

ABSTRACT

The rate of economic growth in regencies/cities in West Java province has been slowed in 2011-2014, and it is not in accordance with the capital expenditure that has increased every year. Related to the above, it is necessary to do research on capital expenditure. Another factor which influence the capital expenditure is the original local Government revenue.

This study aimed to determine the influence of economic growth and original local Government revenue (PAD) to capital expenditures in local Government regencies/ cities in West Java Province 2011-2014 either partially or simultaneously.

The population in this study is the reports on Local government budget of all local governments and regency in West Java during the period 2011-2014 by using purposive sampling and acquired 19 regency/city that were included with the period of 4 years in order to obtain 76 samples were processed. Methods of data analysis in this study is panel data regression methods Random Effect Model (REM).

The results showed that there is simultaneously a significant influence between economic growth, Original Local Governemnt Revenue of Capital Expenditure. Partially economic growth did not significantly influence capital expenditure, while original local Governemnt revenue significantly influence capital expenditure.

Based on the results of the study, the Government should optimize the potential of local revenues in the form of PAD which is one of the main income sources such as fix the regulations related to the increase revenue. To realize the independence of local government in financial management especially in the area of capital expenditures, the Local Government in the regencies/ cities in the province of West Java should be able to reduce their dependence on central government funding. The Central and local governments are expected to use the PAD as well as possible because PAD is still widely used for other spending allocations that do not provide benefits. Capital expenditures should be able to provide maximum service to the public and able to provide income for the region.

Keywords: Economic Growth, Original Local Governemnt Revenue, Capital Expenditure