

Capital Expenditure as a Moderating Variable in The Influence of Regional Original Income on GRDP

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ABSTRACT

This research is a quantitative study with an explanatory approach, namely an approach that makes the three studies mentioned repeatedly the mainstay for developing ongoing research. The data used in this study are secondary data that researchers obtained from reports from the East Java Central Statistics Agency over a period of ten years from two thousand fourteen to two thousand twenty-four. The result in this article show that each hypothesis used in this article can be accepted. In the first hypothesis in this study, the Regional Original Income variable can have a positive relationship direction and a significant influence on GRDP. This is because the P-Values in the third table of the Path Coefficient above are positive and below the significance level of 0.05, namely 0.011. These results are in line with a number of previous studies, namely (S, 2023); (Saleh, 2020) & (Rasu et al., 2019). In the next hypothesis, the Capital Expenditure variable can also strengthen the influence of the Regional Original Income variable on GRDP. This is because something similar, namely the P-Values, is positive and below the significance level of 0.05, namely 0.000. Thus, it can be concluded that the first and second hypotheses in this study can be accepted.

Keywords: Capital Expenditure, Regional Original Income, GRDP

ABSTRAK

Penelitian ini merupakan kajian kuantitatif dengan pendekatan eksplanasi yaitu pendekatan yang menjadikan ketiga kajian yang disebutkan berulang kali menjadi andalan untuk mengembangkan penelitian yang sedang berlangsung. Data yang digunakan dalam penelitian ini adalah data sekunder yang diperoleh peneliti dari laporan Badan Pusat Statistik Jawa Timur selama periode sepuluh tahun dari dua ribu empat belas menjadi dua ribu dua puluh empat. Hasil dalam artikel ini menunjukkan bahwa setiap hipotesis yang digunakan dalam artikel ini dapat diterima. Pada hipotesis pertama dalam penelitian ini, variabel Pendapatan Asli Daerah dapat memiliki arah hubungan yang positif dan pengaruh signifikan terhadap PDRB. Hal ini dikarenakan Nilai-P pada tabel ketiga Koefisien Jalur di atas positif dan di bawah tingkat signifikansi 0,05, yaitu 0,011. Hasil tersebut sejalan dengan sejumlah penelitian sebelumnya, yaitu (S, 2023); (Saleh, 2020) & (Rasu et al., 2019). Pada hipotesis selanjutnya, variabel Belanja Modal juga dapat memperkuat pengaruh variabel Pendapatan Asli Daerah terhadap PDRB. Hal ini dikarenakan sesuatu yang serupa, yaitu P-Value, positif dan di bawah tingkat signifikansi 0,05, yaitu 0,000. Dengan demikian, dapat disimpulkan bahwa hipotesis pertama dan kedua dalam penelitian ini dapat diterima.

Kata kunci: Belanja Modal, Pendapatan Asli Daerah, PDRB

INTRODUCTION

Keynes' analysis of the role of fiscal policy is to spur the rate of capital formation in developing countries. Economic growth projected with GRDP requires capital as a government effort in driving the wheels of the regional economy. According to the theory of fiscal federalism, economic growth will be achieved through fiscal decentralization. Fiscal decentralization is one of the pillars in maintaining the stability of national economic conditions, because the main goal of fiscal decentralization is to create regional independence. Regional governments must be able to provide good public service facilities for all their people. With the fulfillment of community facilities and infrastructure, community consumption and productivity will increase, so that community income will increase, so that the community's ability to pay taxes will increase. This will increase Regional Original Income. By exploring regional potential, Regional Original Income will increase, meaning that regional government revenues will increase so that regions are able to encourage the growth of Gross Regional Domestic Product (GRDP) (Rasu et al., 2019).

Regional Original Income (PAD) is a source of regional income that can be used as a benchmark for the economic performance of a region. Regional original income is income sourced from levies carried out by regions based on existing policies with the aim of providing regions with the freedom to explore funding to implement regional economics as a manifestation of decentralization (Fitriyanti & Handayani, 2020) These sources of income are expected to be a source of financing in the implementation of regional development in order to improve the welfare of the people. According to (Mahayoga, 2023), decentralization regarding government authority concerns various aspects, such as political, economic and social decentralization and fiscal aspects. Thus, fiscal decentralization is one of the pillars in maintaining the stability of national economic conditions, because the transfer of funds to the regions will encourage economic activities of the community in the regions (Arina et al., 2019).

Based on Law No. 23 of 2014 concerning Regional Government and Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regional Government, in Article 1 of Law No. 33 of 2004 Regional Original Income is income obtained by regions based on regional regulations in accordance with laws and regulations. The group of regional original income according to Permendagri No. 21 of 2011 is divided according to the type of income consisting of (Ernawati et al., 2022): a) Regional tax: In general, tax is a levy from the community by the state (government) based on laws that can be enforced and owed by those who are required to pay it without receiving a direct return (counter-performance/reward), the results of which are used to finance state expenditures in the implementation of government and development. Based on Law No. 34 of 2000 concerning Regional Taxes and Levies, regional tax is a mandatory contribution made by individuals or bodies to the region without direct compensation that is balanced, which can be enforced based on applicable laws and regulations, which is used to finance the implementation of regional government and regional development. Types of regional taxes are divided into level I regions (Provincial Tax) and level II regions

(District/City Tax). b) Regional Retribution: Regional Retribution is the result of managing regional assets separated from levies imposed by the regional government on levy payers for the use of certain services provided by the government. So in this case there is a direct reward enjoyed by the levy payer. Based on Law No. 34 of 2000, there are two types of levy income based on levies imposed by level I regions (Provincial Levy) and level II regions (District/City Levy). c) Results of Management of Separated Regional Assets: Results of management of separated regional assets are regional revenues originating from the management of separated regional assets, including profits on capital participation in regional-owned companies/BUMD, portions of profits on capital participation in state-owned companies/BUMN, profits on capital participation in private companies or community business groups. Types of income from managing regional assets include profits, dividends, and share sales. d) Others: Legitimate Regional Original Income. Regional income originating from other legitimate regional original income includes (Anggraeni, 2019): 1) Proceeds from the sale of regional assets that are not separated 2) Giro services 3) Interest income 4) Claims for compensation 5) Commissions 6) Deductions 7) Exchange rate differences 8) Income from fines for late work implementation 9) Income from tax fines and levies.

Local Original Income is a source of funds obtained based on innovation and creativity of local governments to create new sources of income. Therefore, many local governments synergize with the DPRD to seek new opportunities as sources of regional cash income. Local Original Income aims to provide regions with the flexibility to explore funding in the context of implementing regional autonomy as a manifestation of the principle of decentralization. According to Santosa (2013), increasing PAD which is considered as capital in an accumulated manner will have more positive effects and will accelerate economic growth. So Local Original Income needs special attention from the local government in order to reduce regional dependence on the central government (Riyadi & Woyanti, 2022). (S, 2023); (Saleh, 2020) & (Rasu et al., 2019)

Based on the explanation above, the researcher believes that Regional Original Income can have a positive relationship direction and a very significant influence on GRDP. There are a number of previous studies (S, 2023); (Saleh, 2020) & (Rasu et al., 2019) showing that the Regional Original Income variable can have a positive relationship direction and a significant influence on GRDP. Different from the research (S, 2023); (Saleh, 2020) & (Rasu et al., 2019) this article adds the Capital Expenditure variable as a moderating variable.

RESEARCH METHODS

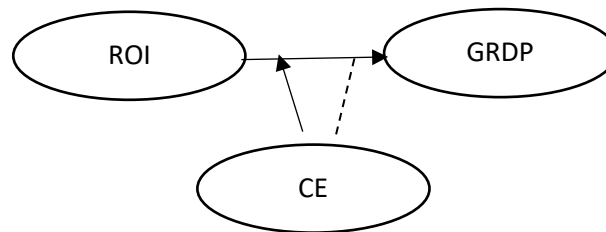


Figure 1. Model

Noted:

ROI: Regional Original Income

GRDP: Gross Regional Domestic Product

CE: Capital Expenditure

Based on the first Figure above, it can be concluded that this study aims to analyze the effect of Regional Original Income on Gross Regional Domestic Product. This study is in line with a number of previous studies, namely research by (S, 2023); (Saleh, 2020) & (Rasu et al., 2019) which have the same goal, namely analyzing the effect of Regional Original Income on Gross Regional Domestic Product. Unlike the research by (S, 2023); (Saleh, 2020) & (Rasu et al., 2019), this article adds the Capital Expenditure variable as a moderating variable. This research is a quantitative study with an explanatory approach, namely an approach that makes the three studies mentioned repeatedly the mainstay for developing ongoing research (Jonathan Sarwono, 2016). The data used in this study are secondary data that researchers obtained from reports from the East Java Central Statistics Agency over a period of ten years from two thousand fourteen to two thousand twenty-four (M. Hanafi, 2015). Based on this, the following are the hypotheses in this study (Hidayanti, 2023).

Hypothesis:

H1: The Influence of Regional Original Income on Gross Regional Domestic Product

H2: Capital Expenditure Can Moderates The Influence of Regional Original Income on Gross Regional Domestic Product

RESULT AND DISCUSSION

Background Analysis

Keynes' analysis of the role of fiscal policy is to spur the rate of capital formation in developing countries. Economic growth projected with GRDP requires capital as a government effort in driving the wheels of the regional economy. According to the theory of fiscal federalism, economic growth will be achieved through fiscal decentralization. Fiscal decentralization is one of the pillars in maintaining the stability of national economic conditions, because the main goal of fiscal decentralization is to create regional independence. Regional governments must be able to provide good public service facilities for all their people. With the fulfillment of community facilities and infrastructure, community consumption and

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Validity Test

The data that researchers collected from the Central Statistics Agency for ten years, although it came from a credible source, the Central Statistics Agency from the year two thousand fifteen to the year two thousand twenty-five, must first be tested for validity. Based on this, the following are the results of the validity test in this article (Hair, 2010).

Table 1. Validity Test

Variable	Loading Factor	Noted
Regional Original Income	0.898	Valid
Gross Regional Domestic Product	0.914	Valid
Capital Expenditure	0.922	Valid

Vaid > 0.70

Reliability Test

The next stage that can be passed after passing the validity test stage is the reliability test stage. The reliability test stage is different from the validity test stage

which focuses on the variables used in this study including Gross Domestic Product, Regional Original Income, and Capital Expenditure (Sarstedt et al., 2014).

Table 2. Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Regional Original Income	0.921	0.881	Reliable
Gross Regional Domestic Product	0.952	0.911	Reliable
Capital Expenditure	0.987	0.936	Reliable

Reliable > 0.70

Path Coefisien

The last stage is also the most urgent stage because every hypothesis that researchers from the initial series must be determined by this stage whether the Path Coefficient stage in this study can be proven or not. Based on this, the following are the results of the Path Coefficient in this article (Ghozali, 2016):

Table 3. Path Coefisien

	Variable	P-Values	Noted
Direct Influence	ROI->GRDP	0.011	Accepted
Indirect Influence	CE* ROI->GRDP	0.000	Accepted

Significant Level < 0.05

Based on the third table of Path Coefficients in this article, it shows that each hypothesis used in this article can be accepted. In the first hypothesis in this study, the Regional Original Income variable can have a positive relationship direction and a significant influence on GRDP. This is because the P-Values in the third table of the Path Coefficient above are positive and below the significance level of 0.05, namely 0.011. These results are in line with a number of previous studies, namely (S, 2023); (Saleh, 2020) & (Rasu et al., 2019). In the next hypothesis, the Capital Expenditure variable can also strengthen the influence of the Regional Original Income variable on GRDP. This is because something similar, namely the P-Values, is positive and below the significance level of 0.05, namely 0.000. Thus, it can be concluded that the first and second hypotheses in this study can be accepted.

CONCLUSION

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