

## **ABSTRACT**

Increased regional income that allegedly not necessarily to increase capital expenditures. PAD efficiency can be said to be successful if the realization of regional income exceeded the budget targets set. However, the higher percentage of funds allocated to the operating expenditure percentage of capital expenditure (development) which is used to provide the economic infrastructure of society tend to be smaller. The purpose of this research is to analyze the effect of the original regional income (PAD) on Capital Expenditure.

This research is a descriptive and verification research. The sampling technique used is saturation sampling using Bandung City's Realization Budget Report in 2009-2013 as populations. The data used in this research is secondary data. The analytical method used is descriptive statistics, hypothesis testing and multiple linear regression model with the classical assumption of normality test, heteroscedasticity, multicollinearity and autocorrelation.

The result of this research shows that simultaneously PAD has significant effect on Capital Expenditure. While in partial, Regional Tax, Regional Retribution don't have any significant effect on Capital Expenditure and other legitimate Regional Income have any significant effect on Capital Expenditure.

**Keywords:** Regional Income (PAD), Regional Taxes, Regional Retribution, other legitimate Regional Income, Capital Expenditure.