

ABSTRACT

Indonesia is a vast country, so it is difficult to be controlled and supervised by one government. Therefore, the Regional Government is formed and the implementation of regional autonomy that leads to the welfare of the people, and the management of regional resources. To make it happen, it can be through regional financial management by allocating funds to capital expenditures. This is because capital expenditure is a regional expenditure focused on the development of public services by acquiring fixed assets and other assets with a useful life of more than one accounting period. The development of public services is expected to help increase community productivity.

The purpose of this study was to determine the effect of Regional Original Income, and Balancing Funds on Capital Expenditures in all Provinces in Indonesia for the first semester of 2019 and the first semester of 2020. The data used in this study were obtained from the Budget Realization Report contained on the website official of the Ministry of Finance of the Republic of Indonesia.

The sample selection technique used in this study was purposive sampling, with a population of all provinces in Indonesia for the first semester of 2019 and the first semester of 2020. The number of samples in this study was 64 samples. The analytical method used in this research is multiple linear regression analysis.

Based on the research conducted, Regional Original Income (PAD) and the Balanced Fund simultaneously have an effect on Capital Expenditure. Based on the partial test results, Regional Original Income (PAD) has a significant positive effect on capital expenditures. However, the Balancing Fund has no effect on capital expenditures.

Keywords: Balancing Fund, Capital Expenditure, Local Government Revenue