

ANALYSIS OF THE EFFECT OF LOCAL REVENUE, GENERAL ALLOCATION FUND, AND SPECIAL ALLOCATION FUND ON CAPITAL EXPENDITURE IN JAYAPURA CITY

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ABSTRACT

This study aims to determine the effects of Local Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) on Capital Expenditure in city of Jayapura. The data type is secondary and sourced from various reports—namely the financial statements of the Jayapura City Government. The data is in the form of a periodic (time series) from 2010 to 2018. Data analysis aims to simplify data into a form that is easier to read and interpret. The analytical tool is a multiple linear regression analysis to see the effect of Local Revenue, General Allocation Fund, and Special Allocation Fund on Capital Expenditure. Data were processed using the IBM SPSS version 16 software. The result shows that, partially, the Local Revenue have a negative and significant effect on Capital Expenditure. The General Allocation Fund has a positive and significant effect on Capital Expenditure. The Special Allocation Fund has a negative and insignificant effect on Capital Expenditure in Jayapura city. Simultaneously, the variability of PAD, DAU, and DAK has a positive and significant effect on Capital Expenditure in Jayapura.

Keywords: Capital Expenditure, General Allocation Fund, Local Revenue, Special Allocation Fund.

INTRODUCTION

Law No. 23 of 2014, concerning local government (revised Law No. 32 year 2004), the central government guides local governments to carry out and regulate local household activities as mandated by law. Regional autonomy is also a good opportunity for local governments to prove their ability to exercise the authority to which the regions are entitled. The existence of regional autonomy means that Jayapura City has the authority to regulate and take care of the affairs of the local government and the interests of the people in Jayapura City themselves.

The sources of funds for the regions include Local Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK). With the establishment of regional autonomy, the Jayapura City Government received the authority to allocate budgets from regions sourced from Regional Original Revenues. Local Revenue Revenues are all revenues derived from local economic sources that should support local governments' efforts by improving the quality of public services. In contrast, Local Revenue sources consist of taxes, levies, segregated wealth management, and other legitimate local original income.

Each region has an unequal ability to fund operational activities in their respective regions; this results in fiscal inequality between regions. The central government transferred equalization funds to each region to overcome this inequality. One of the equalization funds is DAU. DAU is a fund derived from the Central Government which is taken from the State Budget and is allocated to equitable distribution of finances between regions to finance the expenditure needs of local governments in the context of decentralization. The existence of DAU can provide good service to the public.

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DAK is a fund from the State Budget allocated to specific regions to help fund special activities that are regional affairs and with National priorities. The presence DAK can increase public servants.

In Jayapura City from 2010 – 2018, the realization of Local Revenue derived from local tax levies, regional levies, the results of segregated regional wealth management, and other legitimate local original income increased by Rp52,698,546,054 to Rp195,734,780,996. Meanwhile, the realization of the general allocation fund transferred from the Central Government through the State Budget increased by Rp367,786,142,000 to Rp687,159,192,000. The special allocation fund allocated by the Central Government through the State Budget to fund special needs has increased by Rp32,148,500,000 to Rp125,301,489,413.

The various sources of regional income are used to design a budget for regional expenditures, one of which is the capital expenditure for the Local Government Budget (APBD). Regional spending is prioritized to protect and improve the community's quality of life to fulfill regional obligations manifested in improving essential services such as education, providing health facilities, social facilities, and public facilities.

One factor supporting a region's economic growth is the availability of adequate infrastructure. To obtain an infrastructure, local governments must first budget in a capital expenditure group. This budgeting process involves negotiations between the executives and relies heavily on input and suggestions from engineers, architects, and planning.

Capital expenditure is a component of direct expenditure in the government budget that produces output in the form of fixed assets. Capital Expenditure consist of land expenditures, equipment and machinery expenditures, roads, irrigation, and network expenditures, building and building expenditures, and expenditures on other fixed assets and other assets. The capital expenditure directly intersects with public services and is utilized by the community, such as roads, sidewalks, sports halls, stadiums, stops, bridges, and traffic signs. Additionally, some—such as government office buildings—do not serve the general public directly. Most capital investments are related to public services from the public policy standpoint.

The purpose of the study was to obtain empirical evidence of the effect of local revenue, general allocation fund, and special allocation fund on capital expenditure. Therefore, the author wants to explore this problem, with the title of the research "**ANALYSIS OF THE EFFECT OF LOCAL REVENUE, GENERAL ALLOCATION FUND, AND SPECIAL ALLOCATION FUND ON CAPITAL EXPENDITURE IN JAYAPURA CITY.**"

Problem Formulation

How do the Local Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) affect Capital Expenditure in Jayapura City?

Issue Limitations

The limitations of the problem in this study are data on Local Revenue, General Allocation Fund, Special Allocation Fund, and Capital Expenditure taken from 2010 to 2018 in Jayapura City.

Research Objectives

This study aims to determine the effect of Local Revenue, General Allocation Fund, and Special Allocation Fund on Capital Expenditure in Jayapura City.

Research Uses

1. For academics, as additional information about the effect of Local Revenue, General Allocation Fund, and Special Allocation Fund on Capital Expenditure in Jayapura City.
2. For the author, as input on the influence of Local Revenue, General Allocation Fund, and Special Allocation Fund on Capital Expenditure in Jayapura City.

3. For subsequent researchers, as reference material and source of information for further research.

RESEARCH METHODS

Research Location.

This study was carried out in the Papua Province city of Jayapura.

Data Type

The data used in the study consists of quantitative data, namely data collected in figures such as PAD, DAU, DAK, and Capital Expenditure data.

Data Sources

The data is secondary data from report documents obtained from local governments and additional data from the Directorate General of Balance and Finance site via the internet.

Data Collection Methods.

The author uses a literature study technique to obtain data that supports and is relevant to the problems.

Data Analysis Methods.

The data analysis method used in this study is quantitative descriptive analysis. Quantitative descriptive analysis is an analytical technique carried out in the form of data/numbers, which are then analyzed and interpreted in the form of descriptions:

1. Multiple Regression Analysis.

Hypothesis testing uses multiple regression analysis models of independent variables against dependent variables. The regression equation is:

$$Y' = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y': Capital Expenditure

A: Constant

B: slope or regression coefficient

X₁: PAD

X₂: DAU

X₃: DAK

E: error

2. T-test (partial).

The t-test partially tests hypotheses to show the effect of each independent variable on the dependent variable. In this case, the variable is independent (X), while the variable is dependent (Y).

What are the test steps:

a. Formulating a hypothesis:

H₀: $\beta_i = 0$, meaning that there is no significant β influence of the independent variable (X) on the dependent variable (Y).

H_a: $\beta_i \neq 0$, meaning that the independent variable (X) significantly influences the dependent variable (Y).

b. Decision-making criteria:

H₀ is accepted if the significant value $> \alpha$

H₀ is rejected if the significant value $< \alpha$

This result suggests that the independent variable affects the dependent variable and vice versa.

3. F-test (simultaneous).

Test F is used to determine the significant effect of the variables of Local Revenue, General Allocation Fund, and Special Allocation Fund simultaneously on Capital Expenditure.

$H_0: \beta_1 X_1 = \beta_2 X_2 = \beta_3 X_3 = 0$, there is no significant effect of the variables of Local Revenue, General Allocation Fund, and Special Allocation Fund simultaneously on Capital Expenditure.

$H_a: \beta_1 X_1 \neq \beta_2 X_2 \neq \beta_3 X_3 \neq 0$, there is a significant influence of the variables of Local Revenue, General Allocation Fund, and Special Allocation Fund simultaneously on Capital Expenditure.

4. Coefficient of Determination Test (R^2)

R^2 describes the role of an independent variable to a dependent variable; the greater the R^2 , the greater the role of the independent variable in describing the dependent. R^2 values range from 0 to 1. With a small R^2 value, the ability of an independent variable to describe a dependent variable is minimal. A value that detects one means independent variables that are almost all the information needed to predict the variation of a dependent variable.

The coefficient of determination analysis is to determine the magnitude of the ability of the variables of Local Revenue, General Allocation Fund, and Special Allocation Fund to explain the diversity contained in the Capital Expenditure variable.

5. Test Classical Assumptions.

It is necessary to test the classical assumptions to obtain the model's accuracy to be analyzed because the data included in the multiple regression model must meet the conditions and conditions in multiple regression. The classic assumption tests include:

a) Normality Test.

This test aims to test whether, in the regression model, the disruptor or residual variables have a normal distribution. As is known, the t and F tests assume that the residual values follow a normal distribution. If this assumption is violated, the statistical test becomes invalid for a small sample count. The statistical test used to test for residual normality is the Kolmogorov-Smirnov non-parametric statistical test (Imam Ghozali 2011:160)

Decision-making in the K-S Normality test

1. The research data is typically distributed if the significant value (sig) is greater than 0.05.
2. If the significant value (sig) is less than 0.05, then the research data is not normally distributed.

b) Multicollinearity Test

The Multicollinearity Test tests whether a regression model found a correlation between free or independent variables. A good regression model should not correlate with free variables or no symptoms of multicollinearity.

The basis for decision-making on the multicollinearity test with Tolerance and VIF is as follows:

Guidelines for decisions based on Tolerance values

1. If the Tolerance value is greater than 0.10, then it means that there is no multicollinearity in the regression
2. If the Tolerance value is less than 0.10, then it means that multicollinearity occurs in the regression

Guidelines for decisions based on VIF values

1. If the VIF value < 10.00 , then it means that there is no multicollinearity in the regression model
2. If the VIF value > 10.00 , then it means that multicollinearity occurs in the regression model

c) Autocorrelation test

The autocorrelation test aims to test whether, in linear regression models, there is a correlation between disruptor errors in the t-1 (previous) period. If there is a correlation, then there is an autocorrelation problem. Autocorrelation arises because sequential observations over time relate to each other. The test used to look for this autocorrelation problem is the Durbin-Watson test (DW test). The DW test is used for level-one correlation and requires the presence of a constant in the regression model and no other variable among the independent variables. This test compares the

results of DW statistics with the DW table. In order to find out whether there is an autocorrelation problem, use the following provisions:

Table 1.
Durbin-Watson Test Decision Making

Null Hypothesis	Decision	If
No positive autocorrelation	Reject	$0 < d < dl$
No positive autocorrelation	No decision	$dl \leq d \leq du$
No negative autocorrelation	Reject	$4-dl < d < 4$
No negative autocorrelation	No decision	$4-du \leq d \leq 4-dl$
No negative or positive autocorrelation	Not Rejected	$Du < d < 4-du$

Source: Ghozali (2011:111)

d) Heteroscedasticity Test

Heteroscedasticity is a state of dissimilarity of variants of the residual for all observations on the regression model. This state means that the variance of each error is heterogeneous, which violates the classical assumption that the variance requirement of the error must be homogeneous. As with multicollinearity problems, a good regression model is one in which there is no heteroskedasticity problem in it.

The heteroskedasticity test is performed in several ways, including the Glejser Test, Spearman's Test, Park test, and looking at regression chart patterns. The heteroskedasticity test carried out in this study is the Glejser test by correlating the absolute residual value with each independent variable (Ghozali, 2011: 142). If the significance value in the t-test is less than 0.05, there is an indication of heteroskedasticity problems in the regression model.

Variable Operational Definition

In this study, the authors used three free variables and one bound variable as follows:

1. PAD (X_1)

Local revenue is a source of regional finance extracted from the area concerned, consisting of local tax proceeds, local levy proceeds, locally owned enterprise proceeds, segregated regional wealth management proceeds, and other legitimate local original income.

2. DAU (X_2)

It is a fund derived from state budget revenues allocated to the equitable distribution of financial capabilities between regions to finance expenditure needs in implementing decentralization.

3. DAK (X_3)

It is a balanced fund allocated by the central government through the State Budget (APBN) to specific regions to fund special needs, which are regional affairs and national priorities.

4. Capital Expenditure (Y)

Capital expenditure is a local government expenditure whose benefits exceed one fiscal year. It will increase regional assets or wealth and add routine expenditures such as maintenance costs in the general administrative expenditure group (Halim, 2004). Capital Expenditure for each district/city exist in the APBD Realization report.

ANALYSIS AND DISCUSSION

Data Analysis

To determine whether there is an effect between PAD, DAU, and DAK on Capital Expenditure in this study, the author conducts multiple Linear hypothesis tests, t-test (partial), and F-test (simultaneous). However, before seeing the influence of the three variables from the data obtained, namely the data on the

realization report of the Jayapura city budget for the 2010-2018 period. The following is the realization data:

Table 2.
The realized PAD, General DAU, DAK, and Capital Expenditure for 2010-2018.

Year	PAD (Rp)	DAU (IDR)	DAU (IDR)	Capital Expenditure (IDR)
2010	52.698.546.054	367.786.142.000	32.148.500.000	126.529.018.995
2011	63.491.881.560	392.375.115.000	46.373.000.000	125.282.372.634
2012	78.138.312.941	496.265.717.000	44.263.240.000	172.124.307.027
2013	100.225.833.150	586.198.486.000	61.325.080.000	232.045.349.068
2014	134.479.078.467	624.312.379.000	52.060.640.000	237.600.568.460
2015	147.689.835.175	641.368.319.000	77.378.210.000	261.255.008.105
2016	160.251.398.031	643.364.188.000	217.252.310.600	216.279.515.756
2017	173.932.075.773	614.384.506.000	93.771.350.761	167.474.454.071
2018	195.734.780.996	687.159.192.000	125.301.489.413	189.192.416.088

Source: Jayapura City Government Financial Report 2019.

From table 5.1, the realized PAD from 2010-2018 continues to increase, with the highest revenue in 2018 at Rp195,734,780,996 and the lowest in 2010 was Rp 52,698,546,054. The DAU annually increased, but in 2017, it experienced a decrease. An increase to Rp687,159,192,000 in 2018, as well as being the highest DAU. The DAK was at its highest in 2016 at Rp217,252,310,600. Capital Expenditure fluctuated as well.

Multiple Linear Analysis

1. Multiple Regression.

Table 3.
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.292E14	5.275E13		-2.449	.058
	PAD (X1)	-1.264	.393	-1.337	-3.220	.023
	DAU (X2)	.852	.161	2.028	5.282	.003
	DAK (X3)	-.022	.170	-.026	-.127	.904

Source: Data Processed SPSS 16, 2019

a. Dependent Variable: BM (Y)

From table 5.2 can be found the multiple regression equation as follows:

$$Y = -1.292E14 - 1.264X_1 + 0.852X_2 - 0.022X_3 + e$$

- a. -1.292E14 is the value of the constant.
- b. The variable X_1 has a coefficient of -1,264 means negative impacts on Capital Expenditure. The variable decreases capital expenditure, meaning that if the Local Revenue increase increases, then Capital Expenditure will decrease, assuming other variables do not change.
- c. The X_2 has a coefficient of 0.852, then the X_2 positively impacts Capital Expenditure. The variable has a role in increasing Capital Expenditure, meaning that the higher the General Allocation Fund will increase Capital Expenditure, assuming other variables do not change.
- d. The variable X_3 has a coefficient of -0.022 then the variable X_3 negatively impacts Capital Expenditure. This value also indicates that the variable has a small role in increasing Capital Expenditure, meaning that if the DAK increase, then Capital Expenditure decreases, assuming other variables do not change.

Hypothesis Test

1. t-Test (partial).

T-test is to determine the effect of individual independent variables on dependent variables. The t-test is to determine the significant effect of each variable PAD, DAU, and DAK partially on Capital Expenditure.

Table 4.
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.292E14	5.275E13		-2.449	.058
PAD (X1)	-1.264	.393	-1.337	-3.220	.023
DAU (X2)	.852	.161	2.028	5.282	.003
DAK (X3)	-.022	.170	-.026	-.127	.904

Source: processed data SPSS 16, 2019

Test Criteria:

H_0 accepted, If the value of the sig column > level of significance (α)

H_0 rejected, If the value of the sig column < level of significance (α)

Based on the hypothesis testing criteria, the following tests are carried out:

- a.) The variable X_1 has a significant value of 0.023 < 0.05 and a t value of 3.220 > t-table 2.131, then H_0 is rejected, H_a has accepted means that variable X_1 has a significant effect on the variable Y Capital Expenditure.
- b.) The variable X_2 of the DAU has a significant value of 0.003 < 0.05 and a t value of 5,282 > t-table 2,131. H_0 is rejected, H_a has accepted means that variable X_2 of the General Allocation Fund has a significant effect on the variable Y Capital Expenditure.
- c.) Variable X_3 The DAK has a significant value of 0.904 > 0.05 and a t value of 0.127 < t-table 2.131, then H_0 is accepted, H_a is rejected, meaning that variable X_3 has no significant effect on the variable Y Capital Expenditure.

2. F-Test (simultaneous).

F-Test is to determine the significant effect of the variables of PAD, DAU, and DAK simultaneously or jointly on Capital Expenditure.

Test the Hypothesis:

H_0 : $\beta_1 X_1 = \beta_2 X_2 = \beta_3 X_3 = 0$, there is no significant effect of the variables of PAD, DAU, and DAK simultaneously on Capital Expenditure.

H a: $\beta_1 X_1 \neq \beta_2 X_2 \neq \beta_3 X_3 \neq 0$, there is a significant effect of the variables of PAD, DAU, and DAK simultaneously on Capital Expenditure.

Test criteria:

H₀ is accepted if the sig column > α

H₀ is rejected, if the sig column < α

Table 5.
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.672E25	3	5.574E24	13.341	.008 ^b
	Residual	2.089E24	5	4.178E23		
	Total	1.881E25	8			

a. Dependent Variable: BM

b. Predictors: (Constant), X3, X2, X1

Source: Data processed SPSS 16, 2019

It can be concluded that there is a positive and significant influence of the variables of Local Revenue, General Allocation Fund, and Special Allocation Fund simultaneously on capital expenditure. It is indicated by the sig column value $0.008 < 0.05$ level of significance and the f value $9.725 > f\text{-table } 6.590$.

1. Determination Coefficient

The determination coefficient is to determine the magnitude of the ability of the variables of Local Revenue, General Allocation Fund, and Special Allocation Fund to explain the diversity contained in the Capital Expenditure variable.

Table 6.
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.943 ^a	.889	.822	2.044E10

Source: Data processed SPSS 16, 2019

The Multiple R value (correlation coefficient) of 0.943 states that the correlation of free variables to bound variables is 94.3% which means that the relationship is positive and strong. The R square (coefficient of determination) states that 82.2% of the change in the bound variable (Y) can be explained by the independent variables, while the rest is explained by variables that are not included in the model or that were used in this study.

2. Test classical assumptions

To obtain the accuracy of the model to be analyzed, it is necessary to test the classical assumptions because the data to be included in the multiple regression model must meet the conditions and conditions in multiple regression. The classic assumption tests include:

1. Normality test.

Table 7.
One-Sample Kolmogorov-Smirnov Test

		PAD (X1)	DAU (X2)	DAK (X3)	BM (Y)
N		9	9	9	9
Normal Parameters ^a	Mean	1,230E+11	5,615E+11	8,332E+10	1,920E+11
	Std. Deviation	5,127E+13	1,154E+14	5,790E+13	4,849E+13
Most Extreme Differences	Absolute	.144	.251	.208	.136
	Positive	.142	.151	.208	.134
	Negative	-.144	-.251	-.188	-.136
Kolmogorov-Smirnov Z		.632	.754	.762	.409
Asymp. Sig. (2-tailed)		.200	.106	.200d	.200d
a. Test distribution is Normal.					

Source: Data processed SPSS 16, 2019

From the test results of Kolmogorov - Smirnov obtained the following results;

1. The data from the variable Local Revenue (X₁) has a significant value of 0.632 because it is significantly greater than 0.05, then it is declared normal.
2. The data from the General Allocation Fund variable (X₂) has a significant value of 0.754 because it is significantly greater than 0.05, then it is declared normal.
3. The data from the Special Allocation Fund variable (X₃) has a significant 0.762 because it is significantly greater than 0.05, then it is declared normal.
4. The data from the variable Capital Expenditure (Y) has a significant 0.409 because it is significantly greater than 0.05; hence it is declared normal.

2. Multicollinearity test

Table 8.

Model	Colinearity Statistic	
	Tolerance	VIF
PAD(X1)	.129	7.759
DAU(X2)	.151	6.640
DAK(X3)	.537	1.861

Source; Data processed SPSS 16, 2019

It can be seen that no independent variable has a Tolerance value of less than 0.10. The results of the VIF test show the same thing. That is, there is not a single independent variable that has more than a VIF of 10.00. So it can be said that between the three variables, namely X1, X2, and X3, it is free from the problem of multicollinearity.

3. Autocorrelation Test

Table 9.
Auto korelasi

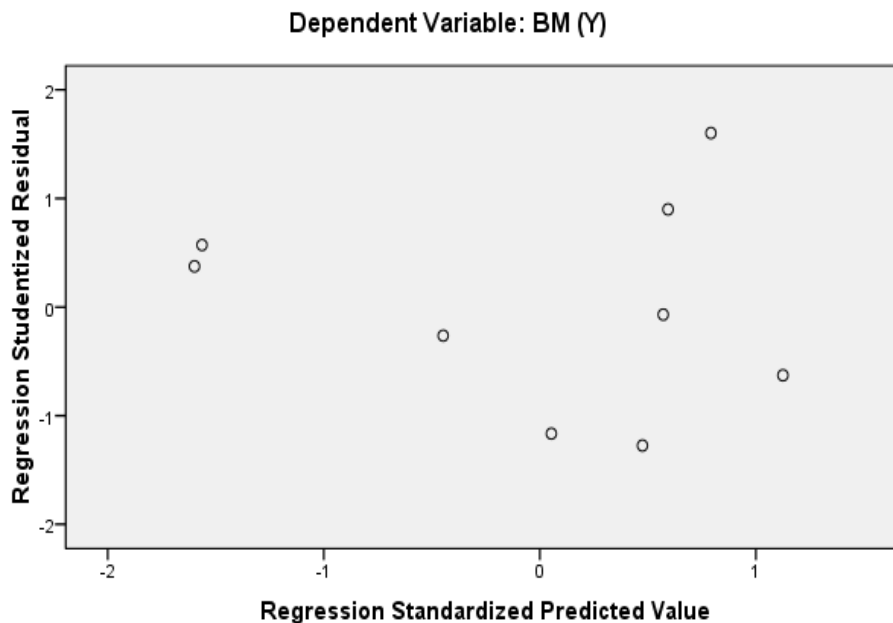
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.943a	.889	.822	2.044E10	1.294

Source: Data processed SPSS 16, 2019

From the Durbin-Watson test in the study, DW was generated by 1.294. From the autocorrelation table of more than 0.367 dL and less than 2,286 dU. Then it can be said to be an autocorrelation test in the area of doubt.

4. Heteroskedasticity Test.

Scatterplot



source: Processed data SPSS 16, 2019

Based on the results of the heteroscedasticity test, especially on the Scatterplot graph, where the spread of data points that do not form a specific pattern and the points spread above and below the number 0 on the Y axis so that heteroscedasticity does not occur.

Discussion of the Effect of Local revenue, General Allocation Fund, and Special Allocation Fund on Capital Expenditure.

1. Effect of Local Revenue on Capital Expenditure.

Based on the analysis of data that has been carried out, the first hypothesis states that "Local Revenue has a negative and significant effect on Capital Expenditure in Jayapura city in 2010-2018" this is shown in the PAD coefficient of -1,264. The sig column values are $0.023 < 0.05$, and the t values are $3.220 > t$ -table 2.015. This result shows that the higher the Local Revenue, the more Capital Expenditure will decrease by 1.264 units.

Thus, it can be concluded that partially the original regional income has a negative and significant effect on capital expenditure in Jayapura city.

2. Effect of General Allocation Fund on Capital Expenditure.

Based on the data analysis, the second hypothesis states that "The General Allocation Fund had a positive and significant effect on Capital Expenditure in Jayapura city in 2010-2018" this is indicated by the DAU coefficient of 0.852. The sig column values are $0.003 < 0.05$, and the t values are $5.282 > t$ -table 2,015. This result shows that the higher the General Allocation Fund, the more Capital Expenditure will increase by 0.852 units.

Thus, it can be concluded that partially the general allocation fund has a positive and significant effect on capital expenditure in Jayapura city.

3. Effect of Special Allocation Fund on Capital Expenditure.

Based on the data analysis that has been carried out, the third hypothesis states that "The Special Allocation Fund had a negative and insignificant effect on Capital Expenditure in Jayapura city in 2010-2018" this is indicated by the DAK coefficient of -0.022 . The sig column value is $0.904 > 0.05$, and the t value is $0.127 < t$ -table 2.015. This result shows that the higher the General Allocation Fund, the more capital expenditure will decrease by 0.022 units.

Thus, it can be concluded that partially the Special Allocation Fund has a negative and insignificant effect on capital expenditure in Jayapura city.

4. The Effect of Local Revenue, General Allocation Fund, and the Special Allocation Fund jointly towards Capital Expenditure.

In the F test, which tested the effect of all independent variables, namely Local Revenue, General Allocation Fund, and Special Allocation Fund, on the dependent variable, namely Capital Expenditure, it proved that together the three independent variables had a positive and significant effect. This is indicated by the sig column values of $0.008 < 0.05$ levels of significance.

Thus, it can be concluded that simultaneously the Local Revenue, the General Allocation Fund, and the Special Allocation Fund have a positive and significant effect on Capital Expenditure in Jayapura city.

Conclusion

Based on the analysis above and the discussion results, it can be concluded that: Local Revenue had a negative and significant effect on Capital Expenditure in Jayapura City from 2010-2018. It is indicated by a coefficient of -1.264 and a sig column value of $0.023 < 0.05$ levels of significance. Moreover, the General Allocation Fund positively and significantly affected Capital Expenditure in Jayapura City from 2010-2018. This is indicated by a coefficient of 0.852 and a sig column value of $0.003 < 0.05$ level of significance. Furthermore, the Special Allocation Fund had a negative and insignificant effect on Capital Expenditure in Jayapura City from 2010-2018, coefficient of -0.022 and a sig column value of $0.904 > 0.05$ levels of significance. Moreover, Local Revenue, General Allocation Fund, and Special Allocation Fund jointly positively and significantly affected Capital Expenditure in Jayapura City from 2010-2018 (sig values of $0.008 < 0.05$ levels of significance).

Suggestions

Based on the results, the researcher tries to provide the following suggestions:

1. Local governments should prioritize budgets for the public interest by increasing capital expenditure allocation for the public interest.

2. The local government must also increase the revenue sourced from the original regional income. In order to be able to offset the transfer funds from the state budget. Because PAD is a benchmark for regional independence. One way to increase PAD is by tax extensification and intensification. With the high level of PAD, it will reduce the dependence of local governments on central assistance. Increasing PAD will increase regional spending; especially those directly intersect with public services, namely capital expenditure.

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