Goverment Spend, Economics growth Development Rate on Income of Kolaka Regency

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Abstract— (1) The ratio of routine expenditure harmony has a positive and significant effect on the economic growth of the Kolaka Regency Government. The existence of a significant effect is due to the use of spending can have a multiplier effect on the regional economy. (2) The harmonization ratio of development spending has a positive and significant effect on the economic growth of the Kolaka Regency government. This is because the allocation of development spending can encourage economic activities so as to create economic growth. (3) The ratio of routine expenditure harmony has a positive and not significant effect on the realization of revenue of the Kolaka Regency Government PAD. The existence of this irregularity is caused by the allocation of routine expenditure is greater than the allocation of development spending, the utilization of which does not provide direct benefits in increasing PAD. (4) The harmonization ratio of development spending has a positive and significant direct effect on increasing the realization of revenue of the Kolaka Regency Government PAD. This gives an indication that if the portion of the development budget allocation can be increased, it can further increase the realization of PAD revenue. And (5) economic growth has a positive and significant effect on the realization of revenue of the Kolaka Regency Government PAD. This is due to the multiplier effect of both routine and development spending.

Keywords: Government Expenditure, Income, Macroeconomics, Economics Growth

1 INTRODUCTION

In-Law Number 32 of 2004, regions give authority to carry out all functions of government, except governmental authority in the fields of security defense, foreign policy, the fiscal and monetary, judicial, religious, and administrative government that is strategic. With the division of authority/function, the implementation of government in the regions is carried out based on the principle of decentralization, the policy of deconcentration, and assistance tasks. The direct implication of the authority/function devolved to the regions under Law Number 32 of 2004 is the need for children to be quite large. For this reason, it is necessary to regulate financial relations between the center and the regions intended to finance the implementation of functions that are under their authority.

Although the regency/city government has been given various types of revenue sources which are quite large in number, as stipulated in Law Number 34 of 2004 concerning local taxes and local user fees which are amended by Law Number 18 of 1997, but rarely from sources these sources of regional own-source revenue (PAD) which can provide substantial revenues for provincial governments. Taxes that are still controlled by the central government, such as income tax, sales tax, value-added tax, export tax, and so on. Whereas the charges which are controlled by the regions are generally less taxable to generate sufficient revenue for the regional government. Only a few types of local taxes(tax region)and restitution area (region distribution)are then can contribute significantly to the part, as well as street lighting tax, advertisement tax, and market level.

As has been affirmed in Act Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments which is a revision of Act Number 25 of 1999, that the sources of regional revenue in the implementation of decentralization are, namely: (1) Revenue Regional Original (PAD), (2) Balancing Funds, (3) Regional Loans, and (4) other legal receipts.

Sources of Regional Original Revenues consist of regional tax proceeds, provincial levies results, results of regionally owned companies, and results of other local wealth management that are separated from other legitimate regional original income. The division of regional revenue derived from land and building tax, the distribution of the balance is 10% for the central government and 90% for the region, as well as the revenue from the acquisition fees on land and buildings divided by a balance of 20% for the central government and 80% for the region. Meanwhile, potential state revenues such as oil and natural gas, forest products, etc., are still of a more significant portion, and the percentage is taken by the central government.

It was further emphasized in the new Income Tax Law, namely Law Number 17 of 2000, which began in the 2001 regional budget to obtain revenue sharing from personal income tax, namely employee income tax (Article 21) and Income Tax Article 25/29 individuals. It was also stipulated that individual income tax as an object of profit-sharing is intended as compensation and harmonization for regions that do not have natural resources but provide an immense contribution to state revenue (APBN).

In addition to local taxes and regional levies, the share of regionally owned company (BUMD) profits is one of the potential sources to be developed. Some of the obstacles faced by regionally owned companies in Indonesia, such as weaknesses of management in managing regional finances, staffing problems, too much interference from provincial officials, and so on, have caused most regional companies running the state/region (BUMN / D) to suffer losses and be a
weighty burden for local governments, especially in meeting the district/city budget (APBD).

If observed the above description, then what Elmi (2002) has stated that several things can cause unsuccessful regional companies to contribute positively to PAD are correct, namely: (a) lack of determination in setting the vision, mission and objective (target) of the company, so that precisely the aim of profitable business types can be chosen at the appropriate business scale; (b) low quality of human resources recruitment and placement of, incorrect employees, and the presence of bureaucratic and central government interventions with regional business matters, causing high costs or inefficiencies, and even companies often suffer losses.

Based on the description above, it can also be stated several previous studies that can strengthen the position of research problems, such as Ayu Mita Utami (2012) shows that development spending in the form of investment is related to economic growth, but not loud, where investment has no significant effect on PAD. Still, economic growth has a positive and significant impact on PAD and finance, and economic growth has positive and significant effects on PAD. Furthermore, Bayu Kharisma (2016) in his research found that there is an influence of fiscal decentralization in terms of expenditure (expenditure) and revenue hurts economic growth because the impact of spending is more significant than the result of receipt, so it also has an effect on the reduction in PAD.

Based on the background stated above, the following problem statements will be presented, namely: (1) Does the harmony of development spending affect the economic growth of the Kolaka Regency? (2) Does the routine expenditure harmony affect the economic growth of the Kolaka Regency? (3) Does the peace of development spending jeopardize the realization of the first revenue of the Kolaka Regency? (4) Does the balance of routine expenditure affect the achievement of Kolaka Regency's original income, and (5) Does economic growth affect the realization of Kolaka Regency’s authentic revenue.

Based on the background and formulation of the problems stated above, the following research objectives will be put forward, namely to analyze: (1) The effect of the harmonization of development spending on the economic growth of the Kolaka Regency. (2) The result of the harmony of routine expenditure on the economic growth of the Kolaka Regency. (3) The result of the compatibility of development spending on the realization of the original income of the Kolaka Regency. (4) The impact of harmonization of routine expenditure on the achievement of the initial salary of the Kolaka Regency, and (5) The effect of economic growth on the accomplishment of the initial profit of the Kolaka Regency.

2 LITERATURE REVIEW

Regional financial management policies as far as possible adjust to the situation and conditions as well as local potential by referring to Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Regional Financial Judgments between the Central and Regional Governments and Government Regulation Number 105 of 2000 regarding Management and Accountability of Regional Finances. Based on these laws and regulations, it can be stated that the general policies on regional financial management are as follows, (Elmi, 2002):

In allocating, both routine and development budget always adheres to balanced and dynamic budget principles as well as efficient and effective in improving productivity. The routine budget is directed to support the smooth functioning of government and development. The development budget is directed to continuously improve sectors in supporting the improvement and improvement of facilities and infrastructure that can help the advancement of growth and society by taking into account the priority scale.

On the other hand, regional financial management can involve three areas of analysis that are related to each other. The three aspects include:

(1) Revenue analysis, which is an analysis of the ability of local governments to explore potential sources of revenue and costs incurred to increase these revenues.

(2) Expenditure analysis, which is an analysis of how much the costs of public service and the factors that cause these costs to increase.

(3) Budget analysis, which is an analysis of the relationship between income and expenditure and projected trends for the future.

The results of income and expenditure analysis are components in analyzing regional finances. If rent is more significant than expenditure, there will be a budget surplus, and if the investment is more excellent than income, there will be a budget deficit. In this case, it should be noted how the current financial condition and the tendency for the future, so that the pattern of budget surpluses and deficits can be predicted. Also, budget stability from year to year needs to be considered.

From an income perspective, successful regional finances are regional finances that can increase local revenue on an ongoing basis in line with economic development without worsening the allocation of factors of production and justice as well as with certain administrative levels. Successful regional financial indicators, according to Simanjuntak (2001), are (1) Tax power, effectiveness, efficiency, elasticity, intensification, and extensification.

Nirzawan (2001) states that regional expenditure is all local cash expenditure in the period of the relevant fiscal year, which can include apparatus (operational) expenditure, public expenditure (capital expenditure), and unexpected expenditure. Investments outlined in the spending budget are shown through two groups, namely routine spending and development.

While the harmonization of regional expenditure budget is to describe how the local government prioritizes the allocation of funds to routine expenditure and development expenditure optimally. The higher the percentage of funds allocated to regular expenditure, it means that the rate of development spending used to provide industrial facilities and infrastructure for the community tends to be smaller.
Likewise, the higher the rate of funds allocated to development spending, the lower the routine expenditure allocation (Widodo, 2001).

Harmonization further Nirzawan (2001) apparatus / operational routine expenditure (recurrent expenditure) is apparatus shopping that benefits only for one fiscal year and does not add assets or wealth to the region. Apparatus / operational expenditure (recurrent expenditure) consists of, namely: (a) general administration expenditure, which is in the form of employee expenditure, goods expenditure, official travel expenditure, and maintenance expenditure, and (b) operational and maintenance expenditure for facilities and infrastructure.

The details of Halim's routine or operational expenditure (2001) are (a) employee expenditure, (b) interest expenditure, (c) grant expenditure, (c) social assistance expenditure, (d) financial aid expenditure, (e) proper service expenditure, and unexpected shopping. Especially for employee shopping can be found in direct shopping and also in indirect shopping.

Transfer expenditure is a transfer of money from the regional government with criteria, namely: (a) does not receive direct compensation for goods and services like a purchase and sale transaction, (b) does not expect to be paid back in the future, as expected in a loan, and (c) do not expect an income, as expected in an investment. This transfer expenditure consists of, namely: loan installments, aid funds, and reserve funds.

Unexpected expenses are expenditures provided for financing, such as (1) extraordinary events such as natural disasters, events that could endanger the region, and (2) last year's bills that have yet to be resolved and have no budget available on year in question. Collection of receipts that are not his right or receipts that are released (canceled) or excess acceptance. To find out the harmony of routine expenditure refers to the theory put forward by Halim (2001) that regular shopping is comparing the realization of the total amount of daily spending divided by the full consciousness of regional expenditure.

expenditure in the form of investment/capital expenditure is investment/capital expenditure in which spending and benefits tend to exceed one fiscal year and will add to regional assets or wealth, and subsequently will add to routine budgets for operational and maintenance costs.

On the other hand, development, spending, which is often also called capital expenditure by Halim (2001) describes as an expenditure that can be used to finance the needs of spending on roads, bridges, buildings/buildings, vehicle purchases, and other non-physical. These expenditures are based on actual needs by making annual budget plans by tracking the budget.

Investment expenditure consists of, namely: (1) public expenditure, namely expenditure whose benefits can be enjoyed directly by the community. Public spending is(capital expenditure) in the form of physical investment (infrastructure development) which has an economic value of more than one year and results in the addition of regional assets, (2) public expenditure that is spending whose benefits are not directly enjoyed by the community but are felt directly by the apparatus. Spending in the Republic of Indonesia results in the addition of fixed assets and other non-current assets. Public spending is expected to add benefits in the current and future periods. To find out the harmony of development expenditure also refers to the theory put forward by Halim (2001) that development expenditure is comparing the realization of the total spending of routine spending divided by the complete fulfillment of regional spending. While the main objectives of local government financial management, according to Rima (2001), are responsibility, being able to fulfill business obligations, honesty, results and interest activities, and regional financial control.

Because Indonesia is a unitary state and limited APBD capacity, in implementing the principles of government along with the financing principle as above, it does not rule out that the central government helps provide funds through aid funds for the smooth implementation of decentralization tasks in the regions (Burhanuddin, 2008). Even so, it turns out that up to now, there are no clear procedures for financing the three principles. Some of the tasks that are supposed to be for regional government autonomy in the context of decentralization are carried out by sectoral ministries. For example, clean water, drainage, waste management, KIP projects financed by the DIP of the Department of Public Works, and the procedures for financing are not by the decentralization policy.

To understand the understanding and sources of PAD indeed can not be separated from the overall knowledge of regional income. According to Law Number 32 of 2004, as an amendment to Law Number 22 of 1999 concerning Regional Government and Law Number 33 of 2004 also as an amendment to Law Number 25 of 1999 concerning Financial Balance between the Center and Regions, which is explained that the sources of regional income consist of, namely: (1) Regional Original Revenues consist of: (a) the results of local taxes, (b) the effects of regional levies, (c) the share of profits belonging to the region, the results of the management of territorial assets and (d) other valid PAD; (2) balancing funds consisting of Tax Revenue Sharing, Revenue Sharing SDA, DAU, and DAK; (3) regional loans and (4) other legitimate income (Halim, 2001).

To increase regional independence, the local government must be able to work to explore and improve its own financial resources continuously. One of the problems faced in efforts to increase the PAD of an area is the weakness in terms of measurement/assessment of regional levies. To support efforts to increase PAD, it is necessary to measure/evaluate PAD sources so that they can be collected on an ongoing basis without worsening the allocation of factors of production and justice.

Furthermore, Simanjuntak in Halim (2001), states that the variables that need to be analyzed to determine the potential sources of PAD are (1) the initial conditions of an area; (2) the development of real per capita GRDP; (3) population growth; (4) inflation rate; (5) tariff adjustments; (new construction, (6) new sources of income, and (7) changes in government regulations (Burhanuddin, 2008).

Based on these laws and government regulations, regions
are given the authority to collect 11 types of taxes and 28 types of user fees. Determination of the types of taxes and levies is based on the consideration that the kinds of taxes and levies, in general, can be collected in almost all regions and is a type of levies that theoretically and practice are reasonable (Elmi, 2002).

While based on the classification of regional income as stated above, it can be said that what is meant by PAD is several revenues that can be realized through local sources that are collected based on local government regulations and per the applicable laws and regulations in the Republic Indonesia.

In implementing regional government budgets, being able to apply the concept of fiscal decentralization is one of the instruments in achieving one of the objectives of the state, namely: providing the best services, especially administration, development, and for the public and creating a more democratic public decision-making process. Through decentralization, the delegation of authority to lower levels of government to carry out, the authority to collect taxes (expenditure taking power), the formation of councils elected by the people, regional heads elected by the DPRD and the existence of assistance in the form of transfers from the central government (Sidik, 2002).

Furthermore, Sidik (2002) said that the drive for decentralization that occurred in various countries in the world, especially in developing countries is influenced by factors, namely: (a) the background or experience of a country, (b) its role in globalization of the world, (c) setbacks in economic development, (d) demands for changes at the level of public services, (e) signs of disintegration in several countries and (f) the last is the response to the many failures experienced by centralized governments in providing effective public services. Decentralization is not easy to define, because it involves a variety of forms and dimensions, especially regarding economic, political, administrative, and administrative system changes and social and economic development. In general, the concept of decentralization consists of political decentralization; decentralization of the administration (administration decentralization), fiscal decentralization (fiscal decentralization), and the decentralization of the economy (economic or market decentralization).

In this study, it will not examine the type of decentralization individually, but only studies specifically the fiscal decentralization policy in the management of regional expenditures concerning PAD so that it is expected not to be general. The primary consideration, because this research only stated above, it can be said that what is meant by PAD is several revenues that can be realized through local sources that are collected based on local government regulations and per the applicable laws and regulations in the Republic Indonesia.

sector, then they must be supported by adequate financial sources both from PAD, including surcharge of taxes, loans, and funds balance from Central government.

Elmi (2002) states that fiscal decentralization is the devolution of authority in the field of revenue that was previously centralized both administratively and that its utilization is regulated or carried out by the central government. With the transfer, some authority over the sources of state revenue to the government in the region, and it is hoped that the areas will be able to carry out routine tasks, public services and increase more productive investment in their neighborhoods. If this can be effective as it should, it will be able to boost economic growth in the regions.

Based on the principles of the money followers function, the implementation of authority decentralization must be followed by fiscal decentralization. Even so, the degree of devolution of authority and the degree of budgetary decentralization are not always at the same level, because this is very dependent on the condition of a country or region. However, that should be emphasized is that the degree of fiscal decentralization depends heavily on the need for devolution of authority, or in other words, that the effective implementation of the decentralization of power relies heavily on support enforce through fiscal decentralization (Soekarwo, 2003).

This condition causes the format and pattern of fiscal decentralization to vary significantly with very varied impacts because even though decentralization is applied in the same form, it can give different results. This depends on the size of the easing of conditions between the countries or regions. Therefore, the determination of the format or pattern of fiscal decentralization must be adjusted to the objectives to be achieved from the implementation of budgetary decentralization (Bird & Smart, 2001).

On another occasion Bird & Smart (2001) suggested that there were three forms of fiscal decentralization in terms of the degree of independence of decision making, namely: (1) decentralization in terms of the release of responsibilities within the central government environment to vertical agencies in the region or the regional government; (2) delegates relating to a situation, i.e., the parts act as government representatives to perform certain functions on behalf of the government; and (3) devolution on a location that is not only implementation but also the authority to decide what needs to be done.

Shah (2000) suggested that fiscal decentralization in Indonesia was still at a centralized level, because almost three quarters (75%) of total state expenditure was directly determined by the central government, and another 10% was transferred to regional governments. But tellingly, its use is still controlled by the central government. In fact, according to him, the remaining 15% of total state expenditure is also heavily influenced by the central government through the planning process through to approval through the state budget (APBN). Thus, overall, the distribution of budgetary expenditure responsibilities remains very centralistic.

While the harmonization of regional expenditure budget is to describe how the local government prioritizes the allocation...
of funds to routine expenditure and development expenditure optimally. The higher the percentage of funds allocated that is allocated means that the rate of development expenditure used to provide commercial facilities and infrastructure for the community tends to be smaller (Widodo, 2001).

The economic condition of a region or region is highly dependent on the potential and resources it has and the efforts of the region, which are in line to develop all of its possibilities. The potential and economic conditions of an area must be known for its development from year to year. One important indicator to determine the condition of economic growth in a region in a given period is the data on the gross regional domestic product (GRDP), both based on current prices and the basis of boarding prices.

According to the Central Bureau of Statistics (BPS, 2003), it is explained that the GRDP is the amount of added value generated by all business units in a particular region, or the total cost of goods and final services (net) produced by all economic groups. GRDP at current prices illustrates the added value of products and services calculated using rates that apply each year. Whereas GRDP at constant prices is calculated using amounts that are valid for a particular year as the basis for its calculations. According to BPS (2003), there are 3 (three) approaches that can be used to calculate the Gross Regional Domestic Product (GRDP) figures.

Based on the conceptual framework stated earlier, the research hypothesis is as follows:
1. The harmony of routine spending has a positive and significant effect on the economic growth of the Kolaka Regency Government
2. The balance of development spending has a positive and significant impact on the economic growth of the Kolaka Regency Government
3. Economic growth has a positive and significant impact on the local government revenue of Kolaka Regency
4. Economic growth has a positive and significant impact on the local government revenue of Kolaka Regency
5. Economic growth has a positive and significant impact on the local government revenue of Kolaka.

3 RESEARCH METHODS

Social science research is generally divided into three forms, namely explorative analysis, descriptive research, and analytical research. Based on the grouping, the research is a critical study, because this study explains the relationship and influence of several independent variables on a dependent variable, through an intervening variable. Furthermore, this research is also a descriptive study because it contains several explanations that are described using tables. This research is supported by theories and analytical methods to answer the problems that have been raised, among others, an analysis of the dependence of local governments in the management of economic development in the era of regional autonomy, and an analysis of factors that affect the original income or geographical fiscal position.

This research approach needs to be made so that research can be carried out with and more systematically proceeded. This research approach shows the activities carried out by researchers ranging from the formulation of hypotheses to the analysis of data. By referring to the perspective of the research approach from Cooper and Emory (1995), this research is a statistical study, which is carried out in several parts or institutions that are taken as samples. The level of crystallization is formalized, which is a structured study that starts with a hypothesis or investigative questions. The research environment is a field, i.e., by conducting field research aimed at obtaining empirical data for testing hypotheses. This research was held at the Kolaka Regency government by using a period of 6 (six) months from August to December 2013. The data collection methods used in this study are:

1. Observation, which is a business that can be used to carry out systematic inspection and recording of research objects which in this case concerns data about the Kolaka Regency APBD, data on the level of economic growth from 2009 to 2015.
2. The interview method is intended to further deepen and strengthen the existence of research data through direct interviews with competent parties according to the number of research variables.
3. Documentation is an attempt to obtain several data through the recording of several documents (archives) and other evidence contained in the study site, such as data on financial reports and the District Budget of Kolaka during 2019-2015.
4. The population in this study are all objects and research subjects and is the sum of all units of analysis whose characteristics are to be suspected. The population in this study are all units or agencies SKPD Kolaka Regency that perform financial services and budget management. While the sample in this study is part of the population chosen carefully to represent the population (Cooper and Emory, 1995). The sampling method is in the form of purposive sampling, which means that directly or deliberately determines the sample or the size of the sample as the unit of analysis. The sample in this study is based on a time series of 9 years, from 2008 to 2015, which can be further proxy into the first to fourth quarters of the year so that the N unit of analysis is 8 x 4 = 32 quarterly.

The types and sources of data used in this study are data obtained from various sources both from the processed results of other parties and writings related to research needs, documentation or information from related parties related to the problem under study such as data about Kolaka Regency Government's financial reports and APBD management and other supporting tools.

4 RESULTS AND DISCUSSION

In research both qualitatively and quantitatively, data analysis is an activity after the data from all respondents or other data sources are collected. Activities in the data analysis process are grouping data first based on variables, then tabulating data based on variables from all respondents, presenting data for each variable studied, doing calculations to answer problems and doing calculations to test hypotheses.
The data that has been collected, then analyzed descriptively-qualitative and quantitative analysis using multiple linear regression equation models (multiple linear regression) and the data in this study using the help of statistical programs. In this study using two kinds of statistical analysis techniques, namely: (1) descriptive statistics (descriptive statistics) and (2) inferential statistics (inference statistics).

Based on the hypotheses that have been formulated previously researchers need to be proven in analysis. The method of analysis that can be used requires analysis tools, the multiple regression analysis software as path analysis(path-analysis). The multiple linear regression equation model using the path method is as follows:

Analysis using the first substructure with equations like:

\[ Y_1 = P_1X_1 + P_2X_2 + \varepsilon_1 \]
\[ Y_2 = P_2X_1 + P_2X_2 + P_2Y_1 + \varepsilon_2 \]

Where:
\[ Y_1 = \text{Rate of economic growth (GRDP)} \]
\[ Y_2 = \text{Regional Original Income (PAD)} \]
\[ X_1 = \text{Harmony of routine expenditure} \]
\[ X_2 = \text{Harmony of development expenditure} \]
\[ \varepsilon_1 = \text{error (level)} \]
\[ \varepsilon_2 = \text{error (level)} \]

The operational definitions of the research are (1) The routine expenditure synchronization is government expenditure to finance the needs of the Kolaka district government which is operational by using; employee expenditure, goods and services, interest, subsidies, grants, social assistance, and financial assistance and transfer expenditure. This expenditure is measured using the ratio of routine expenditure to total regional expenditure during 2008 to 2015 every quarter. (2) Harmony of development expenditure is the expenditure of the regional government to finance the needs of the Kolaka Regency Government in the form of capital expenditure such as: land, equipment and machinery expenditure, building and building expenditure, roads, irrigation, and networks, other fixed assets, other asset expenditure, unexpected shopping. (3) Economic growth is the amount of added value generated by all economic business units in Kolaka Regency in the form of final goods and services value. In this study, economic growth is measured by using the GRDP based on the value of the current price at the end of each year. (4) Regional own-source revenue (PAD) is the realization of the Kolaka regency government revenue in the form of: local taxes, regional levies, share of BUMD profits, and other valid local original

Based on the results of the simultaneous analysis test, it can be concluded that together the company profile, company size, profitability, leverage, and the size of the Board of Commissioners proved to affect the disclosure of social responsibility. In this research, the partial test failed to determine the influence of the size of the Board of Commissioners on the disclosure of social responsibility. The size of the Board of Commissioners does not affect the exposure of social responsibility shows that the Board of Commissioners is less able to play its role and carry out its functions in providing control and monitoring for management in carrying out the company's operations, including in the implementation and disclosure of social responsibility activities. Besides, due to government regulations which require that every company incorporated as a Limited Liability Company (PT) or a company that goes public on the IDX, to disclose social responsibility in the company's annual financial statements, so that the size of the Board of Commissioners does not affect the amount of disclosure social responsibility, but rather because of the company's submission to government regulations.

**Direct Effect (Direct Effect)**

To calculate the direct effect, the following formula is used:

(a) The effect of the variable ratio of routine expenditure harmony and development expenditure harmony to the level of economic growth in the Kolaka Regency.

\[ X_1 \ Y = 0.460 \]
\[ X_2 \ Y = 0.608 \]

(b) The influence of the variable ratio of routine expenditure harmony, the harmony of development spending, and the level of economic growth on the realization of local revenue acceptance

\[ X_1 \ Z = 0.299 \]
\[ X_2 \ Z = 0.519 \]
\[ Y \ Z = 0.389 \]

**Indirect Effect**

To calculate the indirect effect, use the following formula:

(a) The effect of the ratio of routine expenditure harmony and development spending harmony to the economic growth rate

\[ X_1 \ Y \ Z = (0.460 \times 0.389) = 0.179 \]
\[ X_2 \ Y \ Z = (0.590 \times 0.389) = 0.230 \]

**Total Effect**

To calculate the total effect, use the following formula: Calculating the influence of the variable ratio harmony routine
expenditure and compatibility of development expenditure on revenue through economic growth rate

\[ X_1 Y \quad Z = (0.460 + 0.179) = 0.639 \]

Hypothesis Testing and Path Coefficient Value

<table>
<thead>
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<th>HP</th>
<th>Var’s. Independent</th>
<th>Var. Intervening</th>
<th>Var Dependent</th>
<th>Standardize</th>
<th>CR (t-Value)</th>
<th>Probability (Sig)</th>
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<td>5</td>
<td>Y</td>
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From the overall results of testing the hypotheses shown in table 11 above, there are four pathways that have a positive and significant influence and only one pathway that is positive but not significant. The interpretations from the table above can be explained as follows:

The ratio of routine expenditure harmony has a positive and significant effect on the level of economic growth with \( p = 0.000 < 0.05 \), with a direct influence value of 0.460. Based on the results of statistical analysis shows that the first hypothesis is proven after testing that there is a positive and significant effect between the harmony of routine spending with the level of regional economic growth in the Kolaka Regency Government. This means supporting the theory that if development can be increased, it will be able to encourage regional economic growth. The results of research Sung Tai Kim (1997) conducted research in South Korea on the role of local governments in economic growth. The results of his research indicate that government investment (development expenditure) and government consumption expenditure (routine expenditure) have a positive and significant impact on economic growth. The research has implications that local governments must continue to encourage increased local government investment, because it has a multiplier effect on improving people's welfare and local government revenue through local own-source revenue (PAD). Supporting research by Ni Luh Putu Lindri Puspitasari (2013) The effect of capital expenditure on regional financial growth with PAD as an intervening variable in Buleleng Regency, Bali Province. His research findings show that capital expenditure positively and significantly influences financial growth, while the analysis shows that capital expenditure directly influences GRDP and capital expenditure can also indirectly influence PAD, and GRDP has direct effect on PAD. Supporting Ayu Mita Utami's Research (2012) The Effect of Investment Expenditures and Economic Growth on Regional Original Revenue (PAD). The study found that (a) there was an effect of investment spending on the level of economic growth which was not significant, (b) There was a significant effect on economic growth with PAD, and (c) there was an influence of investment spending and the level of economic growth on PAD.

The ratio of development expenditure harmony has a positive and not significant effect on regional own-source revenue with \( p = 0.070 > 0.05 \), with a direct influence value of 0.063. Based on the results of statistical analysis shows that the second hypothesis is proven after testing that there is a positive and significant effect between the harmony of development spending with the level of regional economic growth in the Kolaka Regency Government. This means supporting the theory that if development can be increased, it will be able to encourage regional economic growth. The research has implications that local governments must continue to encourage increased local government investment, because it has a multiplier effect on improving people's welfare and local government revenue through local own-source revenue (PAD). Supporting research by Ni Luh Putu Lindri Puspitasari (2013) The effect of capital expenditure on regional financial growth with PAD as an intervening variable in Buleleng Regency, Bali Province. His research findings show that capital expenditure positively and significantly influences financial growth, while the analysis shows that capital expenditure directly influences GRDP and capital expenditure can also indirectly influence PAD, and GRDP has direct effect on PAD. Supporting Ayu Mita Utami's Research (2012) The Effect of Investment Expenditures and Economic Growth on Regional Original Revenue (PAD). The study found that (a) there was an effect of investment spending on the level of economic growth which was not significant, (b) There was a significant effect on economic growth with PAD, and (c) there was an influence of investment spending and the level of economic growth on PAD.
results of this study do not support the results of research Sung Tai Kim (1997) conducted research in South Korea regarding the role of local governments in economic growth. The results of his research indicate that government investment (development expenditure) and government consumption expenditure (routine expenditure) have a positive and significant impact on economic growth. The research suggests that local governments must continue to encourage increased local government investment, because it has a multiplier effect on improving people's welfare and local government revenue through local own-source revenue (PAD). The results of this study also do not support the research of Estelita Tria Ramadhani Darwis (2015) with the title Effect of Capital Expenditures and Employee Spending on Regional Financial Independence in the District / City of West Sumatra Province. This study found that (a) capital expenditure had a negative and significant effect on regional financial independence and (2) there was a negative and significant effect on employee spending on regional financial independence. The results of this study also support the research of Bahar Sinring (2003) conducting research on the causal relationship between subsidies, development expenditure, routine expenditure, gross regional domestic product, and the number of residents with regional income. The results of his research indicate that there is a positive and significant effect between routine expenditure and PAD. The positive influence has an implication that routine expenditure is directly related to the welfare of the community. Increasing the welfare of the community will encourage increased productivity (increasing the quality of human resources). Increasing the quality of human resources is a major factor in increasing PAD.

The ratio of development expenditure harmony has a positive and significant effect on regional own-source revenue with \( p = 0.002 < 0.05 \), with a direct influence value of 0.519. The results of this study support the research of Bahar Sinring (2003) conducting research on the causal relationship between subsidies, development expenditure, routine expenditure, gross regional domestic product, and the number of residents with regional income. The results of his research indicate that there is a positive and significant effect between development expenditure and PAD. The positive influence has an implication that routine expenditure is directly related to the welfare of the community. Increasing the welfare of the community will encourage increased productivity (increasing the quality of human resources). Increasing the quality of human resources is a major factor in increasing PAD.

The level of economic growth has a positive and significant effect on regional own-source revenue with \( p = 0.013 < 0.05 \), with a value of direct influence of 0.389. The results of this study support the results of Bahar Sinring's (2003) research on a causal relationship between subsidies, development expenditure, expenditure routine, gross regional domestic product, and the number of residents with regional original income. The results of his research indicate that there is a positive and significant influence between GRDP and PAD. This shows that increasing the economic activity of a region will increase tax capacity. The economic development of a region is generally indicated by GRDP indicators from year to year. For local governments, these indicators are important to know the success of economic development that has been achieved and can be a guideline in determining the direction of development in the context of increasing PAD and community welfare.

5 Conclusion

Based on the results of the research and discussion described in the previous chapter, the following conclusions will be made, namely: (1) The ratio of routine expenditure harmony has a positive and significant effect on the economic growth of the Kolaka Regency Government. The existence of a significant effect is due to the use of spending can have a multiplier effect on the regional economy. (2) The harmonization ratio of development spending has a positive and significant effect on the economic growth of the Kolaka Regency government. This is because the allocation of development spending can encourage economic activities so as to create economic growth. (3) The ratio of routine expenditure harmony has a positive and not significant effect on the realization of revenue of the Kolaka Regency Government PAD. The existence of this irregularity is caused by the allocation of routine expenditure is greater than the allocation of development spending, the utilization of which does not provide direct benefits in increasing PAD. (4) The harmonization ratio of development spending has a positive and significant direct effect on increasing the realization of revenue of the Kolaka Regency Government PAD. This gives an indication that if the portion of the development budget allocation can be increased, it can further increase the realization of PAD revenue. And (5) economic growth has a positive and significant effect on the realization of revenue of the Kolaka Regency Government PAD. This is due to the multiplier effect of both routine and development spending.

Suggestions proposed are (1) To improve improving the welfare of the community, through regional economic growth not only shows a large routine expenditure allocation, but more important is how the expenditure allocation can be harmonized with development spending so that economic growth will be created, therefore, the government must be able to adopt policies to harmonize these expenditures. (2) The regional government of Kolaka Regency must be able to encourage economic growth through harmonizing development spending by looking at prioritizing spending needs that can encourage the acceleration of regional economic improvement. (3) Regency Regional Government must be able to encourage increased realization of PAD.
revenue by restructuring the harmony of routine spending so as to encourage increased regional economic growth. (4) PAD is a source of revenue which is the basis of regional independence, therefore the government of Kolaka Regency must be able to explore PAD resources efficiently and effectively by rearranging the harmony of development spending so as to create accelerated economic growth. (5) Regional economic growth is a result of the existence of budget allocations either through operational / routine or development. Therefore, to encourage the acceleration of regional economic growth, the government must be able to create a budget based on synergy so that it can have an impact on regional economic growth.

REFERENCES


