

Study of Regional Expenditure Dependence on Fund Transfer; Case Studies South Kalimantan Province

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ABSTRACT

This research was conducted after taking into account the results of the implementation of regional autonomy and fiscal decentralization, local governments determine their own expenditure plans and find sources of revenue for their regions, but of concerns will further enlarge the gap between regions so that the government provides transfer funds to the regions through the General Allocation Fund, in its implementation It seems that the regions are dependent on these funds, considering that in implementation they can be used more easily, but in its implementation It seems that regions are increasingly dependent on these funds, considering that they can be used more easily in their implementation. Optimizing the implementation of regional development, the regions need sufficient funding sources for various activities that have an impact on the welfare of the community. The transfer funds in this study are general allocation funds because these funding sources are generally unconditional use and the aim is to equalize development between regions. The purpose of this study is to determine whether regional spending in the Regencies/ Cities of South Kalimantan Province depends on the source of regional funding (PAD) and transfer funds (DAU) current year or the previous year, and which variable most influences regional spending in the district / city in the south. Kalimantan Province. This study uses panel data covering 13 districts / cities in South Kalimantan and the observation period 2010 - 2018. Data analysis techniques using panel data regression, and using the Chow test and Hausman test to determine the best model. The results of the research reject the hypothesis of District / City Regional Expenditure in South Kalimantan Province depending on Regional Revenue and Allocation Funds in the previous year, accepting the hypothesis that the dominant variable influencing district / city regional spending in South Kalimantan Province is the General Allocation Fund. From the magnitude of the variable coefficient of PAD and DAU, the coefficient value of regional government funds or transfer funds on regional spending can be seen from the magnitude of the regional expenditure coefficient, the coefficient in the current year is greater than the previous year, and this regional expenditure is more influenced by the DAU in the year walk. Local governments in determining regional spending must be selective in determining programs and activities to be carried out, supervision is needed in the implementation of regional expenditures, not to allocate more for employee expenditure than to finance activities to improve the welfare of the community.

Keywords- *Dependency, Local Revenue, General Allocation Funds.*

1. INTRODUCTION

The achievement of state objectives is expected to be achieved through regional autonomy, because regions have the freedom to regulate independently seeking sources of regional revenue to finance regional expenditures and provide public goods needed by the community for the benefit of the community in order to improve people's welfare. regions to implement regional autonomy implemented with the law number 23 of 2014, each transfer fund from the central government has a different purpose, DAU, DAK and DBH have different functions, which are relevant in this study are transfer funds sourced from the DAU given the DAU's goal is to reduce inequality between

areas and unlimited use special purposes such as DAK and allocation are also not like the DBH calculation.

Regions also have their own sources of funds sourced from regions such as Local Original Revenues (PAD) sources of revenue sourced from the region (PAD) are sourced from taxes, levies, etc. PAD is legal. Revenue sources in most of the regencies in South Kalimantan are dominated by income sourced from local taxes, while contributions originating from levies are relatively small, as are other original local revenue sources.

The transfer of authority to the regions requires the regions to have good management skills, in planning local expenditures the use of funds to carry out local development programs, according to (1) the low capability of the program to meet the needs and demands of the public as well as the

low level of efficiency in the implementation of local spending due to under financing or over financing. To overcome the problem of local financial management, the local government must be able to play its role as an optimal policy and management instrument. As a policy instrument, local governments must be able to carry out their functions and roles efficiently. Furthermore, as a management instrument, the local budget must be able to accommodate and accommodate various community aspirations and initiatives.

In the context of optimizing the development budget of (2) Community participation in regional development is very important while local government functions only facilitate and provide encouragement so that the community's role will make the community more involved in development, those who know better what they want and need. (3) In regencies / cities in Sulawesi the variables DAU, DAK, and DBH jointly influence regional spending, and the occurrence of flypaper effects in this area is influenced by DAK

The flypaper effect is a condition that occurs when the local government responds (spending) more (wasteful) by using a balance fund which is proxied by the General Allocation Fund (DAU) rather than using its own ability which is proxied by the Local Revenue (PAD). The occurrence of the flypaper effect phenomenon occurs on the island of Sumatra, there is a significant influence on the DAU and PAD on local spending (4).

In line with (5) Simultaneously and partially the General Allocation Fund (DAU), Regional Original Revenue (PAD), the remaining excess of the previous year's expenditure (SILPA) influences and is in the same direction with regional expenditure, also implying that there has been the phenomenon of the effect of flypaper. Junaidi (6) (2012) in his research find concluded that there was a flypaper effect in the use of DAU.

Local governments in determining their spending policies are more stimulated by the amount of DAU received in the current year than the Regional Government PAD. The effect of current DAU on Regional Expenditure is stronger than the effect of the yearly PAD on Regional Expenditures. Also implying that there has been local governments in determining current regional expenditure policies are more determined by the DAU in the current year than the PAD in the current year. in line with the findings on the flypaper effect also occurred in the response of the Regional Government to DAU_{t-1} and PAD_{t-1} (7)

(8) Who in their research identified a cross-paper effect on local expenditure between district / city governments in East Kalimantan Province using PAD and transfer fund (DAU and DBH) variables with the analysis period 2005–2011. Using the Pool Least Square method, it is concluded that the level of influence of local government expenditure originating from transfer funds (DAU and DAK) is higher than local income (PAD). This means that there are symptoms of e-paper effect on the management of district / city expenditure in East Kalimantan Province. The results of this study reinforce the view that increasing block grants transfers will encourage increased local spending compared to efforts to increase local revenues

This study was conducted to determine the magnitude of the influence of transfer funds compared to regional government funds in regional spending divided into two approaches (scenarios) namely regional expenditure in the regency / city of South Kalimantan Province is more dependent on the PAD and DAU of the current year or on the PAD and DAU of the previous year, from the two scenarios, can we know which variable most dominantly influences regional spending in the Regency / City of South Kalimantan Province.

2. METHOD AND DATA

The scope of this study is the Regency / City in South Kalimantan which consists of 11 Regency Governments and 2 City Governments, the research period is 9 years namely 2010-2018.

This type of research is an explanatory research with a quantitative descriptive approach, the results of data processing will explain whether the research hypothesis can be accepted or rejected, and then compared with theoretical studies and empirical findings about the dependence of regions on transfer funds from the central government (in this study the transfer of funds in the proxy with General Allocation Funds).

The data used in this study is panel data consisting of a combination of Regency / City data for all research variables presented in the time series during 2010-2018, which are secondary data sourced from publications issued by the Central Statistics Agency (BPS) and other related institutions.

Panel Data Analysis uses the Multiple Regression model, where the formulation is as follows:

$$Y_{1it} = \beta_0 + \beta_1 PAD_{it} + \beta_2 DAU_{it} + \varepsilon_{1it} \dots \dots \dots (1)$$

$$Y_{2it} = \beta_0 + \beta_1 PAD_{it-1} + \beta_4 DAU_{it-1} + \varepsilon_{1it} \dots \dots \dots (2)$$

Determination of the model chosen using the Chow and Hausman test. F test was performed to determine the effect of independent variables simultaneously on the dependent variable and t test to determine the effect of the variable partially, from the results of the regression analysis found the coefficient β for the variable PAD and DAU, if the value of β_2 is greater than β_1 means that there is a BD dependency of DAU.

3. RESULT AND DISCUSSION

The selected model in this study is Fixed Effect Model (FEM). The first hypothesis the variable PAD and DAU in the current year significantly affect regional expenditure can be accepted in alpha (1%) with R2 of 87.96%, whereas in the second hypothesis the PAD and DAU variables in the previous year significantly the influence of regional expenditure can be received in alpha (5%) with R2 of 86.95%. The amount of regional expenditure dependency can be seen from the coefficient value of the PAD and DAU variables, the magnitude of the dependency of the current year's expenditure is greater in the PAD and DAU of the

current year compared to the previous year, and the dependency of the current year's expenditure is more dominated by the DAU so that it can be said that the flypaper effect has occurred

Table 1 The Result of Econometric Estimation

Variable	Coefficient	Std Error	Prob
C	-2,27E+11	7,95E+10	0.0052
PAD	1,442493	0,472919	0.0029*
DAU	2,490220	0.255292	0.0000*
R-squared	0,879668		
Prob.F-statistic	0,000000		

Note: * significant at alpha 1%

The magnitude of influence of the DAU variable in the current year or the previous year compared to the PAD of the current year or the previous year on regional spending illustrates that the regional dependence on transfer funds is greater than the ability of the region independently, which means there has been a flypaper effect phenomenon in districts / cities in South Kalimantan.

Table 2 The Result of Econometric Estimation Fixed Effect Model (FEM) Equation 2

Variable	Coefficient	Std Error	Prob
C	-4,80E+10	8,28E+10	0.5637
PAD _{it-1}	1,062623	0,526797	0.0467**
DAU _{it-1}	2,357796	0.273080	0.0000*
R-squared	0.869517		
Prob.F-statistic	0,000000		

Note: * significant at alpha 1%

** significant at alpha 5%

The flypaper effect occurs in the Regency / City of South Kalimantan Province, this can be seen from the magnitude of the coefficient of the General Allocation Fund compared to the Original Local Revenue so that it detects waste due to the fact that the General Allocation Fund is sourced from the central allocation, which means the region is not independent.

The dependence of the current year's regional expenditure on PAD and DAU in the current year is greater than the PAD and DAU of the previous year, this is not in line with research found by (7)

The same findings between (4) and (6), (8) about The flypaper effect Phenomenom in the Regency/City this can be seen from the coefficient value of the General Allocation Fund compared to the Original Local Revenue so that it detects waste due to the fact that the General Allocation Fund is sourced from the central allocation, The results of this study reinforce the view that increasing block grants transfers will encourage increased local spending compared to efforts to increase local revenues.

4. CONCLUSION AND RECOMMENDATION

Regional dependence on transfer funds in financing regional expenditures is quite worrying considering the purpose of the implementation of regional autonomy is to create independence for the region, to be able to develop by exploring the potential that exists in the region. In addition, the expectation of obtaining a larger allocation of transfer funds tends to make the regions wasteful, so that the goal of giving general allocation funds to reduce development disparities between regions becomes difficult to achieve, efficient efficiency of the use of general allocation funds is needed so that more regional activities can be carried out and regions become more developed and developing

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