

The influence of regional original income, allocated funds on capital expenditure in Padang Sidempuan city

Muhammar Syafii¹, Muhammad Fitri Ramadhana², Fitrawaty³

^{1,2,3}Fakultas Ekonomi, Universitas Negeri Medan, Medan, Indonesia

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ABSTRACT

Government areas in the planning budget area need to provide attention to the enhancement of Income Regional Originals (PAD) and Allocation Funds General (DAU), as research results show that both are influential, significant and direct to Growth Economics. Enhancement quality Source Power Humans (HR) can increase PAD and DAU. Therefore, the region's government must improve education and training for inhabitant areas. Use of Allocation Funds Special (DAK) must be evaluated repeatedly because the research results show that DAK has no direct effect on Growth Economics. Focus on improving the Growth Economy through the effort of government areas in strengthening sectors that have the potential to enhance Growth Economics, like sector tourism, industry, agriculture, and trade. Although PAD, DAU and DAK do not directly affect Capital Expenditures, the Growth Economy directly influences Capital Expenditures. Therefore, the government should focus on Growth Economics in planning capital expenditure to strengthen sectors that can improve Growth Economics. Research can identify other influencing factors to the region's Growth Economy and Capital Expenditures so that the government can formulate more policies to strengthen Growth Economics and Capital Expenditures.

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Corresponding Author:

Muhammad Fitri Ramadhana,
Fakultas Ekonomi,
Universitas Negeri Medan,
Jl. William Iskandar Ps. V, Kenangan Baru, Kabupaten Deli Serdang, Sumatera Utara 20221, Indonesia.
Email: mufitra@unimed.ac.id

1. INTRODUCTION

Adisasmita (2022) states that the growth process of the economy is influenced by two factors, i.e., economic and non-economic factors. The growth economy depends on Source Power Nature (SDA), source power Human (HR), business capital, technology and resources. Besides economic growth, the economy also needs its support - economic factors its growth influence society, attitudes society, institutions, politics and others. Hence, the Growth economy can be measured based on increasing per capita output in the long term. Increasing output can be estimated based on the Product Domestic Gross Domestic Product (GRDP) area. A growth economy can calculate that year's GDP compared to the previous year's (Aikman et al., 2019; Brynjolfsson & Collis, 2019; Maimunah, 2013). The growth economy each year depicts a development economy that occurs in a country or area (Magdalena & Suhatman, 2020; Zhang et al., 2021). Development economy will seen from the enhanced production of an item or service (Bag et al., 2021; Blomsma et al., 2019; Yadav et al., 2020). The improved production of goods and services can be seen from GDP, namely, change in income in the Long term, the value of the well-being of the population, labour and unemployment (Dahliah & Nur, 2021; Pramana, 2022; Priambodo, 2021).

According to Halim (Dewi, 2020), Allocation Funds Special (DAK) sourced funds from allocated APBN revenues to the areas to help fund activity in affairs regions and according to national priorities. According to Yani (Dewi, 2020), allocation funds are intended to fund training, especially in the affairs

area and is a priority national; in other words, it is a regional area. It is still a low-income original area that needs to be improved to build his site. If DAK is allocated a government centre relatively large, then the area still needs to be independent of facet fiscal.

Research (Gunantara, 2014) shows that Income Regional Originals (PAD) and Allocation Funds General (DAU) have a positive and significant impact on Growth Economics. Meanwhile, Capital Expenditures have a negative and significant effect on Growth Economics. Moderation test results show that Capital Expenditure weakens the influence of PAD on Growth Economics; Capital Expenditure as a variable the moderator is incapable of moderating the impact of DAU on Growth Economics. That is caused by allocating income areas for Capital Expenditures to be appropriately utilized, so the nature of the project is in vain. Another study (Daluasih, 2021) concludes that PAD directly influences capital expenditure. Meanwhile, influential capital expenditure is harmful to the growth of the economy. Meanwhile (Febrianto, 2022), based on the results of their research, concluded that PAD, DAU and DAK influence the economy's growth.

2. RESEARCH METHOD

Capital expenditure is helpful for shopping exceeding one fiscal year (Osei & Kim, 2020; Wang et al., 2020). It will add assets or wealth areas and give rise to consequences by adding nature shopping routines like cost maintenance. Capital expenditure has characteristics and specifics that show various considerations in allocation. Acquisition assets still have implications on load operations and maintenance in the future. With increasing productivity, communities and investors in the area will impact income improvement in the original area. The government area allocates funds in the form of budget capital expenditure in the APBD to increase asset fixed.

Allocation This capital expenditure is based on the needs of facilities and infrastructure suitable for the smooth implementation of government duties or to improve quality service to the public. Therefore, to increase the quality of service to the public, the government area should change the shopping composition. All this time, shopping areas were more used for shopping and relatively less productive routines. Saragih (2003) states that utilization shopping should be allocated to productive things, for example, activities development. In line with this opinion, Stine in Darwanto (2007) stated that the reception government should focus more on public service programs. Second, this opinion implies the importance of allocating shopping to various interests of the public.

Definition of capital expenditure according to the Ministry of Finance the Republic of Indonesia Directorate General The budget on the website www.anggaran.depkeu.go.id is an expenditure budget used in order to acquire or add to fixed assets and other assets that provide benefit more from One-period accountancy as well as exceed a minimum limit for capitalization of fixed assets or other assets determined government. Based on Regulation Directorate General (Perdirjen) Treasury PER-33/PB/2008 concerning Guidelines Use Account Income, Expenditure Employees, Goods Expenditures, and Capital Expenditures according to the Chart of Accounts Standard (BAS) states that something shopping categorized as capital expenditure:

- a. Expenditure results from acquiring fixed or other assets that increase the lifespan, usefulness and capacity.
- b. Expenditure is the exceeded minimum limit for capitalization of fixed or other assets the government has set.
- c. Acquisition of fixed assets intended not for sale.

3. RESULTS AND DISCUSSIONS

Padangsidimpuan City is one municipality located in the North Sumatra region. Padangsidimpuan City is one area resulting from the expansion of Regency South Tapanuli. It is in the middle of the Tapanuli area, in the southern part of North Sumatra Province. Padang Sidempuan City is located in the province of North Sumatra, Indonesia, with coordinates geographic 1.3833° latitude north and 99.2667° longitude east. This city is vast, about 67.17 km², located 190 meters above the surface sea.

Sidempuan City bordering on some Surrounding areas include:

- Adjacent north: North Padang Lawas Regency
- Adjacent east: Regency Simalungun
- Adjacent south: Padang Lawas Regency

- Adjacent west: Regency Mandailing Christmas

Sidempuan City consists of 10 sub-districts, namely Padang Sidempuan Barat, Padang Sidempuan Tenggara, Padang Sidempuan Selatan, Padang Sidempuan Utara, Padang Sidempuan Timur, Padang Sidempuan Batunadua, Padang Sidempuan Hutaimbaru, Padang Sidempuan Angkola Julu, Padang Sidempuan Sipirok, and Padang Sidempuan Padang Hulu. Padang Sidempuan City is geographically located on the plain low with an inclined topography flat. In this area, several rivers divide, such as the Batang River Girls, Padang River, Barumon River, and Tano Bato River. Apart from that, Padang Sidempuan City has a tropical climate with average daily temperatures ranging between 25°C-32°C and relatively high rainfall, especially in certain months.

Sidempuan City is one city in North Sumatra province with potency; the economy is quite good. Sector economy. The main thing in this city is agriculture, trade, and services. The main agricultural product in Padang Sidempuan City is rice, chillies, red onions, soybeans, peanut soil, bark, and rubber. The economy of Padang Sidempuan City Still experiences various obstacles and problems, such as low-level investment, lack of adequate infrastructure, and the lack of support for the MSME sector. The growth impacts relative to the economy compared to other cities in Indonesia. According to data from the Central Statistics Agency (BPS), the growth of Padang Sidempuan City's economy in 2020 was only -0.73 per cent. Apart from that, the COVID-19 pandemic also negatively impacts the economy of Padang Sidempuan City, especially in the tourism and trade sector. However, the government has made various efforts to improve growth economics and cope with existing problems by improving investment and building adequate infrastructure. The government Regions also optimize supporting programs for developing the MSME sector and sector tourism.

Income Padang sidempuan City Original Area (PAD). Does the Padang sidempuan City Government obtain source income from sources within their territory? Income from this region comes from various types of taxes, levies, management results, affluent areas, and other legitimate sources. Examples of tax that becomes a source of Padang sidempuan City PAD include taxes on land and buildings, advertising, hotel, restaurant and entertainment taxes. Besides taxes, levies also become PAD sources, such as market levy, levy parking, and fee cleanliness.

Based on BPS and BAPPEDA Padang sidempuan City data, PAD (Income Original Region) Padang sidempuan City from 2012 to 2021 experienced fluctuation. In 2012, Padang sidempuan City PAD amounted to 23.69 billion rupiah. Then, in 2013, it happened to decline to 35.08 billion rupiah. In 2014, Padang sidempuan City's PAD rose to 58.75 billion rupiah, then experienced an increase in 2015 to 67.73 billion rupiah. In 2016, PAD rose again to 78.42 billion rupiah and experienced an increase in 2017 to 109.6 billion rupiah. In 2018, Padang sidempuan City PAD experienced a decline to 75.06 billion rupiahs, then experienced an increase in 2019 to 89.34 billion rupiahs. In 2020, Padang sidempuan City's PAD was down to 64.01 billion rupiahs, and it will continue increasing in 2021 to 96.91 billion rupiahs. However, note that. The COVID-19 pandemic that hit the world in 2020 and 2021 could impact the condition of PAD in Padang sidempuan City and cities in Indonesia in general.

Allocation Funds General (DAU) Padang sidempuan City are funds provided by the Central Government to Padang sidempuan City Government as one source of income to support the implementation of the duties and functions of Padang sidempuan City Government. Allocation Funds This general source is from the Budget State Revenue and Expenditure approved by the DPR as representative people and then allocated to the area to finance various programs and activities in general and related to administration governance, development and service to the public.

Padang sidempuan City Government can use Allocation Funds. Generally, this is for financing various programs and activities like development infrastructure, services, health, education, social security, and others. Allocation Funds General can also be used to finance wages and employees' debt payments. Padang sidempuan City Government receives Allocation Funds General based on a formula determined by the Central Government, which considers various factors like population, area, level of poverty, and performance finance area. Thus, the amount of the Allocation Fund Generally accepted by the Padang sidempuan City Government can differ by region.

Allocation Funds General must be regulated in the Padang sidempuan City APBD and carried out transparently and accountable. The Padang sidempuan City Government must report the use of Allocation Funds General periodically to the Central Government and society through a mechanism that has been determined. To increase the utilization of Allocation Funds General, the Padang sidempuan City Government needs to optimize these funds to finance priority programs and activities

that sustainably interest society and development areas. Thus, the Allocation Funds General can contribute significantly to improving the well-being of the people of Padang sidempuan City.

Allocation Funds Special (DAK) for Padang sidempuan City is the Allocation Fund Specially provided by the government centre to Padang sidempuan City Government to support the development of infrastructure and services public in the area. The DAK can be used for road development, bridges, public buildings, and health facilities. The objective of giving DAK is to increase the well-being of people in Padang sidempuan City through developing and improving infrastructure and service to a better public.

Padang sidempuan City DAK is sourced from the APBN budget (Budget et al.), regulated annually by the government centre. The DAK nature is unique and can only use for stated purposes determined and approved together between government central and government area. Padang sidempuan City Government is responsible for using the DAK and must report periodically about its use to the government centre. As one city in North Sumatra, Padang sidempuan has the potential to be developed as a centre of growth economy and tourism in the region. Therefore, DAK Padang sidempuan City is essential to improving Power competitiveness and quality of life for people in the city. With appropriate and effective use of DAK, the development infrastructure and services public in Padangsidempuan City can keep increasing and deliver more significant benefits for society.

Padang sidempuan City is one city in North Sumatra Province. Most cities are mountainous, and their inhabitants work as farmers or traders. The growth economy in this city during the last few years has been relatively stable, with an average growth of around 4-5% per year. Based on available data, the growth of the city Padang sidempuan during this period was relatively stable, with an average growth of around 4-5% per year. In 2011, the Growth Economy Gross (GDP) of the city Padang sidempuan reached around IDR 2.1 trillion. Until 2020, the city's GDP increased to around IDR 3.7 trillion.

As most of the city's inhabitants are farmers or traders, sector agriculture and trade become the mainstay in the economy of Padang sidempuan. Sector agriculture covers processing coffee, chocolate, rice and rubber. At the same time, sector Trade is also entirely developed with traditional markets and several centres of modern shopping. However, like other cities in Indonesia, Padang sidempuan faces challenges in improving economic growth, like inadequate infrastructure, lack of fieldwork, and low-quality sources of Power and humans. Therefore, efforts to overcome the challenge need to continue for the growth of the city of Padangsidempuan, which can increase significantly.

City capital expenditure Padang sidempuan in 2021 will reach a budget as big as Rp. 92.08 billion was used for building various infrastructure and facilities expected in the city. Several project capital expenditures made by the city of Padang sidempuan include the development of roads, repairs of bridges, construction of sports, and procurement of heavy equipment and vehicle services. By existing, this capital expenditure is expected to increase the city of Padang sidempuan's economy and the surrounding community's prosperity. This capital expenditure is essential to scale up the quality of life for inhabitants and support the growth of the economy and development area. However, good monitoring and evaluation of government and society must ensure that capital expenditure funds are used effectively and efficiently.

4. CONCLUSION

In planning regional budgets, regional governments need to pay more attention to increasing Original Regional Income (PAD) and General Allocation Funds (DAU) because research results show that both significantly and directly affect Economic Growth. Improving the quality of Human Resources (HR) can increase PAD and DAU. Therefore, regional governments must strive to improve the quality of education and training for regional residents. The use of Special Allocation Funds (DAK) needs to be re-evaluated because research results show that DAK does not directly affect Economic Growth. Focus on increasing Economic Growth through local government efforts to strengthen sectors that have the potential to increase Economic Growth, such as the tourism, industry, agriculture, and trade sectors. Even though PAD, DAU, and DAK do not directly affect capital expenditure, economic growth has a direct effect on capital expenditure. Therefore, local governments must pay attention to Economic Growth in capital expenditure planning to strengthen sectors that have the potential to increase Economic Growth. Further research can be carried out to identify other factors that influence

Economic Growth and Capital Expenditure in the region so that regional governments can formulate more appropriate policies for increasing Economic Growth and Capital Expenditure.

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