Taxation and Public Finance
e-ISSN: 3031-7665
Homepage: https://sanscientific.com/journal/index.php/tpf
1(1) 38-49 (2023)
https://doi.org/10.58777/tpf.v1i1.159

Research Article

Effect of regional original income and balanced funds on capital expenditures with economic growth as moderating

Dihan Tari Woro Puspita[1*], Lenda Komala[2]
[1,2] Faculty of Economics and Business, YARSI University, Jakarta

Received: 11-12-2023; Accepted: 30-12-2023

Abstract
This study aims to examine the effect of Regional Original Income and Balanced Funds on Capital Expenditures with Economic Growth as Moderating Variables and their Review from an Islamic Perspective. This research method uses quantitative research using secondary data obtained from the PPID of the Supreme Audit Agency of the Republic of Indonesia (BPK RI) in the form of Regional Government Financial Reports (LKPD) regarding Budget Realization Reports in DKI Jakarta Province for Fiscal Year 2017-2021. The sampling technique in this study used a saturated sample, and the data obtained were 5. The analytical method used was multiple linear regression analysis with SPSS version 25.0 application. The results of this study indicate that Regional Original Income and Balancing Funds do not affect Capital Expenditures, Economic Growth does not moderate the influence of Regional Original Income and Balancing Funds on Capital Expenditures. and overall, from an Islamic perspective, all related variables have met Islamic law as stated in the Al-Quran and Hadith.

Keywords: Regional Original Income, Balance Funds, Capital Expenditure, Economic Growth

JEL Classification: R11, E22, O43

Corresponding author: Dihan Tari Woro Puspita (dihantariwp@gmail.com)

How to cite: Puspita, D. T. W., Komala, L., (2023). Effect of regional original income and balanced funds on capital expenditures with economic growth as moderating, *Taxation and Public Finance (TPF) 1(1)*, 38-49

1. Introduction
Since the Indonesian government experienced an economic crisis in early 1997, the Indonesian economy has slumped and prompted the government to relinquish some authority in financial management to the regions in the hope that the regions will be able to finance development activities and implement development and community services. The economic crisis that occurred in 1997-1998 caused the Indonesian economy to reach its worst point, including the economy of DKI Jakarta, which resulted in changes to the economic, social, political, and cultural order that determines the direction of state life (Yurianto & Tantowi, 2021).

According to Ndaparoka et al. (2018) regarding regional financial management capabilities reflected in the Regional Revenue and Expenditure Budget (APBD) which describes the ability of regional governments to finance activities for implementing development tasks, as well as equality and justice by developing all the potential possessed by each region.

Original Regional Income, or what is usually called PAD, is one source of income for a region, where the income comes from the potential of the region, which is collected by the Regional Government based on Regional Regulations in accordance with applicable laws. According to Law Number 33 of 2004, it is stated that Original Regional Revenue aims to provide authority to Regional Governments to fund the implementation of regional autonomy in accordance with regional potential as an implementation of decentralization (President of the Republic of Indonesia, 2004).

Based on Law no. 33 of 2004 states that the General Allocation Fund is funds obtained from the APBN that aim to equalize financial capacity between regional governments, then the Special Allocation Fund is intended for special and certain regions to assist in funding special activities which are regional affairs in accordance with the order of priority, while Profit Sharing Funds are allocated to regions to fund regional needs within the framework of decentralization so, regions that have greater natural resource potential will receive a greater percentage of profit sharing in accordance with the natural wealth that has been extracted (President of the Republic of Indonesia, 2004). Regional Original Income and Balancing Funds are allocated to increase Capital Expenditures such as purchasing fixed assets for equipment and improving regional infrastructure.

Capital expenditure is also very necessary for regional economic growth, as explained in Article 55 of Government Number 12 of 2019 that Capital Expenditure is budget expenditure for the acquisition of fixed assets and other assets that provide benefits for more than 1 (one) accounting period (President of the Republic of Indonesia, 2019). Based on PP Number 71 of 2010, it states that budget expenditures from capital expenditure are for the acquisition of fixed assets and other assets that can provide benefits for more than one accounting period (President of the Republic of Indonesia, 2010). Capital expenditure is divided into several groups as stated in Minister of Home Affairs Regulation No. 77 of 2020, stating that the Capital Expenditure group consists of several types, namely Land Expenditure, Equipment and Machinery Expenditure, Building and Construction Expenditure, Road and Irrigation Expenditure, Other Fixed Asset Expenditure and Other Asset Expenditure (Ministry of Home Affairs, 2020).

As for the phenomenon that occurred in Indonesia, the Head of the regional office of the Directorate General of Treasury for West Sumatra province explained that the decline in spending realization was due to changes in spending patterns carried out in the context of handling the COVID-19 outbreak. This resulted in realized Capital Expenditure only reaching 24%; this shows that capital expenditure could not be allocated optimally where the previous aim of Capital Expenditure was expected to increase Economic Growth, but it had not been realized optimally by the Regional Government of West Sumatra. The low realization of capital expenditure was also shown by the West Java Provincial Government in 2019. Apart from that, according to Iwan, the PKS Fraction highlighted that there was a realization of capital expenditure of only IDR 2.53 trillion from the budgeted IDR 3.26 trillion; low capital expenditure hampered the development of public infrastructure. It should be maximized for the welfare of society (Ministry of Finance, 2021).

The COVID-19 pandemic outbreak that occurred at the beginning of 2020 has had a negative impact on the economic sector not only in Indonesia but throughout the world. Based on data in the Budget Realization Report for the DKI Jakarta Provincial Government, there was a very significant decline in budget revenues from 2019 to 2020. The Regional Original Revenue Budget in 2019 before the COVID-19 pandemic reached IDR 50,845,081,891,466, dropping drastically in 2020 after the COVID-19 pandemic. It became IDR 38,085,985,616,631. This decrease of IDR 12,759,096,835 occurred due to a lack of regional revenue as a result of the COVID-19 pandemic. The large number of people who are unable to pay regional taxes and regional levies causes regional revenues to decrease, and this has an impact on the allocation of funds for capital expenditure.

Basically, capital expenditure is made to produce fixed assets belonging to the regional government that is in accordance with the needs of the regional government or the community in the area, which can increase economic growth, but often, the allocation of Capital Expenditure is less than Goods Expenditure and Personnel Expenditure. This was proven in the DKI Jakarta Province Regional Fiscal Study Quarter I of 2021 that Goods Expenditures and Employee Expenditures were almost 5% higher compared to Capital Expenditures (Ministry of Finance, 2021).

Increasing Economic Growth is a goal expected by the regions. To achieve this goal, regional governments are expected to exercise regional autonomy in accordance with the authority given by the central government to manage their respective household finances. Increasing Economic Growth is the expected goal for regional governments to carry out their regional autonomy which has been given authority from the central government to manage the finances of their respective regional governments (Sanjaya & Helmy, 2021).

Economic growth is a situation where there is an increase in income that occurs due to increased production of goods and services. Real fluctuations in Economic Growth from year to year can be seen through Gross Regional Domestic Product at Constant Prices periodically. This data can show whether economic growth is moving positively or vice versa because economic growth that is moving positively means there is an increase in the economy and vice versa; if it is negative, it means there will be an economic decline. Economic growth in this research is a moderating variable to strengthen or weaken the relationship between Original Regional Income and Balancing Funds on Capital Expenditures in the DKI Jakarta Provincial Government.

2. Literature Review and Hypothesis

Agency Theory

Agency theory, according to Supriyono (2018), is defined as a concept that explains the contractual relationship between the principal (contract giver) and agent (contract recipient); the principal gives authority to the agent regarding making the best decisions for the principal by prioritizing interests and optimizing profits so as to minimize burdens. Moreover, the agent also has an interest in improving his own welfare. This explains that agency theory is a theory that states that an agency relationship is an agreement and agreement (contract) between two parties, namely the principal and the agent.

According to Jensen & Meckling (1976), agency theory is a relationship in which a contract or agreement occurs between one party, namely the owner of the company (principal), and another party, namely the company management (agent), and the contract or agreement gives the authority that the party Company management is bound to provide services to the company owner and based on the company owner's actions of authority towards the company management, the company management is given the right to manage and make decisions related to the development of the company's business for the company owner. Often the authority given by the principal to the agent is sometimes problematic because there are differences in goals between the principal and the agent.

Regional Original Income (PAD)

According to Law No. 1 dated 5 January 2022 Article 1 Original Regional Income, hereinafter abbreviated to PAD, is regional income obtained from regional taxes, regional levies, and the results of management of separated regional assets, and other legitimate Regional Original Income in accordance with statutory regulations (President of the Republic of Indonesia, 2022).

According to Afiah et al. (2020), Original Regional Income is a regional financial source that is extracted from each regional area and obtained on the basis of regional regulations referring to applicable laws and regulations, which consist of:

a. Local tax
   Regional taxes are levies carried out by local governments based on applicable laws and regulations. These regional taxes can be divided into two categories, namely regional taxes, which are carried out by regional regulations, and state taxes, whose management and use are left to the regions.

b. Regional Levy
   Regional levies are regional levies as payment for certain services or permits that are specifically provided and/or given by the regional government for the benefit of individuals or entities.
c. Results of Separated Regional Wealth Management
   The results of separate regional wealth management are levies or revenues sourced from the results of regionally owned companies and the results of regional wealth management, which consist of the profit share of regional drinking water companies, the profit share of bank financial institutions, the profit share of non-bank financial institutions, the profit share of owned companies. Other regions and a share of profits from capital participation/investment to third parties.
d. Other Legitimate Regional Income.
   Other legitimate regional income includes proceeds from the sale of regional assets that cannot be separated, demand deposits, interest and commission income, deductions, or other forms as a result of the sale and procurement of goods and/or services by the region.

Balancing Fund

Balancing Funds based on Law Number 33 of 2004 Article 1 are funds sourced from APBN revenues allocated to regions to fund regional needs in the context of implementing regional decentralization, which aims to reduce the fiscal gap between the central government and regional governments and between regional governments (President Republic of Indonesia, 2004).

According to Majid (2019), the Balancing Fund is defined as transfer income originating from the APBN and is stipulated in detail in law. Therefore, its implementation is further regulated by presidential decree as a guideline for state and regional ministries in budget implementation. The balancing fund consists of several aspects, namely:

a. Profit Sharing Fund
   1) Land and Building Tax (PBB)
   2) Land and Building Rights Acquisition Fee (BPHTB)
   3) Income Tax (PPh)

b. General Allocation Fund
   General allocation funds come from the APBN, which is allocated with the aim of equalizing financial capacity between regions to fund regional needs in the context of implementing decentralization

c. Special Allocation Fund
   Special allocation funds are funds sourced from the APBN, which are used to help fund special activities in certain regions in accordance with national priorities.

Capital Expenditures

According to Siregar (2018), capital expenditure is all expenditure from the regional general treasury account, which reduces the budget balance by more than the relevant budget period and will not be repaid by the regional government. Capital expenditure is categorized into 5 (five) main categories as follows:

a. Land Capital Expenditures are expenditures or costs used for the procurement or purchase or acquisition of settlements, both land titles and leases, clearing, reducing, leveling, preparing the land, making certificates, and other expenses related to land rights until they are intended to be in a ready condition. use.
b. Capital Expenditures for Equipment and Machinery
   Expenditures or costs used to procure add or replace and increase the capacity of equipment and machines as well as office inventory that provide benefits for more than 12 (twelve) months and until the equipment and machines are ready for use.
c. Building and Building Capital Expenditures
   Expenditures or costs used for procurement or additions or replacements and include expenditures for planning, monitoring, and managing irrigation roads and networks that increase capacity until irrigation roads and networks are in ready-to-use condition
d. Capital Expenditures for Roads, Irrigation and Filtering

These are expenditures or costs related to construction or manufacture and maintenance and include expenditures for planning, monitoring, and managing irrigation roads and networks that increase capacity until the irrigation road network is ready for use.

e. Other Physical Capital Expenditures
Expenditures or costs used for the procurement and/or improvement of construction or manufacture and maintenance of other physical items that cannot be categorized into the criteria for capital expenditures on land, equipment and machinery, buildings and structures, and road and network irrigation. Expenditures included in this category are capital expenditures for hire purchase contracts, purchases of art, ancient goods and goods for museums, livestock and plants, books and scientific journals.

Capital Expenditures based on Government Accounting Standards No. 2 Paragraph 37 is budget expenditure for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period. Based on SAP, capital expenditure is categorized into 4 (five) categories, namely:

a. Capital expenditure for land acquisition
b. Capital expenditure on buildings and structures
c. Equipment capital expenditure
d. Capital expenditure on intangible assets

Economic growth

According to Putranto et al. (2019), Economic growth is the process of increasing per capita income continuously over a long period of time, and this economic growth increases if the Gross Regional Domestic Product (GRDP) value is greater than the previous year. The economy can be said to be growing or developing well, and there is real output growth. The government has an important role in the economic growth of a region, namely:

a. The government plays a role as a guarantor of legal order, security, peace, and unity in a country.
b. The government supports providing production facilities.
c. The government plays a role in making policies that can encourage investment in business capital.
d. The government plays a role in creating regional/rural development programs to reduce cases of urbanization from villages to cities.
e. The government must be able to create enthusiasm to encourage the achievement of economic growth, not only to increase supply factors but also to increase foreign demand factors.

Research Hypothesis

According to Afiah et al. (2020), Original Regional Income is a regional financial resource that is extracted from each regional area and obtained on the basis of regional regulations referring to applicable laws and regulations, which consist of Regional Taxes, Regional Levies, Separated Regional Wealth Management Results, and Other Legitimate Regional Income. This theory is in line with research by Hutabarat & Kumendong (2020), Harmayanti et al. (2021), and Soesilo (2021) state that Regional Original Income has a significant effect on Capital Expenditures. So, it can be concluded that the size of a region's capital expenditure is determined by the size of the Regional Original Income received. Based on the description above, the following hypothesis can be formulated:

H1: Regional Original Income influences Capital Expenditures

According to Nasution (2019), Balancing Funds are transfer revenues from the central government sourced from the State Revenue and Expenditure Budget, hereinafter referred to as APBN, which has funding sources divided according to types of income consisting of Profit Sharing Funds, General Allocation Funds, and Special Allocation Funds. This theory is in line with research by Harmayanti et al. (2021), Hasibuan & Tiara (2021), Purba et al. (2020), and Priatna & Purwadinata (2019) state that the Balancing Fund simultaneously or partially has a significant influence on Capital Expenditures. So, in this research and based on the description above, the following

hypothesis can be formulated:
H2: Balancing Funds influence Capital Expenditures

According to Putranto et al. (2019), Economic growth is the process of increasing per capita income continuously over a long period of time, and this economic growth increases if the Gross Regional Domestic Product (GRDP) value is greater than the previous year. The IAS economy is said to be growing or developing well, and there is real output growth. This theory is in line with research by Sanjaya & Helmy (2021), Soesilo (2021), and Mahardika & Riharjo (2019), which states that Economic Growth is able to moderate the relationship between Original Regional Income and Capital Expenditures. So, the hypothesis for this research can be formulated as follows:
H3: Economic Growth moderates Regional Original Income on Capital Expenditures

According to Nasution (2019), Balancing Funds are transfer revenues from the central government sourced from the State Revenue and Expenditure Budget, hereinafter referred to as APBN, which has funding sources divided according to types of income consisting of Profit Sharing Funds, General Allocation Funds, and Special Allocation Funds.
Economic growth is one of the economic factors that have an influence on public sector organizations, and to encourage and stabilize economic growth, the budget can be used as a government fiscal policy tool. Moreover, economic growth cannot be separated from the APBN. The allocation of funds contained in the APBN is used for economic development in order to create economic growth (Yuesti et al., 2020).
These theories are in line with research conducted by Widiasmara (2019), Syafitri & Efendri (2019), and Cahyaning (2018), which states that Economic Growth can moderate the relationship between Balancing Funds (General Allocation Funds, Special Allocation Funds, and Profit Sharing Funds) on Capital Expenditures. Based on the description above, a hypothesis for this research can be formulated as follows.
H4: Economic Growth moderates Balancing Funds on Capital Expenditures

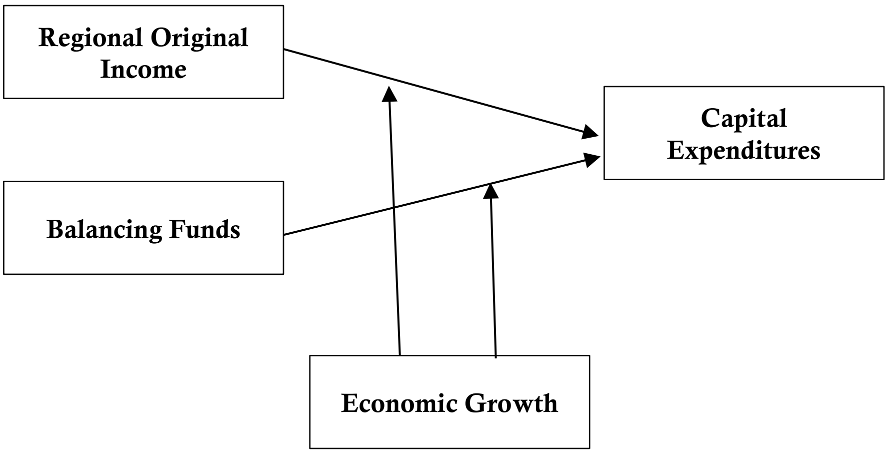

Figure 1. Conceptual Frameworks

3. Research Methods

The population in this study is data from the DKI Jakarta Province Government Financial Report (LKPD DKI Jakarta) contained in the Indonesian Financial Audit Agency (BPK RI) during the 2017-2021 period. The samples that will be used in this research are cities in DKI Jakarta Province, which have APBD reports on the DKI Jakarta Province PPID website and GRDP data from calculations carried out by the DKI Jakarta Province Central Statistics Agency (BPS) for the 2017-2021 period. The sampling method that will be used in this research is a saturated sample, which is part of a non-probability sample.

This research uses secondary data so that the data used in this research was collected using the documentation method, namely by studying the documents and/or data used regarding the amount of Budget Realization in the audited Regional Government Financial Report (LKPD) and Report data. Gross Regional Domestic Product (GRDP) to determine economic growth in the 2017-2021 period.

4. Results

Analysis Statistic Description

Table 1. Descriptive Statistics

	Statistic				
	N	Minimum	Maximum	Mean	Std. Deviation
PAD	5	31.25	31.45	31.3757	.07631
DP	5	30.30	30.75	30.5201	.16289
BM	5	28.79	30.28	29.7466	.59868
PE	5	21.22	21.34	21.2938	.05106
Valid N (listwise)	5				

The results of descriptive statistical analysis on the independent variables, dependent variables, and moderating variables show that all data is varied or well distributed because all variables have an average value (mean) that is greater than the standard deviation value.

Hypothesis Test

Table 2. Multiple Linear Regression Analysis

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-216.132	74.621		-2.896	.101		
	PAD	7.478	2.003	.953	3.734	.065	.951	1.052
	DP	.368	.938	.100	.393	.732	.951	1.052

a. Dependent Variable: BM

Source: Data processed via SPSS v25, 2022

The regression equation for research without this moderating variable is:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e} \tag{1}$$

Based on Table 4.5, a multiple linear regression equation can be created as follows:

$$\mathbf{Y = -216.132 + 7.478\ X1 + 0.368\ X2 + e}$$

The interpretation of the regression above is as follows:

1) Constant (α)

Based on the multiple linear regression formula, it is known that the constant value is-216.132. This states that if there is a change in the value of the Regional Original Income and Balancing Fund variables, it will affect the value of Capital Expenditure. If the variable value of the Original Regional Income and Balancing Fund is 0 (zero), then the value of Capital Expenditure is -216.132.

2) The Coefficient value of Original Regional Income is 7.478 and has a positive sign, this shows that Original Regional Income has a direct relationship with capital expenditure. So, for every one-unit increase in Original Regional Income, Capital Expenditures will increase by 7.478 with the assumption that the other independent variables from the regression model above are fixed.

3) Balancing Funds (X2) to Capital Expenditures (Y)
The Balancing Fund coefficient value is 0.368 and has a positive sign; this shows that the Balancing Fund has a direct relationship with Capital Expenditures. For every one-unit increase in the Balancing Fund, Capital Expenditures will increase by 0.0368, assuming that the other independent variables from the regression model above are constant.

Table 3. Moderated Multiple Linear Regression Analysis

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	72.217	79.306		.911	.530
	PE	-13.039	5.188	-1.112	-2.513	.241
	PAD*PE	.338	.120	1.163	2.821	.217
	DP*PE	.014	.055	.090	.261	.837

a. Dependent Variable: BM
Source: Data processed via SPSS v25, 2022

Information:
PE = Economic Growth (M)
BM = Capital Expenditure
PAD*PE = Original Regional Income moderated by Economic Growth
DP*PE = Balancing Fund moderated by Economic Growth

The form of the systematic moderation regression equation is as follows:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 X_1 {*} M + \beta_5 X_2 {*} M + e} \quad (2)$$

Based on Table 4 from the output of the SPSS 25 for Windows program, a multiple linear regression equation can be created as follows:

$$\mathbf{Y = -216.132 + 7.478\ X1 + 0.368\ X2 + (-13.039\ M) + 0.338} \quad (4)$$

Information :
Y = Capital Expenditure
α = Constant
β1-5 = Regression Coefficient
X1 = Original Regional Income
X2 = Balancing Fund
M = Economic Growth
X1*M = Interaction of Original Regional Income and Economic Growth
X2*M = Interaction of Balancing Funds and Economic Growth
e = error

Based on the results of the moderation regression analysis in Table 4.9 above, the interpretation is:

a. The interaction variable between the variable Original Regional Income (X1) and Economic Growth (M) shows a significance value of 0.217 > 0.05. This shows that Economic Growth is unable to moderate the relationship between Original Regional Income and Capital Expenditure.
b. The interaction variable between the Balancing Fund variable (X2) and Economic Growth (M) shows a significance value of 0.837 > 0.05. This shows that economic growth is unable to moderate the relationship between Balancing Funds and Capital Expenditures.

Table 4. T-test

Coefficients								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-216.132	74.621		-2.896	.101		
	PAD	7.478	2.003	.953	3.734	.065	.951	1.052
	DP	.368	.938	.100	.393	.732	.951	1.052

a. Dependent Variable: BM

Source: Data processed via SPSS v25, 2022

Based on the results of the t-statistical test in Table 4.7 above, the following regression equation is obtained:

$$
\begin{aligned}
\text{T table} &= (\alpha/2 \; ; \; \text{n-k-1}) \\
&= (0.05/2 \; ; \; 5\text{-}2\text{-}1) \\
&= (0.025\text{: } 2) \\
&= 4,\ 3025
\end{aligned}
$$

Hypothesis 1:
The results of hypothesis 1 testing can be seen in table 4.6 that the calculated t value is 3.734 while the t table obtained with degrees of freedom is 4.302. The results of the t-test on the Original Regional Income variable show that the calculated t value < t table with a value of 3.734 < 4.302 and a probability value of 0.065 > 0.05. So, H1 is rejected, which means that Regional Original Income has no effect on Capital Expenditure.

Hypothesis 2:
The results of hypothesis 2 testing can be seen in table 4.6 that the calculated t value is 0.393, while the t table obtained with degrees of freedom is 4.302. The results of the t-test on the Balancing Fund variable show t count < t table with a value of 0.039 < 4.302 and a probability value of 0.732 > 0.05. So H2 is rejected, which means that the Balancing Fund has no effect on Capital Expenditures.

Table 5. Coefficient of Determination Test (R^2)

Model Summary				
Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.936[a]	.876	.752	.2979862

a. Predictors: (Constant), DP, PAD
b. Dependent Variable: BM

Based on the table above, it shows that the R Square value of 0.876 means that 87.6% of the variation in the dependent variable, namely Capital Expenditure, can be explained by the independent variables, namely Regional Original Income and Balancing Funds. This indicates the adequacy of the independent variable's ability to explain the dependent variable of 87.6%, while the remaining 12.4% is explained by other variables not included in this research.

5. Discussion

Based on the results of testing the first hypothesis (H1), it shows a significance level of 0.065 > 0.05. This shows that Regional Original Income has no effect on Capital Expenditures. So, the first hypothesis is rejected or not proven to have an effect, which means that Regional Original Income has no effect on Capital Expenditures. This can be interpreted as meaning that an increase or decrease in Original Regional Income does not influence the amount of Capital Expenditure. This research shows that the insignificant results could be caused by an increase in Original Regional

Income, which was not followed by an increase in Capital Expenditure.

The results of testing the second hypothesis (H2) show that the significance level is 0.732 > 0.05, and the calculated t value is smaller than the t table value, namely 0.393 < 4,302. This shows that the Balancing Fund has no influence on Capital Expenditures. This shows that the size of the balancing fund has no influence on capital expenditure. This indicates that a large amount of funds are not optimally absorbed by activities planned by the Regional Government.

The test results (H3) of the interaction variable of Regional Original Income with Economic Growth show a significance value of 0.217 > 0.05. This shows that in this study, Economic Growth was unable to moderate the relationship between Genuine Income and Capital Expenditures. Economic growth cannot be a determining factor in the influence of Original Regional Income on Capital Expenditures. This is because the DKI Jakarta Provincial Government is still not optimal in improving facilities and infrastructure.

The test results (H4) of the interaction variable. The interaction variable between the Balancing Fund variable and Economic Growth shows a significance value of 0.837 > 0.05. This shows that in this research, Economic Growth was unable to moderate the relationship between Balancing Funds and Capital Expenditures. Balancing Funds are transfer revenues from the central government sourced from the State Revenue and Expenditure Budget, hereinafter referred to as APBN, which has funding sources divided according to income types consisting of General Allocation Funds (DAU), Special Allocation Funds (DAK) and Profit Sharing Funds (DBH) which functions as a tool to help the government to equalize fiscal imbalances which cause regional independence not to improve so that regional governments rely on this Balancing Fund for their regional finances.

6. Conclusion and Recommendation

Conclusion

Based on the results of research or hypothesis testing and discussion regarding the influence of Regional Original Income and Balancing funds on Capital Expenditures with Economic Growth as a moderating variable and its review from an Islamic perspective in the DKI Jakarta Province, which was studied in the 2017-2021 period, it was concluded that Regional Original Income and the Balancing Fund has no effect on Capital Expenditures and Economic Growth is unable to moderate the relationship between Original Regional Income and Balancing Funds on Capital Expenditures.

Recommendation

There are several suggestions aimed at various agencies where research studies are conducted, and further researchers are as follows:

a. The government can increase Capital Expenditures from the regions to be used for the advancement of regional facilities and infrastructure, so the government must increase Regional Original Income and Balancing Funds and allocate them to Capital Expenditures maximally and optimally.
b. Future researchers should involve other variables because, basically, there are many other factors that influence capital expenditure, such as the size and type of other regional government revenues, as well as non-financial variables such as government policy.
c. Future researchers are expected to be able to expand the research object, namely not just limited to DKI Jakarta Province, so that the resulting research results can be concluded in general.

References

Afiah, N. N., Mulyani, S., & Alfian, A. (2020). *Akuntansi Pemerintah Daerah Berbasis Akrual Pada Entitas Akuntansi: Konsep dan Aplikasi* (Edisi Pert). Kencana.

Cahyaning, S. (2018). pengaruh pendapatan asli daerah, dana alokasi umum, dana bagi hasil terhadap alokasi belanja modal dengan pertumbuhan ekonomi sebagai variabel moderating pada pemerintahan kabupaten/kota Provinsi jawa timur. *Jurnal Ilmu Ekonomi Terapan*, *3*, 1–38.

Harmayanti, Semailla, B., Rahman, Z., & Manulusi, M. R. (2021). *Pengaruh PAD dan Dana Perimbangan Terhadap Belanja Modal dan Kesejahteraan Masyarakat di Kota Makassar Provinsi Sulawesi Selatan*. *4*(3).

Hasibuan, N. F. G., & Tiara, S. (2021). Pengaruh Pendapatan Asli Daerah dan Dana Perimbangan Terhadap Pengalokasian Belanja Modal Pada Kabupaten/Kota Provinsi Sumatera Utara. *Liabilities (Jurnal Pendidikan Akuntansi)*, *4*(2), 127–140.

Hutabarat, F. M., & Kumendong, F. F. (2020). Dana Alokasi Umum, Dana Alokasi Khusus, Pendapatan Asli Daerah dan Belanja Modal. *Journal of Applied Accounting and Taxation*, *5*(1), 50–56.

Jensen, M. C., & Meckling, W. H. (1976). Theory Of The Firm: Managerial Behavior Agency Costs and Ownership Structure. *Journal of Financial Economics 3*, *2*, 107–115.

Kementerian Dalam Negeri. (2020). *Peraturan Menteri Dalam Negeri Republik Indonesia Nomor 77 Tahun 2020 Tentang Pedoman Teknis Pengelolaan Keuangan Daerah*. 1–445.

Kementerian Keuangan. (2021). *Kajian Fiskal Regional Triwulan 1*.

Mahardika, S. A., & Riharjo, I. B. (2019). Pengaruh Pendapatan Asli Daerah Dan Dana Alokasi Umum Terhadap Belanja Modal Dengan Pertumbuhan Ekonomi. *Jurnal Ilmu Dan Riset Akuntansi*, *8*(11), 1–16.

Majid, J. (2019). Akuntansi Sekor Publik. In *Yogyakarta* (Issue 25). Pusaka Almaida.

Nasution, D. A. D. (2019). *Akuntansi Sektor Publik (Mahir dalam Perencanaan dan Penganggaran Keuangan Daerah)* (Fungky (ed.); Vol. 53, Issue 9). Uwais Inspirasi Indonesia.

Ndaparoka, D. S. R., Rantelobo, A. T., & Samadara, S. (2018). Model Pengukuran Kemampuan Keuangan Daerah Melalui Kemandirian Fiskal Dan Derajat Ekonomi Untuk Meningkatkan Akuntabilitas Dan Transparansi. *Jurnal Akuntansi, Keuangan Dan Audit*, *3*, 19–28.

Peraturan Presiden RI. (2004). Undang-Undang No 32 Tahun 2004 Tentang Pemerintah Daerah. *Dpr*, 249.

Presiden Republik Indonesia. (2004). Undang-Undang No 33 Tahun 2004 Tentang Perimbangan Keuangan. *Dpr*, *84*, 573–580.

Presiden Republik Indonesia. (2010). *Peraturan Pemerintah Republik Indonesia Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintah (SAP).*

Presiden Republik Indonesia. (2019). Peraturan Pemerintah Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah. *Jurnal Media Hukum*, 184.

Presiden Republik Indonesia. (2022). Undang-undang Nomor 1 Tahun 2022 Tentang Hubungan Keuangan Antara Pemerintah Pusat dan Pemerintahan Daerah. *Lembaran Negara Republik Indonesia Nomor 6757*, *104172*, 1–143.

Priatna, H., & Purwadinata, J. (2019). Pengaruh Pendapatan Asli Daerah dan Dana Perimbangan Terhadap Belanja Modal Pemerintah Daerah Kabupaten Bandung (Studi Kasus Pada Badan Keuangan Daerah Kabupaten Bandung). *Jurnal Ilmu Sosial Dan Ilmu Politik*, *3*(2), 62–74.

Purba, E. S., Pradipta, E. L., Manullang, R. T. T., & Nainggolan, B. R. M. (2020). Pengaruh Pertumbuhan Ekonomi, Pendapatan Asli Daerah Terhadap Alokasi Belanja Modal Dengan Dana Alokasi Umum Sebagai Variabel Pemoderasi Pada Kabupaten/ Kota Di Provinsi Di Sumatera Utara. *Journal of Economic, Business, and Accounting (COSTING)*, *4*(1), 274–281.

Putranto, A. T., Nurmasari, I., & Susanti, F. (2019). *Pengantar Ilmu Ekonomi* (U. Ahidin (ed.); Issue 1). Unpam Press. www.unpam.ac.id

Sanjaya, D., & Helmy, H. (2021). Pengaruh Pendapatan Asli Daerah (PAD), Kekayaan Daerah, Sisa Lebih Pembiayaan Anggaran (SILPA) terhadap Belanja Modal dengan Petumbuhan Ekonomi sebagai Variabel Moderasi Pada Pemerintah Provinsi Se- Indonesia periode 2015-2019. *Jurnal Eksplorasi Akuntansi*, *3*(2), 450–469.

Siregar, B. (2018). *Akuntansi Sektor Publik (Akuntansi Keuangan Pemerintah Daerah Berbasis Akrual) Edisi Kedua*. UPP STIM YKPN.

Soesilo, A. F. (2021). Pengaruh Pendapatan Asli Daerah, Bantuan Provinsi, Dana Alokasi Khusus Terhadap Belanja Modal Dengan pertumbuhan Ekonomi Sebagai Pemoderasi. *Jurnal IImu Dan Riset Akuntansi*, *10*(4), 21.

Standar Akuntansi Pemerintahan Berbasis Akrual, 268 (2019).

Supriyono, R. A. (2018). *Akuntansi Keprilakuan*. UGM Press.

Syafitri, A. R., & Efendri. (2019). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dan Dana Alokasi Khusus Terhadap Belanja Modal Dengan Pertumbuhan Ekonomi Sebagai Pemoderasi (Studi Empiris Pada Kabupaten/Kota di Indonesia Periode 2014-2019). *Seminar Nasional Multi Disiplin Ilmu & Call For Papers UNISBANK*.

Widiasmara, A. (2019). Journal of Islamic Finance and Accounting. *Journal of Islamic Finance and Accounting*, *2*(2), 45–56.

Yuesti, A., Dewi, N. L. P. S., & Pramesti, I. G. A. A. (2020). *Akuntansi Sektor Publik* (N. W. Rustiarini (ed.)). CV Noah Aletheia.

Yurianto, & Tantowi, A. (2021). Pengaruh Pendapatan Asli Daerah dan Dana Bagi Hasil Terhadap Belanja Modal Pemerintah Provinsi DKI Jakarta. *Journal of Applied Business and Economics (JABE)*, *8*(1), 547–561.