



## **Impact of pure regional income (PAD), general allocation funds (DAU) and special allocation funds (DAK) toward capital expenditures and its impact on economic growth (Case Study of Local Government in Malang Area)**

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### **Abstract**

The purpose of this study is to analyze the PAD, General Allocation Fund and Special Allocation Fund a significant effect on Capital Expenditures, to analyze the PAD, General Allocation Fund and Special Allocation Fund a significant effect on economic growth, to analyze Capex effect significantly to economic growth and to analyze the PAD, General Allocation Fund and Special Allocation Fund significantly influence economic growth through the Capital Expenditure. This research was conducted in the District / City of Malang. Population and samples used in this study a budget realization reports Malang region. Furthermore, this study used path analysis as a method of research. From the analysis conducted, it can be concluded that the test results found that in partial pure regional income does not affect the capital expenditure. As for the General Allocation Fund and Special Allocation Funds effect on capital spending, the test results found that in partial PAD, General Allocation Fund, Special Allocation Fund and Capital Expenditure effect on economic growth. The test results showed that the only path coefficient Special Allocation Fund variables that influence economic growth through capital expenditures. While the Pure regional income and the General Allocation Fund has no effect on economic growth through capital expenditures. As for the General Allocation Fund and Special Allocation Funds effect on capital spending, the test results found that in partial PAD, General Allocation Fund, Special Allocation Fund and Capital Expenditure effect on economic growth. The test results showed that the only path coefficient Special Allocation Fund variables that influence economic growth through capital expenditures. While the Pure regional income and the General Allocation Fund has no effect on economic growth through capital expenditures. As for the General Allocation Fund and Special Allocation Funds effect on capital spending, the test results found that in partial PAD, General Allocation Fund, Special Allocation Fund and Capital Expenditure effect on economic growth. The test results showed that the only path coefficient Special Allocation Fund variables that influence economic growth through capital expenditures. While the Pure regional income and the General Allocation Fund has no effect on economic growth through capital expenditures. The test results showed that the only path coefficient Special Allocation Fund variables that influence economic growth through capital expenditures. While the Pure regional income and the General Allocation Fund has no effect on economic growth through capital expenditures. The test results showed that the only path coefficient Special Allocation Fund variables that influence economic growth through capital expenditures. While the Pure regional income and the General Allocation Fund has no effect on economic growth through capital expenditures. The test results showed that the only path coefficient Special Allocation Fund variables that influence economic growth through capital expenditures. While the Pure regional income and the General Allocation Fund has no effect on economic growth through capital expenditures.

**Keywords:** pad, general allocation fund, special allocation fund, capital expenditures, economic growth

### **1. Introduction**

Indonesia's economic growth are currently increasing significantly. This can be proved by the increasing economic growth and national income of Indonesia in 2017 reached 5.07 percent (Central Bureau of Statistics, 2017). The magnitude of the rate of growth and national income cannot be separated from the influence of pure regional income for each province in Indonesia. Pure regional incomes from natural resources and other resources by county / city each province is one of the financial sources that add to the coffers of the national income.

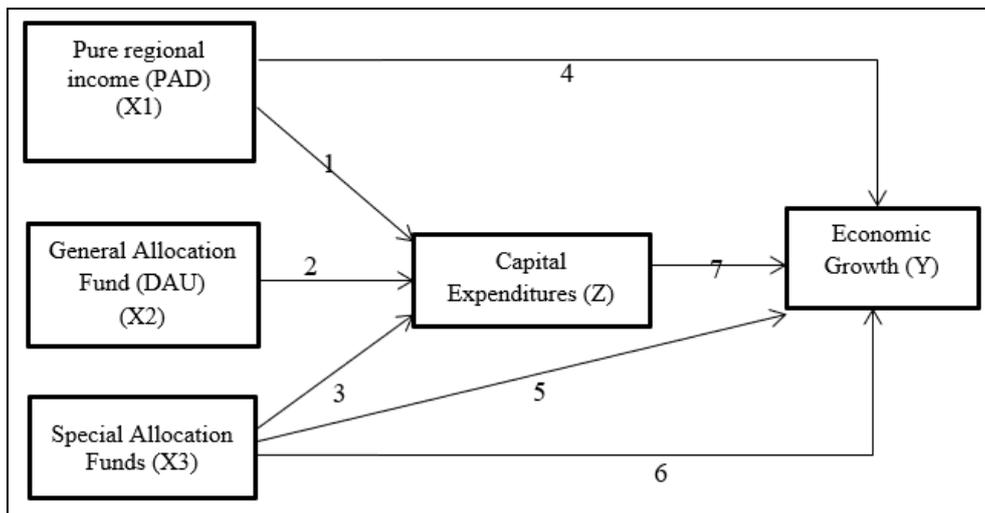
Policy on regional autonomy in the territory of the Republic of Indonesia (Homeland), which was established by Act (the Act) has had repercussions for the region could carry out development in all fields, in the hope can be implemented independently by region. Efforts to improve the quality of public services, local government must allocate funds in the form of capital expenditure in the budget to increase fixed assets. Capital expenditure is based on regional needs for

facilities and infrastructure, both for the smooth implementation of the tasks for the government and public facilities. Budgets consist of various components, namely: pure regional income (PAD) and the balance funds consisting of DAU, DAK, etc. as well as expenses include expenditures. The purpose of this study was to describe the pure regional income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), Capital Expenditure and Economic Growth. To analyze the effect of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Capital Expenditure. To analyze the effect of local pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Economic Growth. To analyze the effect of the Capital Expenditure to Economic Growth. To analyze the effect of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Economic Growth through Capital Expenditure. To analyze the effect of pure regional

income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Capital Expenditure. To analyze the effect of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Economic Growth. To analyze the effect of the Capital Expenditure to Economic Growth. To analyze the effect of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Economic Growth through Capital Expenditure. To analyze the effect of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Capital Expenditure. To analyze the effect of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Economic Growth. To analyze the effect of the Capital Expenditure to Economic Growth. To analyze the effect of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Economic Growth through Capital Expenditure.

**2. Literature Review**

**3. Conceptual Framework and Hypotheses**



**Fig 1**

**The hypothesis of this study are**

H1: pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) significantly affects the Capital Expenditure.

H2: pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) significantly affects economic growth.

H3: Capital Expenditure significant effect on economic growth.

H4: pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) significantly affects economic growth through the Capital Expenditure.

**4. Research Methods**

In completing this study need to be used the right way or method and can be accounted scientifically. This study uses a quantitative study with explanatory research that has a relationship that is causality. Exogenous variable pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to variable Endogenous

Economic growth as a long-term increase in the ability of a country to provide more and more kinds of economic goods to its citizens, this ability to grow in accordance with the technological progress and institutional and ideological adjustments required (Jinghan, 2012: 57). According to Halim (2011: 58) <sup>[2]</sup> The capital expenditure is an expenditure budget for the acquisition of fixed assets and other assets that benefit more than one accounting period. According Mardiasmo (2011: 20) <sup>[4]</sup> Own-source revenue is a "receipt obtained from the tax sector, retribution, the result of regional-owned enterprises, the results of separated areas of wealth management, and other legitimate pure regional income. According Nordiawan (2008: 56) <sup>[5]</sup> states that the General Allocation Fund is a fund sourced from APBN allocated to bring equality among the regions financial ability to fund the needs of the region in the framework of decentralization. According Darise (2009: 91) <sup>[1]</sup> Special Allocation Fund (DAK) is the Income Funds sourced from APBN allocated to a particular area in order to help fund special activities of regional affairs and in accordance with national priorities in accordance with a predetermined function in the state budget.

Economic Growth through Capital Expenditure. According to (Sani & Vivin, 2013; 180) <sup>[7]</sup> explanatory research (explanatory research) is to test the hypothesis among variables hypothesized. The hypothesis that describes the relationship between two variables, to determine whether a variable is associated or not with other variables, or whether a variable is caused or influenced or not by other variables (Sani and Vivin, 2013: 181) <sup>[7]</sup>.

The population in this study are all District Government / City of Malang who had complete data and consistent form of pure regional income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), Capital Expenditure (BM) and Product Gross domestic (GDP) in 2007-2017. The sample used in this study is the Regency / City in Malang, amounting to 3 districts / cities. The sampling method used in this study is saturated sampling. Saturated Sampling is sampling technique when all members of the population used as a sample.

**Data Analysis Technique**

Data analysis in this research using descriptive analysis, the

classical assumption test and path analysis (path analyze).  
 The model equations can be formulated as follows;  
 Sub Structure First: Line Diagram X1, X2 and X3 to Z  
 $Z = \rho_{ZX2} X2 + \rho_{ZX1} X1 + X3 + X2 + \rho_{ZX3} \epsilon_1$   
 Sub Structure Second: Line Diagram X1 X2 and Z to Y  
 $Y = \rho_{YX1} X1 + X2 + \rho_{YX3} X3 + Y + \epsilon_2$

**Information**

- $X_1$  = Pure regional income (PAD)
- $X_2$  = General Allocation Fund (DAU)
- $X_3$  = Special Allocation Fund (DAK)
- $Z$  = Capital Expenditures
- $Y$  = Economic Growth
- $\rho_{ZX1} X1$  = coefficient Trails Regional Income on Capital Expenditure
- $\rho_{ZX2} X2$  = Coefficient Line General Allocation Fund to the

- Capital Expenditure
- $\rho_{ZX3} X3$  = Coefficient Line Special Allocation Fund to the Capital Expenditure
- $\epsilon_1$  = Another factor affecting the Capital Expenditure
- $\rho_{YX1} X1$  = coefficient of Pure regional income Path to Economic Growth
- $\rho_{YX2} X2$  = coefficient of General Allocation Fund Strip on Economic Growth
- $\rho_{YX3} X3$  = coefficient of Special Allocation Funds Path to Economic Growth
- $\rho_{YZ} Y$  = Coefficient Line Capital Spending on Economic Growth
- $\epsilon_2$  = Another factor influencing Economic Growth

**5. Research Result**

**5.1 Description of research variables**

**Table 1:** Descriptive Statistics

	N	Minimum	maximum	mean	Std. deviation
Pad	33	1.4202630E1	7.4330000E2	2.052511334E2	1.9021894849E2
Dau	33	4.2023468E0	4.4392300E3	8.380347085E2	7.8597700962E2
Dak	33	7.4768000E0	5.0669000E2	8.385083997E1	1.1214433992E2
Capital expenditures	33	7.9094504E1	9.8393000E2	2.958731265E2	2.0241682059E2
Economic growth	33	1.087794	6.140800E1	2.82643958E1	1.873433624E1
Valid n (listwise)	33				

Source: Data processed SPSS 16

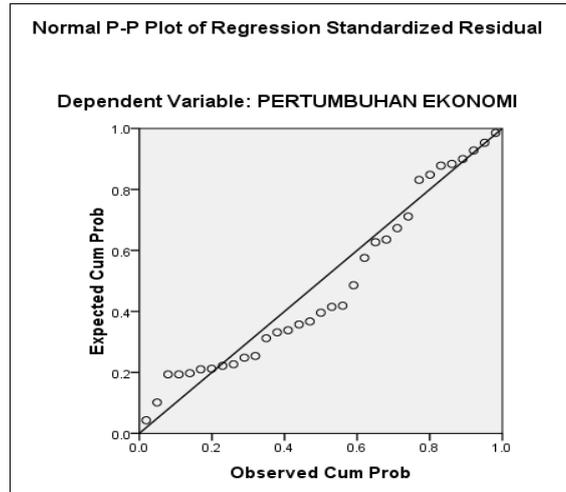
Based on the research note descriptor table variable pure regional income (PAD) with a minimum value of a maximum of 1.4202630 and 7.4330000. The mean value and standard deviation of 1.9021894849 2.052511334. Lowest PAD value shown in Kota Batu in 2008 and the highest value is shown in Malang in 2017. According to the table unknown General Allocation Fund (DAU) with a minimum value of a maximum of 4.2023468 and 4.4392300. The mean value and standard deviation of 7.8597700962 8.380347085. Lowest DAU value shown in Malang in 2007 and the highest value is shown in Malang in 2013. According to the table in mind the Special Allocation Fund (DAK) with a minimum value of a maximum of 7.4768000 and 5.0669000. The mean value and standard deviation of 8.385083997 1. 1214433992. lowest DAK value shown in Malang in 2010 and the highest value is shown in Malang in 2017. According to the table known Capex with a minimum value of a maximum of 7.9094504 and 9.8393000. The mean value and standard deviation of 2.0241682059 2.958731265. Capital Expenditure lowest value shown in Kota Batu in 2007 and the highest value is shown in Malang in 2016. According to the Economic Growth known table with a minimum value of a maximum of 1.087794 and 6.140800. The mean value and standard deviation of 2.82643958 1.873433624. Economic Growth Lowest value shown in Kota Batu in 2007 and the highest

value is shown in Malang in 2017. Lowest DAK value shown in Malang in 2010 and the highest value is shown in Malang in 2017. According to the table known Capex with a minimum value of a maximum of 7.9094504 and 9.8393000. The mean value and standard deviation of 2.0241682059 2.958731265. Capital Expenditure lowest value shown in Kota Batu in 2007 and the highest value is shown in Malang in 2016. According to the Economic Growth known table with a minimum value of a maximum of 1.087794 and 6.140800. The mean value and standard deviation of 2.82643958 1.873433624. Economic Growth Lowest value shown in Kota Batu in 2007 and the highest value is shown in Malang in 2017.

5.2 Classic Assumption Test

1) Normality test

Figure Normal probability plot



Source: Data processed SPSS 16

Fig 2

Based on the graph normal probability plots, showed that the regression model used in this study feasible due to the normal graph plots dots spread around the diagonal line and its distribution follows the direction of the diagonal line and data owned looks uneven and quite good. This means that the regression model to meet the assumptions of normality, which means that the data are normally distributed.

show that there are no exogenous variables that have a tolerance value > 0.10 and VIF < 10. This is indicated by the value of tolerance for VIF pure regional income of 0488 and 2047, DAU with tolerance values for 0621 and 1611 VIF, DAK with value VIF tolerance for 0308 and 3243, CapEx with tolerance values of 0.221 and 4,519 VIF. Thus the regression model in this study proved to be free of symptoms multicollinearity.

2. Test multicollinearity

Table 2: Coefficients<sup>a</sup>

Model		collinearity Statistics	
		tolerance	VIF
1	PAD	.488	2,047
	DAU	.621	1,611
	DAK	.308	3,243
	Capital Expenditures	.221	4,519

Source: Data processed SPSS 16

Based on the test table above shows the results of testing multicollinearity multicollinearity. The results of these tests

3. Autocorrelation test

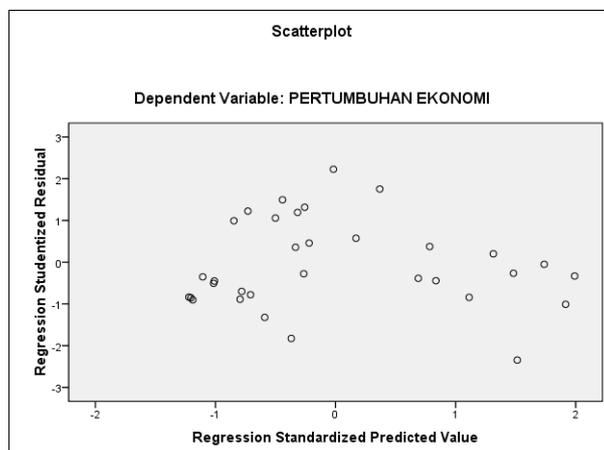
Table 3: Model Summary<sup>b</sup>

Model	Durbin-Watson
1	.566

Source: Data processed SPSS16

From the results if the above data, it was found Durbin-Watson test is 0.565 and DW are located between -2 and 2, so that it can be concluded that the data did not happen autocorrelation.

4. Test Heteroskidastity



Source: Data processed SPSS 16

Fig 1

With scatterplots chart above shows that the dots randomly spread and spread both above and below the number 0 on the Y axis and there is a clear pattern in the data dissemination. These results can be concluded that there is no heterokedastisitas in regression models.

**5.3 Test Path Analysis Model**

**Sub Structure Equation 1**

The first equation to determine the relationship between the variables of the original income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Capital Expenditure can be shown in the following tables: The coefficient of determination substructures 1

**Table 4:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882a	.779	.756	1.0001952650E2

Source: Data processed SPSS 16

According to the table coefficient determination substructure I above R Square showed a value of 0.779, indicating that the contributions or donations influence of Special Allocation Fund (DAK), General Allocation Fund (DAU) and pure regional income (PAD) to the Capital

Expenditure amounted to 77.9% while the remaining 22.1% is contributed by other variables that are not included in the study. Meanwhile, the value can be searched by the formula  $e1 = \sqrt{1-0.779} = 0.221$ .

**Coefficient Test Substructures I**

**Table 5:** Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients	t	Sig.
		B	Std. Error	beta		
1	(Constant)	107 971	28 145		3,836	.001
	PAD	.247	.125	.232	1,978	.058
	DAU	.060	.026	.235	2,301	.029
	DAK	1,033	.209	.572	4,931	.000

Source: Data processed SPSS16

Based on the test table coefficient substructures I seen that variable pure regional income (PAD) has a significance level of  $0.058 > \alpha 0:05$  so that it can be said that the relationship between pure regional income (PAD) and Capital Expenditure insignificant but positively indicated by coefficient  $\beta$  positive, namely 0.232. Variable General Allocation Fund (DAU) has a significant level of  $0.029 < \alpha 0:05$  so that it can be said that the relationship between the General Allocation Fund (DAU) and Capital Expenditure significantly and positively indicated by the positive  $\beta$  coefficient is 0.235. Variable Special Allocation Fund (DAK) has a significance level of  $0.000 < \alpha 0:05$  so that it can be said that the relationship between the Special

Allocation Fund (DAK) and Capital Expenditure significantly and positively indicated by the positive  $\beta$  coefficients are 0.572. Dengan Thus,  $Z = \rho ZX1X1 + \rho ZX2 X2 + \rho ZX3X3 + \epsilon1$  or  $Z = 0.232X1 X2 + 0.572 + 0.235 + 0.221 X3$

**Equation Sub Structure II**

The second equation to determine the relationship between the variables of the original income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK) and capital expenditure to economic growth can be shown in the following tables:

**Table 6:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929a	.863	.844	7.402272157

Source: Data processed SPSS 16

Based on the test table coefficient of determination substructure II above shows that the value of R Square of 0.863, indicating that the contributions or donations influence of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK), capital

expenditure on growth economy grew 86.3% while the remaining 13.7% is contributed by other variables that are not included in the study. Meanwhile, for the value of  $e2 = \sqrt{1-0.863} = 0,137$ .

**Table 7:** ANOVA<sup>b</sup>

Model		Sum of Squares	Df	mean Square	F	Sig.
1	Regression	9696.990	4	2424.247	44 243	.000a
	residual	1534.222	28	54 794		
	Total	11231.211	32			

Source: Data processed SPSS 16

According to the table above can be seen ANOVA F test statistic. F test to determine the relationship of variable pure regional income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK) and capital expenditure at the same time (simultaneous) effect on economic growth. From the above table it is known that the F test is 44 243 with significant value, namely  $0.000 < \alpha 0:05$ . This means

that the pure regional income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK) and capital expenditure at the same time (simultaneously) be able to explain the impact on economic growth and regression equation obtained significant that it can proceed with testing partial or test T.

**Test coefficient substructures II**

**Table 8: Coefficients**

Model	Coefficients unstandardized		standardized Coefficients	T	Sig.
	B	Std. Error	beta		
1	(Constant)	3,421	2,557		1,338 .192
	PAD	.066	.010	.672	6723 .000
	DAU	.005	.002	.218	2,455 .021
	DAK	-.053	.021	-.315	-2504 .018
	Capital Expenditures	.038	.014	.414	2785 .009

Source: Data processed SPSS16

Based on the test table coefficient substructures II shows that the variable pure regional income (PAD) has a significance level of  $0.000 < \alpha 0:05$  so that it can be said that the relationship between pure regional income (PAD) and the economic growth is significant and positive, indicated by the coefficient  $\beta$  positive, namely 0672. Variable General Allocation Fund (DAU) has a significant level of  $0.021 < \alpha 0:05$  so that it can be said that the relationship between the General Allocation Fund (DAU) and a significant and positive economic growth shown by the positive  $\beta$  coefficient is 0.218. Variable Special Allocation Fund (DAK) has a significant level of  $0.018 < \alpha 0:05$  so that it can be said that the relationship between the Special Allocation Fund (DAK) and significant but negative economic growth shown by the negative  $\beta$  coefficient is -0315. Variable capital expenditures have significant level of  $0.009 < \alpha 0:05$  so that it can be said that the relationship between capital expenditures and significant and positive economic growth shown by the positive  $\beta$  coefficient is 0414. Thus it is found both structural equation which is as follows:

$$Y = \rho_{YX1}X1 + \rho_{YX2}X2 + \rho_{YX3}X3 + X2 + Y + \epsilon_2 \text{ or } \rho_{yz}$$

$$Y = X1 + 0.218 X2 0672 - 0315 0414 X3 + Z + 0.137$$

**5.4 Hypothesis testing**

**1. T test (T-test)**

**The influence of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Capital Expenditure**

**Table 9: Coefficientsa**

Model	Coefficients unstandardized		standardized Coefficients	T	Sig.
	B	Std. Error	beta		
1	(Constant)	107 971	28 145		3,836.001
	PAD	.247	.125	.232	1,978.058
	DAU	.060	.026	.235	2,301.029
	DAK	1,033	.209	.572	4,931.000

a. Dependent Variable: CAPEX

Source: Data processed SPSS 16

The conclusion that can be drawn based on the results of testing on the test table T are as follows:

**1. Pure regional income (PAD)**

The test results for the variable pure regional income (PAD) showed a significance value of 0.058. This value indicates that the value of  $\text{sig} > \alpha$  for  $0.058 > 0.05$ . Based on testing criteria t test then  $H_0$  is accepted because  $\text{sig} > \alpha$ . Thus, it can be interpreted that there is no significant influence of variable pure regional income (PAD) with a Capital Expenditure.

**2. General Allocation Fund (DAU)**

The test results for the variable General Allocation Fund (DAU) shows the significance value of 0.029. This value indicates that the value of  $\text{sig} < \alpha$  since  $0.029 < 0.05$ . Based on testing criteria t test then  $H_0$  is rejected because  $\text{sig} < \alpha$ . Thus, it can be interpreted that there is significant influence between the variables of the General Allocation Fund (DAU) to the Capital Expenditure.

**3. Special Allocation Fund (DAK)**

The test results for the variable Special Allocation Fund (DAK) demonstrate the significant value of 0.000. This value indicates that the value of  $\text{sig} < \alpha$  since  $0.000 < 0.05$ . Based on testing criteria t test then  $H_0$  is rejected because  $\text{sig} < \alpha$ . Thus, it can be interpreted that there is significant influence between the variables of Special Allocation Fund (DAK) with a Capital Expenditure.

**Pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) on Economic Growth**

**Table 10: Coefficients<sup>a</sup>**

Model	Coefficients unstandardized		standardized Coefficients	T	Sig.
	B	Std. Error	beta		
1	(Constant)	3,421	2,557		1,338 .192
	PAD	.066	.010	.672	6723 .000
	DAU	.005	.002	.218	2,455 .021
	DAK	-.053	.021	-.315	-2504 .018
	Capital Expenditures	.038	.014	.414	2785 .009

Source: Data processed SPSS 16

The conclusion that can be drawn based on the results of testing on test table T are as follows:

**a. Pure regional income (PAD)**

The test results for the variable pure regional income (PAD) show the significant value of 0.000. This value indicates that the value of sig <math>\alpha</math> since  $0.000 < 0.05$ . Based on testing criteria t test then  $H_0$  is rejected because sig <math>\alpha</math>. Thus, it can be interpreted that there is significant influence between the variables of the original income (PAD) with the Economic Growth.

**b. General Allocation Fund (DAU)**

The test results for the variable General Allocation Fund (DAU) shows the significance value of 0.021. This value indicates that the value of sig <math>\alpha</math> since  $0.021 < 0.05$ . Based on testing criteria t test then  $H_0$  is rejected because sig <math>\alpha</math>. Thus, it can be interpreted that there is significant influence between the variables of the General Allocation Fund (DAU) to the Economic Growth.

**c. Special Allocation Fund (DAK)**

The test results for the variable Special Allocation Fund (DAK) shows the significance value of 0.018. This value indicates that the value of sig <math>\alpha</math> since  $0.018 < 0.05$ . Based on testing criteria t test then  $H_0$  is rejected because sig <math>\alpha</math>. Thus, it can be interpreted that there is significant influence between the variables of Special Allocation Fund (DAK) with Economic Growth.

**Capital Expenditure terhadap Economic Growth**

**Table 11: Coefficients<sup>a</sup>**

Model	Coefficients unstandardized		standardized Coefficients	T	Sig.
	B	Std. Error	beta		
Capital expenditure	.038	.014	.414	2785	.009

Source: Data processed SPSS 16

Based Coefficientsa table it can be concluded that the test results for the variable Capital Expenditures show significance value of 0.009. This value indicates that the value of sig <math>\alpha</math> since  $0.009 < 0.05$ . Based on testing criteria t test then  $H_0$  is rejected because sig <math>\alpha</math>. Thus, it can be interpreted that there is significant influence between the variables of Capital Expenditure by Economic Growth.

**Pure regional income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK) to the Economic Growth through Capital Expenditure**

The result of the calculation of the indirect influence pure regional income (PAD) on economic growth through capital expenditures and the direct influence of pure regional income (PAD) on economic growth showed  $0.0960 < 0.05$ , so that it can be stated that the capital expenditure can not mediate the effect of pure regional income (PAD ) on economic growth.

The calculation of indirect influence of the General Allocation Fund (DAU) to economic growth through capital

expenditures and the direct influence of the General Allocation Fund (DAU) to economic growth showed  $0.0972 < 0.05$ , so it can be stated that the capital expenditure can not mediate the effect of the General Allocation Fund (DAU) to economic growth.

The calculation of the indirect effects of Special Allocation Fund (DAK) on economic growth through capital expenditures and the direct influence of the Special Allocation Fund (DAK) on economic growth showed  $0.2368 > 0.05$ , so it can be stated that capital spending may mediate the effect of Special Allocation Fund (DAK) to economic growth. Thus, the capital expenditure can not mediate the full pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) on economic growth.

**Test F**

**The influence of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) to the Capital Expenditure**

**Table 12: ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	mean Square	F	Sig.
1	Regression	1021008.952	3	340336.317	34.020	.000a
	residual	290113.265	29	10003.906		
	Total	1311122.216	32			

Source: Data processed SPSS 16

Based on the test results anovab F in the table above, it can be seen that the significance value of 0.000, this value is smaller than the 0.05 significance value (sig <math>\alpha</math>). It can be concluded that  $H_0$  is rejected, which means that the variable pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) simultaneously significant effect on the variable Capital Expenditure.

**Pure regional income (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK) and Capital Expenditure to Economic Growth**

**Table 13: ANOVA<sup>b</sup>**

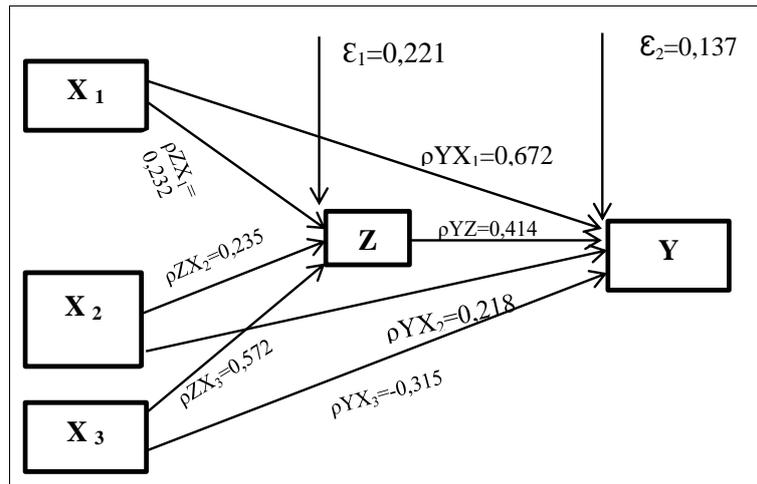
Model		Sum of Squares	Df	mean Square	F	Sig.
1	Regression	9696.990	4	2424.247	44.243	.000a
	Residual	1534.222	28	54.794		
	Total	11231.211	32			

Source: Data processed SPSS 16.

Based on the F test results in the ANOVA table above, it can be seen that the significance value is 0,000, this value is smaller than the significance value of 0.05 (sig <math>\alpha</math>). Thus it can be concluded that  $H_0$  is rejected, which means that the variable of Local Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK) and Capital Expenditure simultaneously have a significant effect on the variable Economic Growth.

Based on the results of testing the path model and hypothesis in this study empirically obtained path diagram images as follows:

**Empirical Path Diagram**



**Fig 2**

**Discussion of Research Results**

Effect of Regional Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) on Capital Expenditures

This research shows that the Regional Original Revenue does not affect capital expenditure. This can be interpreted that the higher the Regional Original Revenue, the government spending on capital expenditure will not necessarily also be higher.

In Agency Theory, the contractual relationship between agents (community) and principals (government) in the context of Local Own Revenue can be seen from the ability and responsibility of local governments to provide good public services and improve public welfare through the allocation of capital expenditure, namely by providing facilities and adequate infrastructure financed from budgeted capital expenditures annually, whereas capital expenditure itself is the source of funding from Regional Original Revenues.

In this study shows that insignificant results can be caused by an increase in Regional Original Income not followed by an increase in Capital Expenditures. Provinces with large regional original revenues tend not to have large capital expenditures. This is because the Regional Original Revenue is more used to finance other expenses, such as routine expenditure or operational expenditure.

Each region has its unequal financial capabilities to fund its activities, this raises the fiscal imbalance between one region and another. Therefore, to address the fiscal imbalance, the Government allocates funds from the state budget to fund the needs of the region in the implementation of decentralization. One equalization funds from the government was the General Allocation Fund (DAU) allocation emphasizing aspects of equity and justice that is consistent with the implementation of government affairs (Law 32/2004). With the transfer of funds from the central government is expected to be allocated PAD who gets to finance the capital expenditure in the region. Fund transfers from the central government to regional governments in addition to the General Allocation Fund (DAU) is the Special Allocation Fund (DAK) that funds sourced from

APBN allocated to a particular region with the aim to help fund special activities of regional affairs and in accordance with national priorities (Act No. 33 of 2004). DAK use is governed by the central government and are only used for education, health, family planning, roads and bridges, irrigation infrastructure, water and sanitation infrastructure, local government infrastructure, environment, forestry, rural infrastructure, trade.

**2. The influence of pure regional income (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) on Economic Growth**

This study shows that the Regional Own Revenue (PAD), the General Allocation Fund (DAU), and the Special Allocation Fund (DAK) have an effect on Economic Growth. This result can be explained that PAD in the regions has been used maximally and the regions are very free in utilizing PAD in their economic development agenda. Regions that have high Regional Original Revenue (PAD) are better able to provide better public service facilities for local communities, the availability of these facilities will be the key to economic growth along with increased community productivity. Meanwhile, the increasing number of General Allocation Funds (DAU) obtained by an area largely determines how big the budgeted regional development target, especially capital expenditure in the form of infrastructure development, the high level of existing infrastructure development shows that the regional government wants to further increase regional economic growth. Funds originating from the APBN (central government) for the distribution of financial capacity between regions to fund regional needs in the context of decentralization are carried out optimally by the regions. It can also be explained that the greater the Special Allocation Fund (DAK) in an area, indicating that the region has a specific target, especially in the field of development related to regional economic equality, increasing the provision of physical infrastructure and facilities so that it can be concluded that if the economy is more evenly distributed an area, the higher its economic growth.

### 3. Effect of capital expenditure to economic growth

This study shows that capital expenditure effect on Economic Growth. This indicates that local governments have to use resources effectively and efficiently. Judging from capital expenditure is increasing every year, the region has also been highly optimized to provide adequate public facilities. The economic growth experienced very good progress with the percentage growth of GDP is increasing every year.

### 4. The influence PAD, General Allocation Fund and Special allocation fund to the economic growth through capital expenditure

The area has not been able to take advantage of PAD in its economic development agenda. Elements shopping areas used in this study is a capital expenditure, so when the big PAD is accompanied by high capital expenditure, this indicates that the economy of a region already strong and evenly, all the elements of expenditure has had an appropriate proportion. Areas that have a high PAD becomes more capable in providing public service with better facilities for the local communities, the availability of the facility will be the key to economic growth in tandem with the increasing productivity of society. Supported high pure regional income with expenditure allocations to community service facilities were great, the economic growth of a region will be higher, which in turn would increase per capita income and also for the general allocation fund (DAU) to Malang has not been able to raise the Regional Economic Growth (GDP) supported by government expenditure in Malang. Increasing number of DAU obtained an area largely determine how much of the development target areas that have been budgeted, primarily capital expenditures in infrastructure, but the allocation of regional expenditures budgeted in the study area tend to spending that does not support the economic growth, but in particular spending government affairs areas such as shopping routine and the other employees. As for the Special Allocation Fund (DAK) to local governments can improve the Regional Economic Growth was supported by capital spending.

## 7. Conclusions and Suggestions

### 7.1 Conclusions

Based on research conducted by researchers, the following conclusions can be drawn:

The Role of Regional Original Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), capital expenditure and economic growth shows the picture that Regional Original Revenue (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) can show its role as an independent variable. As well as capital expenditure and economic growth can show its role as a dependent variable.

The test results found that simultaneous Regional Original Revenue (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) affect capital expenditure in regencies/cities in Malang Raya. While partially the Local Revenue variable (PAD) has no influence on capital expenditure. Whereas the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) have an influence on capital expenditure.

The test results found that simultaneous and partial Regional Original Revenue (PAD), General Allocation Fund (DAU) and Special Allocation Fund (DAK) affect economic growth in districts/cities in Malang Raya.

The test results found that partially capital expenditure variables affect the variable of economic growth in regencies/cities throughout Malang Raya.

The results of the path coefficient test show that not all of the effects of exogenous variables with endogenous variables. In this test, it can be seen that only the Special Allocation Fund (DAK) variable influences economic growth through capital expenditure. Whereas the Regional Original Revenue (PAD) and General Allocation Fund (DAU) have no effect on economic growth through capital expenditure.

### 7.2 Suggestions

#### The suggestions that researchers can provide are

1. Regional governments are expected to continue to explore sources of Local Revenue (PAD) to be useful in funding to improve the quality of public services in the region. Local governments are also expected to be able to manage and fully utilize the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) to improve the quality of public services.

#### 2. To Regency / City Governments throughout Malang Raya

1. In order to further intensify the sources of Local Revenue (PAD) in order to increase economic growth, because the increase in PAD directly affects the economic growth which in turn will improve the welfare of the community.
2. In order to prioritize the allocation of DAU, DAK and capital expenditure in areas directly in contact with the public interest, such as infrastructure or facilities that can encourage economic growth.

#### 3 To researchers who are interested in this field, it is recommended

1. To take more samples with a longer time span and add other variables, such as oil and gas revenue-sharing funds and special autonomy funds.
2. Sort out the variables included in capital expenditure.

## 8. References

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