteria that are generally based on the capabilities of regional finances. Particular standards developed in accordance with the laws governing the exercise of special autonomy and local peculiarities. Technical criteria, which will be financed by specially designated funds, are being developed in the interim by pertinent technical ministers in the form of particular activity indicators. When physical activities are the focus of the activities funded by specially allocated funds, the region receiving the funds must budget an additional 10% of the funds received in special allocations toward corresponding activities. Nevertheless, the statistical findings show that special funding allocations have no effect on capital spending. The findings of this study are at odds with the stewardship theory, which holds that regional governments are reliable entities capable of carrying out their financial responsibilities in a way that maximizes both economic and welfare society objectives.

In the meantime, it is clear from the statistical data that the government lacks the capacity to oversee and account for the money that ought to be allocated for societal welfare. This may occur due to indications of special funding allocations that are used to maintain rather than develop government district/city needs in Province Banten. Therefore therefore special allocated funds are felt not sufficient effective in efforts to achieve national priority targets which are part of regional affairs.

The influence of economic growth as a moderator on capital expenditure

The results of the t test in Table 8 indicate that, with regard to the moderating effect of the economic growth variable, only a partial degree of

economic growth is able to mitigate the impact of special allocation funds and local revenue on capital expenditure. Growth in the economy can't completely offset the General Allocation Fund's impact on capital expenditures.

CONCLUSIONS AND RECOMMENDATIONS

Several things that can be concluded from this research are: First, the greater the Regional The higher a region's Original Income (PAD) is, the more money it spends on capital projects, which increases the amount of assets the regional government owns. Second, in a manner similar to regional original income (PAD), general allocation funds (DAU) transferred to regional governments by the central government can affect the spending of the regional government on assets, leading to an increase in regional wealth. Third, the amount of Special Allocation Funds that the Central Government transfers to Regional Governments has no bearing on the amount of Capital Expenditures. Put differently, a region's Special Allocation Fund (DAK) increase does not automatically translate into an increase in its assets, and vice versa.

This research only takes 3 (three) independent variables, to enrich the research results and resulting recommendations it would be better to add other independent variables. It is also necessary to explore the influence of the three independent variables in this research on non-capital expenditure.

ADVANCED RESEARCH

The number of samples in this study is still not ideal, but in future research, it may be possible to add one with a sufficient number and then use a sample of businesses with a broader focus, like manufacturing companies..

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