

FACTORS AFFECTING THE CAPITAL EXPENDITURES IN BALI PROVINCE

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Abstract

Capital Expenditure is budget expenditure used to obtain or add value to assets that benefit more than one accounting period. Infrastructure development in an area is reflected in the allocation of effective capital expenditure from an area. The purpose of this research is to determine the factors that influence capital expenditure in the province of Bali. The object of this study is the report on the realization of the regional expenditure income budget APBD in the District/City in the Province of Bali in the Fiscal Year 2013-2017. The data analysis technique used is multiple linear regression analysis. The results of this study indicate that regional original income (PAD) has a significant positive effect, balancing funds have no effect and the surplus financing budget (SILPA) effect on capital expenditure negatively in the province of Bali.

Keywords: *Capital Expenditures, Regional Original Revenue (PAD), Balancing Funds, surplus financing budget (SILPA)*

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INTRODUCTION

Since 2000, Indonesia has implemented a new financial management system called regional autonomy. Law Number 23 - 2014 concerning Regional Government, states that regional autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their government affairs and the interests of the local community by laws and regulations. The regulation emphasizes that local governments can determine the allocation of resources owned for regional expenditure by adhering to the principle of compliance, needs, and regional capacity contained in the regional budget. The funding for government administration was based on the principle of decentralization and carried out at the expense of the Regional Income and Expenditure Budget (APBD).

Base on the regional autonomy policy, local governments have the authority in managing the APBD to meet regional needs. One of the uses of APBD that is managed by local governments is grouped as direct activity expenditure, namely capital expenditure. According to the Regulation of the Head of the Government of Goods/Services Procurement Policy Number 6 in 2015, capital expenditures are budget expenditures which are used to obtain or add value to fixed assets or other assets that benefit more than one accounting period (more than one year). Capital expenditures have to exceed the minimum limit capitalization of fixed assets or other assets used for the daily activities operations of a work unit, that are not for sale. The development of the infrastructure is reflected in the management and the effective allocation of capital expenditure from an area. Also, effective capital expenditure is considered to be able to encourage higher economic growth.

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In 2016 until now, the Bali provincial government was trying to increase the effectiveness of the use of funds for capital expenditure. The capital expenditure is used for the construction of roads and buildings, including the completion of the construction of Indera Hospital and Bali Mandara Hospital. The infrastructure development and improvement are an effort to support the economic growth of Bali Province. Thus, to be able to fund capital expenditure, it is necessary to increase the sources of income in the Province of Bali. The source of income used for capital expenditure is local revenue (PAD) and the balance of funds.

However, at present, the trend of a significant increase in sources of income is not accompanied by an increase in capital expenditure. Thus, there are indications that the increase in the source of funds largely does not affect the allocation of capital expenditure. These are following research by Arifah, Iswanaji, and Priyono (2014), Febriana and Praptoyo (2015), Setiyani (2015), which states that Regional Original Income (PAD), Balancing Funds and Surplus Financing Budget (SILPA) do not have a positive effect on Capital Expenditures. However, the results of the study were opposed by different results in the research by Fauzia and Riharjo (2017) and Moon (2014), stated that PAD, Balancing Funds, and Surplus Financing Budget (SILPA) have a positive effect on Capital Expenditures.

Based on the description above, this study wants to find out the factors that influence capital expenditure in the province of Bali. The factors tested in this study are PAD, balancing funds and SILPA. Thus, the formulation of the problem in this study is "Does PAD, Balancing Funds and Surplus Financing Budget (SILPA) affect the capital expenditure in the province of Bali?" The scope of the discussion in this study is to examine the effect of PAD, Balancing Funds, and Surplus Financing Budget (SILPA) on Capital Expenditures in Bali Province. The limitations of this study are the use of variables identified that can affect Capital Expenditures in the Province of Bali.

Decentralization by Law Number 23 (2014) is the surrender of Government Affairs by the Central Government to autonomous regions based on the Principle of Autonomy. The autonomous region in Indonesia described in Law Number 23 (2014) is a legal community unit area that has regional boundaries which are authorized to regulate and manage government affairs, as well as the interests of local communities according to their initiatives by the aspirations of the people in the Republic of Indonesia. The autonomy system within the framework of the State of the Republic of Indonesia consists of the transfer of authority (decentralization) along with the delegation of authority (de-concentration) and co-administration. This system aims to make regional inequality not widespread and rich regions can help poor areas. Decentralization can be said as a tool used by the government to provide better services and realize democratic principles in making decisions. In general, decentralization includes political aspects; administrative (administrative decentralization); fiscal (fiscal decentralization); and economy (economic or market decentralization). (Machfud, 2002).

The definition of fiscal decentralization on the expenditure aspect is that the regional government has the authority to allocate expenditure according to the needs of each region. The Central Government is only monitoring the implementation. Regional Governments must receive adequate financial resources from both Regional Original Revenues (PAD), Tax Revenue Sharing and Non-Taxes, Loans, and Subsidies/Assistance from the Central Government. The implementation of fiscal decentralization will run well if the central government can supervise reliable employees of the Regional Government, as well as the distribution of responsibilities and authorities explicitly and clearly in the implementation of levies on regional taxes and levies.

However, the implementation of fiscal decentralization and regional autonomy in Indonesia caused the regions to become increasingly dependent on the Central Government, the emergence of corrupt behavior of public officials. Thus, the central government through Law No. 32 of 2004 concerning regional government has strengthened the division of authority between the Center, the Provincial Government and the Regency/City Government. The allocation of Village Funds according to Law Number 6 of 2014 concerning Villages is one of these commitments. The high level of central control over the regional development process can be seen from the low proportion of PAD (Regional Original Income) to total regional income compared to the number of subsidies from the center. The indicator of fiscal decentralization is the ratio between PAD and total regional income. Regional development, especially physical, is indeed quite rapid, but the level of fiscal dependence between regions towards the center as a result of the development is also increasing. Fiscal dependence is seen from the relatively low PAD and the dominant transfer to the center

(Kuncoro, 2004).

Regional Expenditures by Law Number 23 of 2014, are all Regional obligations recognized as deductions from net worth in the period of the relevant fiscal year. The Regulation of capital expenditure is stated by the Head of the Government in the Goods/Services Procurement Policy Number 6 of 2015. Capital Expenditures are budget expenditures used to obtain or add value to fixed assets/other assets that benefit more than one accounting period (one year) and exceed the minimum limit capitalization of fixed assets/other assets used for the operational activities of a work unit's daily activities, not for sale. One of the capital expenditures is Direct Expenditures which include Land Expenditures, Equipment and Machinery Expenditures, Building and Building Shopping, Irrigation and Network Shopping, and Other Asset Shopping.

Regional Revenues based on Law Number 23 of 2014, are all Regional rights which are recognized as enhancers of net worth in the period of the relevant fiscal year. Regional Income comes from Regional Original Revenue (PAD), Balancing Funds, and Other Legitimate Regional Revenues. According to Law No. 33 of 2004, PAD is revenue received by the region from sources within its area which are collected based on regional regulations by the prevailing laws and regulations. PAD is a source of revenue for indigenous areas excavated in the area to be used as the basic capital of regional governments in financing development and regional businesses to minimize dependence on funds from the central government. PAD consists of regional taxes, regional levies, separated regional wealth management results, and other legitimate regional income. PAD in each region in Indonesia can be sourced from Regional Taxes, Regional Levies, Separate Regional Wealth Management Results, and Other Legitimate PAD.

According to Law No. 33 of 2004, PAD is revenue received by the region from sources within its area which are collected based on regional regulations by the prevailing laws and regulations. PAD is an indicator of the independence of a region which is because PAD has an important role in regional financing. The increase in PAD can reflect an increase in capital investment (capital expenditure), so it is expected to be able to improve the quality of public services and in turn, be able to increase the level of public participation (contribution) towards development.

Fauzia and Riharjo (2017) stated that local revenue has a positive and significant influence on capital expenditure. Purnama (2014), in his research, stated that there is a positive and significant relationship between local revenue and capital expenditure. So if there is an increase in local revenue, capital expenditure will also increase. Based on this, the hypothesis can be formulated as follows:

H₁: Regional original income (PAD) affects the capital expenditure of Bali Province

Based on Law No. 14 of 2015 concerning the 2016 State Revenue and Expenditure Budget, the balanced funds are funds originating from the state budget revenues allocated to the regions to fund regional needs in the context of implementing decentralization consisting of General Transfer Funds and Special Transfer Funds. Balancing Funds are sourced from Tax/Non-Tax Profit Sharing Funds, General Allocation Funds (DAU), and Special Allocation Funds.

According to Law Number 23 of 2014, the General Allocation Fund is the allocation of funds sourced from APBN revenues for equitable distribution of financial capacity between regions to fund Regional needs in the context of implementing Decentralization. Special Allocation Funds is the allocation of funds to certain Regions sourced from APBN revenues to help fund special activities which are Government Affairs which are under the authority of the Region. Revenue Sharing Funds are funds from certain revenues of the APBN allocated to producing regions based on a certain percentage number to reduce the inequality of financial capacity between the Central and Regional Governments.

Balancing funds are aid funds from the central government, with the aim of avoiding fiscal disparities between regions. Based on Law No. 14 of 2015 concerning the 2016 State Revenue and Expenditure Budget, the balanced funds are funds originating from the state budget revenues allocated to the regions to fund regional needs in the context of implementing decentralization consisting of General Transfer Funds and Special Transfer Funds. Balancing funds consist of Tax/Non-Tax Profit Sharing Funds, General Allocation Funds (DAU), and Special Allocation Funds.

The funds used from the DAU are used to accelerate the cost of regional development and to share the costs with those in need. DAK is intended to finance special activities in certain areas.

These areas are regional affairs and by national priorities, especially to finance the needs of basic community service facilities and infrastructure that have not reached certain standards or to accelerate regional development. DBH funds obtained from the APBN are used to finance special needs that are used to reduce the inequality of financial capacity between the Regional Government and the Central Government. The balancing funds that cover the three indicators affect capital expenditures carried out by the government to prosper the needs of the community both facilities and infrastructure.

Fauzia and Riharjo (2017) stated that balancing funds have a positive and significant effect on capital expenditure. Ferdian (2013), in his research, stated that balancing funds have a positive influence on capital expenditure, so it can be said that the allocated balance funds have been distributed according to the needs required by the local government. Based on this, the hypothesis can be formulated as follows:

H2: Balancing funds affect the capital expenditure of the province of Bali

According to the Director General of Financial Balance of the Ministry of Finance, SILPA or Surplus Financing Budget in the Current Year is the difference between the budget surplus/deficit and net financing. Based on Law Number 14 of 2015 concerning the Regional Budget of 2016 Revenue and Expenditure, SILPA is the difference between the realization of budget financing over the realization of the budget deficit that occurs in one reporting period.

The SILPA number contained in the preparation of the APBD must be zero. That is, that financing revenues must be able to cover the budget deficit that occurs. For example, if there is a budget deficit in the Regional Budget of IDR 100 Billion, closed with financing receipts (net financing) of IDR 100 Billion, the SILPA is IDR 0. However, if there is a budget deficit of IDR 100 Billion and is closed with financing receipts (net financing) of IDR 120 Billion (SILPA Positive), that is that on a budget basis there are still funds from IDR 20 billion in financing receipts that have not been utilized to finance Regional Expenditures and Regional Financing Expenditures. SILPA Positive needs to be allocated to support development programs in the region. If the SILPA obtained is negative, then net financing has not been able to cover the budget deficit that has occurred. Thus, the regional government must seek other sources of financing revenues such as disbursement of reserve funds, loans, etc., or by reducing expenditure and reducing financing expenditures so that the SILPA number is zero.

Law Number 14 of 2015 concerning the Regional Budget for Regional Budget 2016 states that SILPA is a Difference in the Realization of Budget Financing for the realization of the budget deficit that occurs in one reporting period. SILPA contains elements of the previous year's budget, such as receipt of PAD funds, receipt of balancing funds, receipt of other legitimate funds from Regional Revenues, exceeding financing receipts, tax savings, obligations to third parties that have not been realized until the end of the year, and remaining funds for further activities. The remaining funds will be used to cover the budget deficit if the revenue realization is smaller than the realization of spending.

Fauzia and Riharjo (2017) stated that the remainder of budget financing had a positive and significant influence on capital expenditure. In line with Sari, Djuanda, and Sarwani, (2017) in his research stated that a positive and significant relationship between the remainder over budget financing and capital expenditure. The remaining excess financing can be used to finance expenditures, especially capital expenditures made by the government and SILPA the previous year was very influential on the next year's expenditure allocation. Based on this, the hypothesis can be formulated as follows:

H3: The surplus financing budget (SILPA) affects the capital expenditure of Bali province

RESEARCH METHODS

Object of research

The object of this research is the Report on the Realization of the Regional Budget in Districts / Cities in the Province of Bali for the Fiscal Year 2013 - 2017.

Operational Definition of Variables

Independent variables include:

Regional Original Income (PAD)

Regional Revenue is the most important sector in the Regional Government because it can show funding that can be used for activity in realizing regional development. PAD used as a research sample comes from the District/City Government Budget Realization Report in Bali Province from 2013 to with the Year 2017. The form of Government responsibility for the community is the provision of adequate facilities and infrastructure. The Allocation of PAD to government spending or direct expenditure, one of which is Capital Expenditures. If PAD increases, the allocation of Capital Expenditure will also increase. However, if the PAD received is low, the allocation of Capital Expenditures will decrease. This result is supported by the results of research (Febriana and Praptoyo, 2015), that high PAD will increase Capital Expenditures because the realization of development and development in the regions is proven by the availability of facilities, infrastructure, and facilities aimed at the public interest. The calculation of Regional Original Income is as follows:

$$\text{PAD} = \text{Regional Tax} + \text{Regional Retribution} + \text{Separate Regional Wealth Management Results} + \text{Other legitimate PAD} \dots \dots \dots (1)$$

Or

$$\text{PAD} = (\text{Regional Original Income}) / (\text{Total Revenue}) \times 100\% \dots \dots \dots (2)$$

Balancing Fund

Balancing Fund Variables can be measured from the amount of Tax/Non-Tax Profit Sharing Funds, General Allocation Funds (DAU), and Special Allocation Funds (DAK). Balancing Funds sourced from the State Budget will be allocated for equitable financial capacity among regions with the aim of financing expenditure needs in the context of implementing decentralization. The formula that can be used to calculate the Balancing Fund is as follows:

$$\text{Balancing Fund} = (\text{Balancing Fund}) / (\text{Total Income}) \times 100\% \dots \dots \dots (3)$$

The difference in Surplus Budget Financing (SILPA)

SILPA variable measured from the amount of SILPA which is presented in the Report on the Realization of the Regional Budget in Districts/Cities in Bali Province for the Fiscal Year 2013-2017. If the Local Government generates SILPA in the previous year, the SILPA will be used to cover the budget deficit (realization of revenues smaller than expenditure realization), fund the implementation of sustainability on direct expenditure expenses (goods and services expenditure, capital expenditure and employee expenditure) and fund other obligations. The better the management and the higher the expenditure of the area, the smaller the SILPA produced. This result is supported by research conducted by Fauzia and Riharjo (2017) that SILPA has a positive effect on Capital Expenditures. Unlike the case with (Febriana and Praptoyo (2015) who explained that SILPA does not affect Capital Expenditures, the high SILPA will reduce the allocation of Capital Expenditures, where SILPA is not only allocated for Capital Expenditures. The formulas to measure SILPA are as follows:

$$\text{SILPA} = \text{SILPA} / (\text{Total Financing}) \times 100\% \dots \dots \dots (4)$$

Dependent Variable

The dependent variable in this study is Capital Expenditures. Capital expenditure is all the obligations of regencies/cities in the region of Bali Province which are recognized as a deduction of net worth. Capital expenditure consists of expenditure on land capital, buildings, equipment and machinery, irrigation roads and networks, as well as other fixed asset capital.

$$\text{Capital Expenditure} = (\text{Capital Expenditures}) / (\text{Total Shopping}) \times 100\% \dots \dots (5)$$

Data analysis technique

Descriptive Statistics Analysis

According to Ghozali (2016), the descriptive statistical analysis is an analysis that can provide a description of a data seen from the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness. The main points are used to describe the characteristics of the research variables, such as a measure of central tendency and disinformation (Febriana and Praptoyo, 2015). In this study the variables used are PAD, Balancing Funds, SILPA, and Capital Expenditures.

Multiple Regression Analysis

The data analysis technique used in this study is multiple regression analysis to examine the effect of two or more independent variables on the dependent variable. In this case, multiple regression analysis is used to predict the relationship between Regional Income (PAD), Balance Funds, SILPA, and Capital Expenditures. The equations used to test the hypothesis as a whole are as follows:

$$BM = \alpha + \beta_1 PD + \beta_2 BF + \beta_3 SP + \beta_4 CE + e. \dots\dots\dots (6)$$

Information:

α = boarding house

$\beta_1; \beta_2; \beta_3; \beta_4$ = coefficient value

PD = PAD

BF = Balancing Fund

SP = SILPA

CE = Capital Expenditure

e = error term

Before the regression equation is developed, the regression data has to be checked with classical assumption analysis. The regression model mentioned above can be done to test the feasibility of the model (Test F), test the coefficient of determination (R²) and hypothesis testing (Test t).

Feasibility Test Model (F Test)

Feasibility test model that shows whether the regression model Goodness Of fit for further processing or all dependent variables in the regression model affect the dependent variable (Kuncoro, 2004). The conditions that apply to this test (acceptance or rejection of the hypothesis) are significant values at the level of 0.05 ($\alpha = 5\%$). If the significance value is $F > 0.05$, then the research model can be said to be not fit or not feasible. However, if the significance value is $F \leq 0.05$, then the regression model can be said to be feasible.

The coefficient of determination (R² or adjusted R²) is the contribution of independent variables to the dependent variable. The higher the coefficient of determination, the higher the ability of the independent variables to explain changes in the dependent variable. R² or adjusted R² has a value between 0-1, getting closer to one show an increasingly strong influence, while getting closer to 0 means the influence of independent variables on the dependent variable is getting weaker.

Hypothesis testing (t test)

According to Ghozali (2016), partial test or t-test on the research hypothesis to show the effect of one independent variable individually in explaining the dependent variables, the testing criteria partially with a level of significance $\alpha = 0.05$, which is (1) If the significance of the test is $t < 0.05$, then H₀ is rejected. (2) If the significance of the test is $t > 0.05$, then H₀ is accepted.

RESULTS AND DISCUSSION

Research result

Descriptive Statistics Test Results

The descriptive statistical test results explain the general information of each variable in the model. Table 1 is the result of a descriptive statistical test. Based on Table 1, the results of the descriptive statistical tests show that the number of observations (N) of this study is 50. In each variable

explains the minimum value, maximum value, average value and deviation from the data to be processed in the model in this study.

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
PD	50	45372	3563589	728312.64	1019385.131
BF	50	248919	1867011	710466.56	298303.917
SP	50	0	1753288	295690.32	355577.035
CE	50	0	1195116	246905.70	256835.000
Valid N (listwise)	50				

Source; Data processed (2018)

Classical Assumption Test Results

The Normality Test results in this study indicate that the value of Asymp sig (2-tailed) is 0, 295 > 0.050. This value meets the stipulated conditions, meaning that the data in this study are normally distributed and can be used in research. The multicollinearity test results shows that the value of the Variance Influence Factor (VIF) on all independent variables is smaller than 10, this is under the stipulated provisions. It means that the model used in this study does not find any correlation between independent variables or free from multicollinearity so that these variables can be used in research. The results of heteroscedasticity testing in this study obtained points spread randomly, did not form a clear pattern, and spread above and below the number 0 on the Y axis. Thus, it can be concluded that heteroscedasticity did not occur in the regression model of this study. The results of multiple linear regression estimation are feasible to be used for interpretation and further analysis.

Multiple Linear Regression Analysis Test Results

Multiple linear analyses were used to determine the effect of the factors used in the model in this study. Table 2 is the result of multiple linear regressions, as follows:

Table 2. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	152993.337	47964.194		3.190	.003
PD	.271	.024	1.077	11.289	.000
DP	-.042	.062	-.049	-.671	.506
SP	-.250	.067	-.346	-3.716	.001

Source: Data Processed in 2018

Based on Table 2 the results of multiple linear regression, the regression equation can be formulated as follows:

$$Y = 152993,337 + 0,271 PD - 0,042 DP - 0,250 SP \dots\dots\dots (7)$$

Feasibility Test Model (F Test)

The F test results in the F value of 52,079 with a significance of 0,000 which means that the value of sig 0,000 is smaller than the significance level of $\alpha = 0.05$. Then it can be concluded that the model used in this study is feasible and can be used for subsequent analysis. The coefficient of determination or adjusted R² value is 0.758 or 75.8%. That is, the ability of the independent variable is strong enough in explaining the dependent variable obtaining a value close to one. Whereas, the rest (100% - 75.8% = 24.2%) contributed by other factors. The two results of the feasibility

test of the model show that the regression model is feasible and is considered strong enough in explaining the dependent variable.

Discussion

Effect of Regional Original Income (PAD) on Capital Expenditures in Bali Province

Based on the test results explain that PAD has a significant effect on capital expenditure in the province of Bali with a significant value of $0,000 < 0,05$ and has a positive direction with a value of β 0.271, this indicates that H1 is accepted. The results of this study are in line with Fauzia and Riharjo (2017) and Purnama (2014) which state that local revenue has a positive and significant influence on capital expenditure.

These results indicate that if PAD increases, capital spending will also increase in line with PAD. Thus, the increase in capital investment (capital expenditure) is expected to improve the quality of public services. The existence of infrastructure built can provide good public services so that with good service causes an increase in regional income.

Effect of Balancing Funds on Capital Expenditures in Bali Province

Based on the test results, it is explained that the balancing funds have no effect on capital expenditure in the province of Bali with a significant value of $0,506 > 0,05$, this indicates that H2 is rejected. The results of this study are in line with Badrudin and Kuncorojati (2017) who stated that the special allocation fund (DAK) which is part of the balance fund does not affect capital expenditure.

These results indicate that an increase in balance funds cannot increase capital expenditure in the province of Bali. The balance fund is originating from the central government, not regional income received from the results of public services directly from the area, especially in Bali. The balance funds contain elements of funding sources, namely: Revenue Sharing Funds (DHB), General Allocation Funds (DAU), and Special Allocation Funds (DAK). Whereas the DAU which comes from the central government, is given for the routine financial expenses, such as personnel expenditure so that the large or small DAU provided will not affect the capital expenditure of a region. The same thing with DAK is funds provided by the central government which is not allocated to finance capital expenditure, but DAK is intended to fund special activities that are regional affairs by the national priorities, such as health programs and education programs.

Effect of Surplus Financing Budget (SILPA) on Capital Expenditures in Bali Province

The test results explain that the surplus financing budget (SILPA) has a significant effect on capital expenditure in the province of Bali with a singular value of $0,001 < 0,05$ and has a negative direction with a value of β -0.250, this indicates that H1 is accepted. The results of this study are in line with Erlis et al. (2014) which stated that SILPA effect on capital expenditure.

These results indicate that if SILPA increases by 1%, there will be an increase in capital expenditure with a negative direction of -25%. Since SILPA funds are originating from the surplus budget funds at the end of the period so that the funds are used as a source of financing and expenditure for the next fiscal year. SILPA is an indicator that describes the efficiency of government expenditure because the occurrence of SILPA surplus illustrates that there is a saving in government spending. So that SILPA the previous year greatly affected the capital expenditure the following year.

CONCLUSION

Based on the results of testing and discussion, it can be concluded, that PAD has a significant positive effect on capital expenditure in the province of Bali. This shows that the higher the PAD, the higher the allocation fund for capital expenditure. So, the increase in capital investment (capital expenditure) is expected to improve the quality of public services. Consequently, it will be able to increase regional income. Balancing Funds have no effect on capital expenditure in the province of Bali. This shows that an increase in balance funds does not affect capital expenditure. Because the balance funds contain elements of the general allocation fund (DAU) and special allocation funds (DAK) which are sources of funds provided by the central government with the allocation of national priority funding allocations. Surplus financing budget (SILPA) effects on capital expenditure in the province of Bali, negatively. SILPA affects capital expenditure but has the opposite direction, where if SILPA increases towards the positive, capital expenditure will increase in the

negative direction. SILPA funds are funds originating from the remaining budget funds at the end of the period so that the funds are used as a source of financing and expenditure for the next fiscal year.

Even though some of the hypotheses are not supported, at least four implications should be carefully considered. First, PAD is revenue received by the region from sources within its area which are collected based on regional regulations by applicable laws and regulations. The results of this study indicate that the PAD has a positive effect on capital expenditure in the province of Bali. The implications if the government wants to increase capital expenditure in the APBD, the government must be able to maximize PAD, so that infrastructure development and solid economic growth develop rapidly. Second, balancing funds are funds originating from APBN revenues allocated to regions to fund regional needs in the context of implementing Decentralization. It consists of General Transfer Funds and Special Transfer Funds. The results of this study indicate that balancing funds have no effect on capital expenditure in the province of Bali. This implies that to optimize capital expenditure; the regional government does not need to pay attention to the balancing funds provided by the central government, because these funds have been determined to finance national program priorities. Third, surplus financing budget (SILPA) is the difference between the realizations of budget financing over the realization of the budget deficit that occurs in one reporting period. The results of this study indicate that SILPA negatively effects on capital expenditure in the province of Bali. This result implies that SILPA is an indicator that describes the efficiency of government expenditure because the occurrence of SILPA surplus illustrates that there is a saving in government spending. Lastly, sampling in this study was limited to the province of Bali, and variable testing was limited to PAD, balance funds, and SILPA. So that further research can develop further research using samples between provinces in Indonesia, looking at the differences in the needs and sources of PAD in each province. Associated with the next research variable is expected to use external factors in the APBD that can affect capital expenditure.

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