

**THE IMPACT OF REGIONAL ORIGIN INCOME AND ACCOUNTED FUNDS ON THE REGIONAL EXPENDITURE OF THE GOVERNMENT OF THE RIAU ARCHIPELAGO PROVINCE****Sunarto Wage<sup>1</sup>, Wasiman<sup>2</sup>, Rahmat<sup>3</sup>, Syahril Effendi<sup>4</sup>, Nanda Harry Mardika<sup>5</sup>**

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<sup>1),2),4),5)</sup> Universitas Putera Batam<sup>3)</sup> Universitas Taman Siswa Padang**ABSTRACT**

This study aims to investigate and analyze the impact of Regional Primary Income (PAD) and balance funds on the regional expenditure of the provincial government of Riau Islands for the period 2009 - 2021, so there are 13 data obtained from the Central Bureau of Statistics (BPS). in the province of Riau Islands. The data analysis technique used in this study is multiple linear regression analysis. Based on the results of the simultaneous hypothesis testing that the Regional Initial Income (PAD) and balance funds together have no effect on the regional expenditure of the provincial government of Riau Islands, with a coefficient of determination test result of 43%.

Keywords: Regional Initial Income (PAD), Balance Fund, Regional Expenditure.

**INTRODUCTION**

Regional primary income (PAD) is based on Law No. 33 of 2004 concerning the financial balance between the center and the regions, Article 1, No. 18, that regional primary income is the income received by the regions, which is collected based on regional regulations according to laws and regulations. Local own income is the income received from the sources of income in their region

Table 1.1 Regional own revenues, balance funds and regional expenditures  
Provincial Government of Riau Islands 2009 - 2021

<b>NO</b>	<b>YEAR:</b>	<b>PAD:</b>	<b>ACCOUNTING FUND</b>	<b>REGIONAL SHOPPING</b>
1:	2009	398,951,424,689	1,067,454,305,757	2,021,752,055,478
2:	2010	521,053,882,887	1,310,801,978,401	1,983,972,127,268
3:	2011	620,901,423,130	1,463,878,305,761	2,181,753,054,000
4:	2012	572,308,355,000	1,302,611,457,000	2,364,299,578,000
	year			
5:00	2013	907,982,039,000	1,753,710,493,000	3,050,966,935,000
6:00	2014	1,070,208,289,000	1,664,959,883,000	3,794,572,581,000
7:00	2015	1,012,146,824,000	1,246,121,773,000	2,605,394,136,000
8 o'clock	2016	1,039,401,353,000	1,464,904,560,000	2,782,118,460,000
9:00	2017	1,093,750,856,000	2,156,268,926,000	3,272,498,783,000
10:00	2018	1,220,599,290,000	2,278,002,977,000	3,421,885,978,000
11:00	2019	1,311,704,305,000	2,573,155,268,000	3,153,016,717,000
12:00	2020	1,195,637,693,000	2,282,262,140,000	3,310,488,569,000

NO	YEAR:	PAD:	ACCOUNTING FUND	REGIONAL SHOPPING
13:00	2021	1,375,770,281,000	2,406,531,964,000	3,703,816,047,000

Source: BPS Riau Islands (data processed).

## LITERATURE

### A. Regional costs

According to Kepmendagri No. 29 of 2002, "regional expenses, in particular, regional government expenses based on funds and the period of the fiscal year, are regional burdens." Law no. 23 of 2002 "regional expenditure is defined as a factor affecting the decrease in the value of wealth in a financial year, including the liabilities of local governments" (Nailufar & Sufitrayati, 2019) Joni Fernandes and Lovita Fauzia (2022). Regional spending is used in the context of the implementation of public affairs that are the jurisdiction of a state or county/city, consisting of mandatory affairs and optional affairs provided for by statutory provisions.

Regional expenses can be interpreted as all expenses of general/regional treasurers that will reduce the equity of current funds during the relevant fiscal year period and these expenses will not be reimbursed by the government (Nordiawan, et al, 2012) Nabiyatun Nur Fatimah. et al, (2019).

According to Mahmoudi (2010) in Made Ari Juniawan and Ni Putu Santi Suryantini (2018) Regional expenditure is divided into two forms which are divided into operational expenditure and capital expenditure. Operating expenses, which are essentially expenses (expenses) for financing non-investment activities that have a useful life of less than 1 year, differ from Capital expenses in that it is an investment expense in the form of expenses to be recognized on the balance sheet.

According to Law No. 33 of the Republic of Indonesia on Central and Regional Financial Balance of 2004, Regional Expenses are all regional liabilities that are recognized as a decrease in the value of net assets during the corresponding fiscal year period. As defined in Government Regulation No. 58 of 2005, which was further elaborated in Permendagre 13 of 2006, regional government expenses are classified on the basis of two types of expenses, namely:

1. Indirect purchases.
2. Direct purchases

### B. Local revenues

Regional primary income (PAD) according to Bratakusumah and Solihin (2002) in Hustianto Sudarwadi (2015: 447) is income that originates from a given area to finance the activities of the area. Regional Primary Income (PAD) consists of regional taxes, regional levies, results of regionally owned companies and segregated regional wealth management results and other statutory PAD.

The definition of regional primary income (PAD) presented by Carunia (2017) M. Agung, at al (2022: 743) is the acquisition of income by the region to manage the wealth found in the occupied territory. According to Siregar (2017) in: Iklima Azhar (2021:166), Regional own revenues are revenues received by regional governments from sources within their territory, which are collected based on regional regulations.

The definition of Regional Primary Income (PAD) is explained in the Clarification of Law No. 23 of 2004 on Regional Government, which empowers the regions to regulate and manage their households so that each region strives to optimally increase the Regional Primary Income. (PAD) derived from regional taxes, regional levies, regional company profits and other legitimate Regional Initial Revenues (Ang Sandera Widjajakoesoema, 2011).

Research findings by Johnny Fernandez and Lovita Fauzia (2022) show that local income has a positive effect on regional spending in 19 districts/cities in West Sumatra in 2017-2020. Research findings by Nabiatur Noor Fatima, Anita Nopianti, and Danang Mintojuwono (2019) show that local income affects spending and fund balance in districts and cities in East Java. Research results by Ade Pipit Fatmawati and Nabilla Ria Sari (2021) show that local income affects regional spending. The research was conducted in the city government of Javak Island. Research results by Muhammad Iqbal, Tarmizi Abbas, and Ratna (2020) show that PAD has a positive and significant effect on regional spending in districts/cities of Aceh province. A study by Ardita Tri Handayani, Tri Suryati, et al (2022) shows that PAD has no significant impact on expenditure in districts/cities in West Nusa Tenggara.

Research findings by Sari Rusmita (2016) explain that PAD has no effect on regional spending in Regency/Townships of West Kalimantan. The research results of Masayu Rahma Wati and Katur Marcian Fajjar (2017) show that local income has a significant effect on regional expenditure in Bandung city.

The research findings of Ang Sandera Widjajakoesoema (2011) show that there is a significant effect between Regional Initial Income (PAD) of Kediri City on Regional Expenditure of Kediri City.

1. Local tax
2. Regional compensation
3. Regional company results
4. Other legal PAD

### **C. Balanced fund**

Balancing funds are the funds received by the provinces from the central government, which are used for equitable distribution of regional development (Suryana, 2018) (Asmawati, Saragih, Panjaitan, & Kumala, 2019) (Eve Ida Malau and Calen, et al, (2020) ((Nainggolan & Heryenzus, 2022). General from allocation funds (DAU), Special allocation funds (DAK) and revenue distribution funds (DBH) (Andirfa, Basri, & A.Majid, 2016) (Rizal & Erpita, 2019). and improve the quality of public services (Mawarni & Abdullah, 2013) (Yunus, Sianipar, Saragih, & Amelia, 2019) (Calen, Agustian, Damanik, & Tannuary, 2019) (Arwin & Hutagalung, 2019) (Eve Ida Malau and Calen, et al, ( 2020).

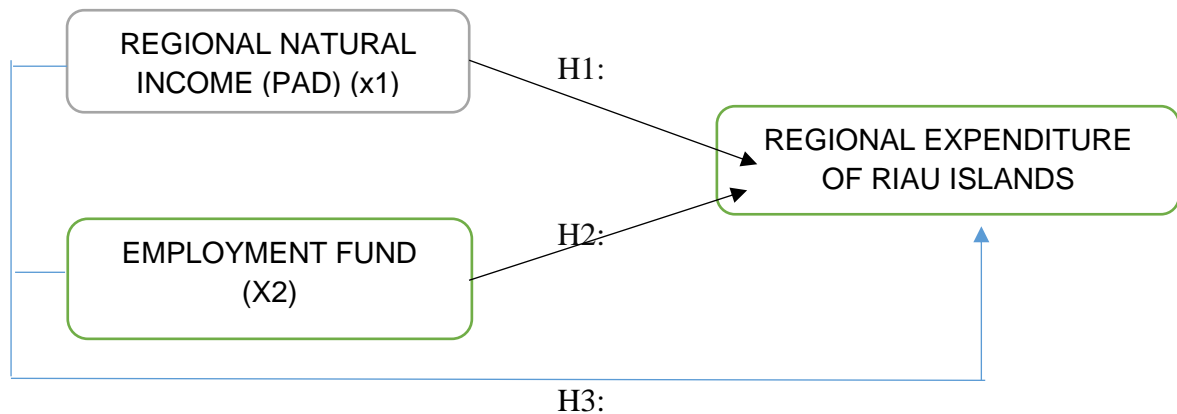
Research findings by Ardita Tri Handayani, Tri Suryati et al (2022) show that balancing measures have no significant impact on costs in districts/cities in West Nusa Tenggara. The research results of Masayu Rahma Wati and Katur Marcian Fajjar (2017) show that regional balancing funds have a significant impact on the regional expenditure of Bandung city.

Balanced funds are distributions of funds arising from APBN revenues, which will later be directed to the autonomous region. The purpose of providing the balancing funds themselves is to use the marzes to implement the decentralization program in that area. Balanced funds include General Allocation Funds (DAU), Special Allocation Funds (DAK) and Income Sharing Funds (DBH).

1. Common Endowment Fund (DAU)
2. Special Allocation Fund (DAK)
3. Profit Sharing Fund (DBH)

### **D. A frame of mind**

A frame of mind is a temporary explanation of the symptoms that are the subject of the problem. Therefore, it can be explained that the subject of the problem raised in this study is "The Impact of Regional Initial Revenue (PAD) and Balance Funds on Regional Expenditure of Provincial Government of Riau Islands". The described concepts can be described as follows.



### E. hypothesis

A hypothesis is a statement of concepts that can be assumed to be true or false to be tested. A hypothesis is a tentative assumption in the sense that it can be rejected based on the results of testing the data. Based on the description explained above, the hypothesis that can be put forward is:

- H1. Regional Primary Income (PAD) affects the regional expenditure of the Riau Islands Provincial Government.
- H2. Balancing funds affect the regional expenditure of the provincial government of the Riau Islands.
- H3. Local Own Revenue (PAD) and Balance Funds affect the regional expenditure of the Riau Islands Provincial Government.

### METHODS

Two types of variables were used in this quantitative study, namely the independent variable (free) Regional Initial Income (PAD) (X1), Balance Funds and the dependent variable (related) Local Government Expenditure (Y) of Riau Islands Province. ). This study aims to determine the effect of two independent variables on the dependent variable.

### RESULTS AND DISCUSSION

When testing the hypothesis, the authors use multiple linear regression analysis, the purpose of which is to check whether there is an effect of the independent variable on the dependent variable. In his calculations, the researcher used SPSS version 25. Multiple linear regression analysis is an analysis that examines the relationship between independent variables (X1, X2) that have more than 1 (one) variable with the dependent variable (Y). This regression analysis aims to measure the strength of the relationship between 2 (two) or more variables and also shows the direction of the relationship between the independent variable and the dependent variable, whether the independent variable has a positive or negative relationship.

The form of multiple linear regression in this study is as follows.

$$Y = b_0 + b_1X_1 + b_2X_2 + e$$

#### Information:

- Y = dependent variable (regional expenditure)
- b<sub>0</sub> = constant
- X<sub>1</sub> = independent variable (regional initial income/PAD)
- X<sub>2</sub> = independent variable (residual fund)

e = errors

**Table 1:** Regression results of the effect of regional primary income (PAD) variables and balance sheet funds on regional spending

		Coefficients			
Model		Unstandardized coefficients		Standardized	Whitefish.
		B:	std. Wrong	coefficients	
				Betas	t:
1:	(permanent)	.997	.605		1648
	Local revenues	.519	.581	.269	.894
	Balanced fund	.773	.455	.512	1701

a. Dependent variable. Regional costs

1. Impact of Regional Primary Income (PAD) on Regional Expenditure

The results of the analysis as shown in Table 1 show that Regional Initial Income has a regression coefficient of 0.519 with a significant t-test value of 0.392. A significant t-test value greater than 0.05 indicates that there is no significant positive effect of the Regional Initial Income (PAD) variable on regional spending.

2. The effect of balancing funds on regional spending

The results of the analysis as shown in table 1 show that the Balance Fund variable has a regression coefficient of 0.773 with a significant t-test value of 0.120. A significant value of t test which is greater than 0.05 indicates that there is no significant effect of Balance Fund variable on Regional Costs.

**Table 2 F test results**

		ANOVAa			
Model		The sum of	D F:	Middle square	F:
		squares			
1:	Retrograde	3728	2:	1864:	5524
	residual	3374	10:00	.337	
	That's all	7.102:	12:00		.024b

a. Dependent variable. Regional costs

b. Projections: (permanent), residual fund, regional initial income

Based on the above F test results, it is known that the calculated F value is 5.524 with a significance level of 0.024 greater than 0.05, so it can be interpreted that Regional Initial Income (PAD) and Balance Funds do not change significantly. and have a joint impact on regional spending.

**Table 3:**Coefficient of determination results

		Summary models		
Model	R:	Square R	Adjusted R Square	std. Evaluation error
1:	.724 a	.525	.430	.58086

a. Projections: (permanent), residual fund, regional initial income

Based on Table 3, the adjusted R-squared value is 0.430. Thus, it can be concluded that the ability of the independent variable to explain the variation in the dependent variable is 43%, while the remaining 57% is explained by other variables outside of this research model.

## CONCLUSION

Based on the results of the analysis and previous discussion, the following conclusions are obtained.

1. The Regional Initial Revenue (PAD) has no effect on the regional expenditure of the Riau Islands Provincial Government.
2. Balancing funds do not affect the regional expenditure of the Riau Islands Provincial Government.
3. Regional own revenues (PAD) and balance funds together have no impact on the regional expenditure of the provincial government of the Riau Archipelago.

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