

FACTORS INFLUENCING CAPITAL EXPENDITURE ALLOCATION IN REGENCY/CITY OF THE SPECIAL REGION OF YOGYAKARTA PROVINCE FROM 2011 TO 2023

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Abstract

Capital expenditure is an important component of government spending in financing fixed assets that provide long-term benefits to the economy and public welfare, so the central government has set a minimum allocation of 40 percent of total regional expenditure each year. To date, many regions have high percentages of regional expenditure, but their capital expenditure allocations are still low and have not reached the minimum limit set, one of which is the Special Region of Yogyakarta. This situation results in a mismatch with the ideal absorption targets for each fiscal year period. Therefore, the objective of this study is to analyze the influence of local own revenue, balancing funds, budget surplus (SiLPA), and poverty on capital expenditure in the Regency/City of the Special Region of Yogyakarta Province from 2011 to 2023. The method used in this study is a quantitative method with panel data regression analysis. The results of the study indicate that, collectively, local revenue, balancing funds, budget surplus, and poverty significantly influence capital expenditure. Additionally, the variables of local own revenue and poverty do not have a significant partial effect on capital expenditure, while the variables of balancing funds and budget surplus (SiLPA) have a positive significant effect on capital expenditure.

Keywords: Capital Expenditure, Local Own Revenue, Balanced Fund, Budget Surplus (SiLPA), Poverty

INTRODUCTION

Local governments are given the authority to allocate their resources to improve public services, empower communities, strengthen community participation and initiatives to promote regional economic growth (Abdussamad & Amala, 2017). This requires each local government to optimize its revenue potential, both from local revenue and central government transfer funds, to finance local government administration (Panggabean, 2021). To support this, local governments need to increase spending allocations in sectors that have a direct impact on community productivity (Zulaihah & Andayani, 2019). One factor that can increase the productivity of a region is investment in land, buildings, infrastructure, equipment, and other fixed assets through the use of regional expenditure. Regional expenditure for productive sectors in the sense of investment is then referred to as capital expenditure (Marsyaf & Anasta, 2019).

Ministry of Finance Regulation No. 102/PMK.02/2018 of 2018 on Budget Classification defines capital expenditure as budget expenditures made by the government to acquire fixed assets and other assets that provide long-term benefits beyond one accounting period, including maintenance costs to preserve or extend the economic life of assets, as well as to enhance the performance and functional value of assets. Thus, capital expenditure includes expenditures for the acquisition of land, equipment and machinery, buildings and structures, roads, irrigation, networks, and other capital expenditures.

Capital expenditure plays a crucial role in boosting regional economies, particularly in enhancing productivity and the quality of life for communities (Putra et al., 2024). This is due to the role of capital expenditure in providing infrastructure that not only contributes to real economic growth but also has a long-term impact on community welfare. Infrastructure acquired through the procurement of fixed assets with a long useful life is a key factor in accelerating economic growth as it enhances efficiency and effectiveness in the distribution of goods and services (Tumbuan et al.,

2023). In addition, capital expenditure allocated for infrastructure development also plays an important role in increasing regional investment. The presence of supporting infrastructure, in terms of connectivity, energy, and public facilities, will create a more conducive investment climate, which in turn will encourage increased economic activity and open up more job opportunities for the community (Rizky et al., 2016). Increased labor absorption contributes to a decrease in unemployment rates, which in turn increases purchasing power and drives local economic growth. Therefore, capital expenditure is an important aspect that must be considered in regional fiscal policy as it contributes to the provision of fixed assets, infrastructure development, and facilities that support the optimization of local government services to the community.

The importance of capital expenditure in regional development has led the central government to issue regulations regarding the minimum capital expenditure that must be allocated in the Regional Budget (APBD). According to Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments, the minimum capital expenditure is set at 40 percent of the total regional expenditure allocated in the regional budget (APBD) for each region annually. With this regulation, local governments are given the authority to reallocate capital expenditure budgets while considering program alignment and applying the principle of quality spending (spending better), thereby positively impacting regional development (Purwanto et al., 2022). However, challenges in its implementation still arise to this day, one of which is related to the low budget absorption capacity in each region. This causes a mismatch with the ideal absorption target for each fiscal year period and leads to delays in achieving budget absorption, both at the central government and ministry/agency levels (Febriani et al., 2023).

The Special Region of Yogyakarta is one of the regions that still shows inefficiency in managing capital expenditure budgets, with the percentage of allocation falling far below the minimum limit that has been set. This low capital expenditure allocation is due to the fact that most of the realized budget is allocated to operational expenditures, such as personnel expenditures, goods and services expenditures, and other expenditures. This situation can be seen in Table 1 below, which shows the percentage of regional expenditure allocation for the Special Region of Yogyakarta Province from year to year.

Table 1. Percentage of Regional Expenditure Allocation for the Special Region of Yogyakarta Province for Fiscal Years 2011-2023

Fiscal Year	Allocation for Employee Expenditures(%)	Allocation for Goods & Services Expenditures(%)	Allocation for Capital Expenditures(%)	Allocation for Other Expenditures(%)
2011	32	24	9	35
2012	28	19	11	42
2013	25	18	15	42
2014	21	23	15	41
2015	19	23	18	40
2016	18	21	22	39
2017	29	23	21	27
2018	29	21	21	29
2019	28	19	19	34
2020	29	13	17	41
2021	28	19	12	41

Fiscal Year	Allocation for Employee	Allocation for Goods & Services	Allocation for Capital	Allocation for Other
	Expenditures(%)	Expenditures(%)	Expenditures(%)	Expenditures(%)
2022	29	23	13	34
2023	28	22	13	38

Source: Directorate General of Fiscal Balance, Ministry of Finance, 2024

Based on Table 1, capital expenditure does not appear to be a top priority in the local government expenditure structure. This is reflected in the low percentage of capital expenditure allocation, which has consistently remained below 20 percent each year, significantly below the minimum threshold of 40 percent set by the central government. This situation contrasts with personnel expenditure and other types of expenditure, which have shown an upward trend from year to year. The low allocation of capital expenditure in the Special Region of Yogyakarta is not unrelated to the local government's tendency to prioritize capital expenditure less. This is due to the nature of capital expenditure, whose benefits are long-term and not immediately felt by the public in the near term. On the other hand, local governments tend to prefer allocating budgets for operational expenditures or social assistance that have quick visible impacts, such as cash assistance, subsidies for basic needs, or direct programs for the poor. This can create instant satisfaction in the public eye, which is politically important for building public image and support in a short time.

The low allocation of capital expenditure each year results in suboptimal budget allocation for regency/city in the Special Region of Yogyakarta Province, leading to various issues related to basic living needs, including disparities in public service infrastructure, fiscal disparities between regions, and human resource disparities (Angga et al., 2017). Therefore, research on the factors influencing capital expenditure is needed to identify the causes of low capital expenditure in the regency/city of the Special Region of Yogyakarta Province.

According to previous research, capital expenditure planning at the local government level can be influenced by various factors, both financial and non-financial. In this study, financial factors such as local own revenue, balancing funds, and budget surplus (SiLPA) were used. Meanwhile, non-financial factors were proxied by poverty levels. According to Saifudin & Siswanti (2020), local own revenue and balancing funds have a positive and significant effect on capital expenditure. Angelina et al. (2020) found that budget surplus (SiLPA) also significantly affects capital expenditure, meaning that the remaining budget at the end of the period will not be forfeited but can be utilized as a funding source in the following year for the procurement of public infrastructure and facilities. Non-financial factors that can influence capital expenditure include poverty. In this case, the assumption used is that high poverty levels can influence the direction and priorities of government spending policies, thereby increasing social pressure on the government to increase capital expenditure through spending on infrastructure development, education, and health.

This study differs from previous studies by adding poverty as an independent variable that influences local government capital expenditure allocation. This variable was chosen because it is rarely used to examine its direct impact on capital expenditure. Previous studies, such as those by Lee & Rogers (2019) and Abbott et al. (2023), have focused more on the impact of poverty on government spending in general, rather than specifically on capital expenditure. When a region experiences an increase in poverty and a relative decline in productivity, the government responds by increasing government spending and shifting to more focused policies in that region. The difference between this study and others lies in the use of the 2011-2023 fiscal years, aimed at analyzing the influence of various economic phenomena on the allocation of central and local government budgets. The use of these fiscal years will enable a more comprehensive analysis in identifying trends, changes, or developments that were not apparent in previous studies. Therefore, this study seeks to present a new perspective by making poverty a factor that can influence local government decisions in allocating capital expenditure.

Based on the background rooted in phenomena and research gaps, the objectives of this study are: 1) to analyze the combined influence of local own revenue, balancing funds, budget surplus (SiLPA), and poverty on capital expenditure in the Regencies/Cities of the Special Region of Yogyakarta Province for the period 2011-2023; 2) to analyze the influence of local own revenue, balancing funds, budget surplus (SiLPA), and poverty on capital expenditure in the regencies/cities of the Special Region of Yogyakarta Province for the period 2011-2023 partially.

This study is expected to provide benefits both theoretically and practically. Theoretically, this study can expand information and knowledge regarding factors that can influence the effectiveness of local financial management by adding poverty as one of the factors that can influence capital expenditure allocation. Practically, this research is useful for the government as material for evaluation and consideration in the effective management of the regional revenue and expenditure budget (APBD) to promote economic growth and community welfare. In addition, the findings can also serve as a reference for further research and contribute to the development of public policy and regional financial management literature with a broader scope.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Literature Review

1. Government Expenditure Theory

Government expenditure is an action taken by the government within the framework of fiscal policy that aims to regulate the economy by determining the proportion of revenue and expenditure each year, as reflected in the State Budget (APBN) at the national level and the Regional Budget (APBD) at the regional level (Sukirno, 2015). In both the APBN and APBD documents, government expenditure is divided into two types of expenditure, namely expenditure included in the expenditure group and the financing group.

2. Fiscal Federalism Theory

The theory of fiscal federalism was developed by Friedrich August Hayek (1945), Musgrave (1959), and Oates (1972) and discusses the financial relationship between levels of government, where government programs are regulated at different levels of government. Various types of transfers from the central government to local governments, particularly from level I to level II, aim to support regional economic growth and accelerate local infrastructure development.

Hypothesis Formulation

The amount of capital expenditure for public goods is influenced by various factors that together determine the financial capacity and needs of the community that must be met by the government. These factors are local own revenue, balancing funds, budget surplus (SiLPA), and poverty levels. This aligns with the research by Saifudin & Siswanti (2020), which found that local own revenue, balancing funds, budget surplus (SiLPA) collectively have a significant impact on capital expenditure. Meanwhile, the poverty rate is directly linked to demand for public goods. The higher the poverty rate, the greater the community's need for basic infrastructure such as health, education, and public facilities, which ultimately influences the priority of capital expenditure allocation. Based on the above considerations, the following hypothesis is formulated:

H1: Local own revenue, balancing funds, budget surplus (SiLPA), and poverty jointly influence capital expenditure in the regencies/cities of DIY Province.

According to Law Number 1 of 2022 on Financial Relations between the Central Government and Local Governments, local own revenue is income obtained by a region from local taxes, local fees, the management of separate regional assets, and other legitimate sources of local revenue in accordance with applicable laws and regulations. Local government revenue aims to grant local governments the authority to obtain funding sources to finance the implementation of regional autonomy based on the potential of each region as part of the decentralization process. This is in line

with research conducted by Saifudin & Siswanti (2020) and Tiya & Wuryani (2022)

that local own revenue has a positive effect on the allocation of capital expenditure budgets. In other words, as local own revenue increases, the amount of capital expenditure budget allocated also increases, and vice versa. This is because when local own revenue increases, the local government has additional financial resources that can be allocated for capital expenditure in order to improve infrastructure development and other public facilities. Based on the above reasoning, the following hypothesis is formulated:

H2: Local own revenue has a positive effect on capital expenditure in the regencies/cities of DIY Province.

Based on Law Number 23 of 2014 concerning Regional Government, balancing funds are funds derived from state revenue and provided to regions to finance all regional needs and/or requirements in the context of implementing decentralization. Pursuant to Government Regulation No. 37 of 2023 on the Management of Transfers to Regions, the components of balancing funds are divided into three components, namely general allocation funds (DAU), special allocation funds (DAK), and revenue-sharing funds (DBH). According to Article 3 paragraph 2 of Law Number 1 of 2022, the main purpose of transferring balancing funds is to reduce fiscal disparities between the central government and regions, as well as between regional governments. In addition to balancing finances between regional governments, balancing funds can also serve as a stimulus for development in regions so that they are eventually able to increase their revenue gradually (Pratama et al., 2022). This aligns with research conducted by Muttaqin et al. (2021) and Hermawan et al. (2021), which found that fiscal equalization funds have a positive and significant impact on capital expenditure. These results indicate that as the transfer of funds from the central government in the form of balancing funds increases, local governments will have greater budgetary capacity to increase their capital expenditure allocations in a region. Based on the above considerations, the following hypothesis is formulated:

H3: Balancing funds have a positive effect on capital expenditure in the regencies/cities of DIY Province

According to Government Regulation No. 71 of 2010 concerning Government Accounting Standards, the budget surplus or SiLPA is the difference between actual revenue and expenditure in the state budget/regional budget during one reporting period. At the end of the reporting period, SiLPA will be transferred to the budget surplus balance change report. With budget surplus (SiLPA), local governments have additional resources that enable them to increase their expenditures. This is in line with research conducted by Angelina et al. (2020) and Amelia & Periansya (2022) that budget surplus (SiLPA) has a positive and significant effect on capital expenditure. This means that the remaining budget at the end of the period is not forfeited but can be utilized as a funding source for the following year for the procurement of facilities and infrastructure for public interests. Based on the above considerations, the following hypothesis is formulated:

H4: Budget surplus (SiLPA) has a positive effect on capital expenditure in the Regencies/Cities of DIY Province

Poverty is a condition where individuals or groups of people lack the adequate ability to meet basic living needs, such as food, clothing, housing, education, and healthcare services (Machmud, 2016). In addressing this condition, the role of the government is very important in maintaining economic stability and ensuring the welfare of the community. For example, when economic problems such as market failure occur, the government tends to increase its spending to encourage economic growth and reduce the negative impact on the welfare of the community. This is in line with research conducted by Lee & Rogers (2019) which found that when a region experiences an increase in poverty and a relative decline in productivity, the government will respond by increasing government spending and shifting to policies that are more focused on that region. These results highlight that high poverty can encourage the government to prioritize budget allocation in regions that need greater assistance. Based on the above reasoning, the following hypothesis is formulated:

H5: Poverty has a positive effect on capital expenditure in the regencies/cities of DIY Province.

RESEARCH METHODS

This type of research is quantitative research using an associative approach that aims to determine the effect of independent variables (local own revenue, balancing funds, budget surplus (SiLPA), and poverty) on the dependent variable (capital expenditure). The research population includes all districts/cities in the Special Region of Yogyakarta Province, totaling 5 districts/cities, over a 13-year period from 2011 to 2023, resulting in a total of 65 observations. The data sources are secondary data obtained from the local government's APBD implementation reports for districts/cities in the Special Region of Yogyakarta Province through the official website of the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance, which have been audited by the State Audit Agency (BPK) from 2011 to 2023, supplemented by data from the Central Statistics Agency (BPS) and the official websites of the relevant districts/cities. Data collection techniques were conducted using two methods: literature review and documentation. The data analysis techniques used in this study include quantitative descriptive analysis, panel data regression, classical assumption tests, and hypothesis testing.

RESULTS AND DISCUSSION

Results

Quantitative Descriptive

Quantitative descriptive is a method used to analyze and explain research objects using quantitative data that has been collected. This technique uses various statistical measures, such as minimum (min), maximum (max), average (mean), and median values. The following are the quantitative descriptive results presented in Table 2 below.

Table 2. Quantitative Descriptive

Variable	N	Mean	Median	Maximum	Minimum
Capital Expenditure (in billions)	65	263,0558	259,5900	493,7800	59,15000
Local Revenue (in billions)	65	415,3682	338,2800	1.130,1600	53,75000
Balancing Fund (in billions)	65	1.019,441	973,5700	1.411,0900	500,61000
SiLPA (in billions)	65	215,3868	215,630	499,7200	35,11000
Poverty (in percent)	65	13,85308	14,07000	23,62000	6,49000

Source: Secondary Data Processed by Eviews, 2025

Based on Table 2, the dependent variable in this study, namely capital expenditure measured in billions of rupiah, has an average value of Rp263.05 billion, with the highest realization of Rp493.78 billion in Gunung Kidul Regency in 2019 and the lowest realization of Rp59.15 billion in Yogyakarta City in 2011. Table 2 also shows that the independent variable in this study, namely local own revenue measured in billions of rupiah, has an average value of Rp415.36 billion, with the highest realization of Rp1,130.16 trillion in Sleman Regency in 2023 and the lowest realization of Rp53.75 billion in Kulon Progo Regency in 2011. The balancing fund variable, measured in billions of rupiah, has an average value of Rp1,019.44 trillion, with the highest realization of Rp1,411.09 trillion in Sleman Regency in 2022 and the lowest realization of Rp500.61 billion in Yogyakarta City in 2011. The budget surplus (SiLPA) variable, measured in billions of rupiah, has an average value of Rp215.38 billion, with the highest realization of Rp499.72 billion in Sleman Regency in 2015 and the lowest realization of Rp35.11 billion in Bantul

Regency in 2011. Furthermore, the average poverty variable, measured in

percentage points, has an average value of 13.85%, with the highest percentage of 23.62% in Kulon Progo Regency in 2011 and the lowest percentage of 6.49% in Yogyakarta City in 2023.

Panel Data Regression

Panel data regression is performed by testing the model using three approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Determining the most appropriate model depends on the underlying assumptions and compliance with statistical data processing standards. Therefore, the first step is to determine the most appropriate model among the three approaches (Basuki & Prawoto, 2016).

1. Chow Test

The Chow test is a method used to determine the most appropriate model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). In this test, H_0 is the Common Effect model and H_1 is the Fixed Effect model.

Table 3. Chow Test Results

Effects Test	Probability
Cross-section F	0.0623
Cross-section Chi-square	0.0370

Source: Secondary Data Processed by Eviews, 2025

Based on Table 3, the Cross-section Chi-square probability value is 0.0370. This value is smaller than the α value of 0.05 ($0.0370 < 0.05$), so H_0 is rejected. Thus, the selected model is the Fixed Effect Model (FEM) and a Hausman test needs to be performed.

2. Hausman Test

The Hausman test is a method used to determine the most appropriate model between the Random Effect Model (REM) and the Fixed Effect Model (FEM). In this test, H_0 is the Random Effect model and H_1 is the Fixed Effect model.

Table 4. Hausman Test Results

Test Summary	Probability
Cross-section random	0.0492

Source: Secondary Data Processed by Eviews, 2025

Based on Table 4, the cross-section random probability value obtained is 0.0492. This value is smaller than the α value of 0.05 ($0.0492 < 0.05$), so H_0 is rejected. Thus, the model selected is the Fixed Effect Model (FEM).

The results of the Chow test and the Hausman test both indicate that the Fixed Effect Model (FEM) is the most appropriate model to use in the analysis. This confirms that both the Chow test and the Hausman test establish the Fixed Effect Model (FEM) as the most appropriate model for estimating panel data, so the Lagrange Multiplier test is not required.

Classical Assumption Tests

1. Normality Test

The normality test aims to determine whether the data in the regression model is normally distributed or not. If the probability is greater than 0.05, the data is considered to be normally distributed.

Table 5. Normality Test Results

Test	Jarque-Bera Value	Probability
Jarque-Bera	0,815194	0,564008

Source: Secondary Data Processed by Eviews, 2025

Based on Table 5, a probability value of 0.564008 was obtained. This value is greater than 0.05 ($0.564008 > 0.05$), so it can be concluded that the data is normally distributed.

2. Multicollinearity Test

The multicollinearity test aims to determine whether there is a high or perfect correlation between independent variables in the regression model. If the VIF value is less than 10, then the variables in the research model are considered to have no multicollinearity between independent variables.

Table 6. Multicollinearity Test Results

Variable	VIF
PAD	3,703756
DAPER	6,214059
SiLPA	1,544563
KEMIS	3,797316

Source: Secondary Data Processed by Eviews, 2025

Based on Table 6, the VIF values of all independent variables are below 10 ($VIF < 10$), so it can be concluded that the data does not exhibit multicollinearity or that the multicollinearity test assumption has been met.

3. Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there are differences in the variance of residuals from one observation to another in the regression model. If the probability is greater than 0.05, then the data is considered to have no heteroscedasticity issues.

Table 7. Heteroscedasticity Test Results

Variable	Probability
C	0,5562
PAD	0,9301
DAPER	0,9099
SiLPA	0,3107
KEMIS	0,5998

Source: Secondary Data Processed by Eviews, 2025

Based on Table 7, the probability value for each variable is greater than 0.05 ($prob > 0.05$), so it can be concluded that there is no heteroscedasticity in the regression model or that the heteroscedasticity assumption has been met.

Panel Data Regression Estimation

Table 8. Fixed Effect Model Estimation Results

Variable	Coefficient	t-Statistic	Probability
C	-398,2448	-1,728098	0,0895
PAD	0,158535	1,441270	0,1551
DAPER	0,256792	2,123301	0,0382
SiLPA	0,308611	2,264939	0,0274
KEMIS	19,28781	1,944697	0,0568
R-squared	0,538017		
Adjusted R-squared	0,472019		
F-statistic	8,152060		
Prob(F-statistic)	0,000000		

Source: Secondary Data Processed by Eviews, 2025

Based on Table 8, the panel data regression equation in this study is as follows:

$$\hat{Mit} = -398,24 + 0,158 PAD_{it} + 0,256 DAPER_{it} + 0,308 SiLPA_{it} + 19,287 KEMIS_{it}$$

The regression equation above describes the effect of independent variables on dependent variables. From this equation, the following conclusions can be drawn:

- The intercept value is negative at -398.24, meaning that without the variables PAD (X_1), DAPER (X_2), SiLPA (X_3), and KEMIS (X_4), capital expenditure would decrease by 398.24 billion rupiah.
- The regression coefficient for the local original income (PAD) variable is positive at 0.158, meaning that for every 1 billion rupiah increase in local original income, capital expenditure will increase by 0.158 billion rupiah, assuming all other variables remain constant.
- The regression coefficient for the balancing fund (DAPER) variable is positive at 0.256, meaning that every increase in the balancing fund of 1 billion rupiah will increase capital expenditure by 0.256 billion rupiah, assuming other variables remain constant.
- The regression coefficient for the budget surplus (SiLPA) variable is positive at 0.308, meaning that for every 1 billion rupiah increase in the budget surplus, capital expenditure will increase by 0.308 billion rupiah, assuming all other variables remain constant.
- The regression coefficient of the poverty variable (KEMIS) is positive at 19.287, meaning that every 1 percent increase in poverty will increase capital expenditure by 19.287 billion rupiah, assuming other variables remain constant.

The fixed effect model (FEM) assumes that the intercepts vary between individuals, resulting in variations in effects between individuals in the estimation process.

Table 9. Summary of Individual Effect Values

Crossid	Individual Effects	Initial Intersection	Final Intersection	Ranking
Kota Yogyakarta	112,7607	-398,24	-285,479	1
Kabupaten Sleman	33,51664	-398,24	-364,723	2
Kabupaten Kulon Progo	11,11488	-398,24	-387,125	3
Kabupaten Bantul	-66,04389	-398,24	-464,284	4
Kabupaten Gunung Kidul	-91,34837	-398,24	-489,588	5

Source: Secondary Data Processed by Eviews, 2025

Based on Table 9, Yogyakarta City is the region with the highest final intercept value compared to other regions. The intercept value reflects capital expenditure that remains constant even though the independent variables (PAD, DAPER, SiLPA, and KEMIS) have no effect. This means that even without the contribution of independent variables, Yogyakarta City is able to maintain its capital expenditure at a relatively higher level because it only experienced a decrease of Rp285.47 billion. This shows that Yogyakarta City has better fiscal resilience.

Hypothesis Testing

- Coefficient of Determination (R^2)

Table 10. Coefficient of Determination

R-squared Value	Adjusted R-squared Value
0,538017	0,472019

Source: Secondary Data Processed by Eviews, 2025

Based on Table 10, the adjusted R-squared coefficient value is 0.472019, which means that local revenue, balancing funds, budget surplus, and poverty contribute 47.2% to capital expenditure, while the remaining 52.8% is explained by other variables outside the model.

- F-statistic test

Table 11. F-statistic test

F-statistic Value	Probability Value
8,152060	0,000000

Source: Secondary Data Processed by Eviews, 2025

Based on Table 11, the calculated F value is 8.152060. The table F value is 2.5252151, so the calculated F value is greater than the table F value ($8.152060 > 2.5252151$). Furthermore, the probability associated with the calculated F-value is 0.000000, which is less than 0.05 ($0.000000 < 0.05$), so the null hypothesis (H_0) is rejected. From these results, it can be concluded that the variables of local revenue, balancing funds, budget surplus, and poverty collectively have a significant effect on capital expenditure in the regencies/cities of the Special Region of Yogyakarta.

3. Statistical t-test

Table 12. Statistical t-test

	t-Statistic		t-Table	Probability		Sig.
PAD	1,441270	<	2,000298	0,1551	>	0,05
DAPER	2,123301	>	2,000298	0,0382	<	0,05
SiLPA	2,264939	>	2,000298	0,0274	<	0,05
KEMIS	1,944697	<	2,000298	0,0568	>	0,05

Source: Secondary Data Processed by Eviews, 2025

Based on Table 12, the effect of each independent variable on the dependent variable in the t-test can be explained as follows:

a. Local Own Revenue Variable

The t-test result for the local government revenue variable yielded a calculated t-value of $1.4412 <$ the table t-value of 2.0002 with a significance level of $0.1551 > 0.05$, so H_0 is accepted, and it can be concluded that the local government revenue variable does not have a significant effect on capital expenditure in the Regencies/Cities of the Special Region of Yogyakarta Province.

b. Balancing Fund Variable

The t-test result for the balancing fund variable yielded a calculated t-value of $2.1233 >$ the table t-value of 2.0002 with a significance level of $0.0382 < 0.05$, so H_0 is rejected, and it can be concluded that the balancing fund variable has a positive and significant effect on capital expenditure in the regencies/cities of the Special Region of Yogyakarta Province.

c. Budget Surplus Variable (SiLPA)

The t-test results for the budget surplus (SiLPA) variable yielded a calculated t-value of $2.2649 >$ the table t-value of 2.0002 with a significance level of $0.0274 < 0.05$, thus rejecting H_0 and concluding that the budget surplus (SiLPA) variable has a positive and significant effect on capital expenditure in the regencies/cities of the Special Region of Yogyakarta Province.

d. Poverty Variable

The t-test results for the poverty variable yielded a calculated t-value of $1.9446 <$ the table t-value of 2.0002 with a significance level of $0.0568 > 0.05$, so H_0 is accepted, and it can be concluded that the poverty variable does not have a significant effect on capital expenditure in the regencies/cities of the Special Region of Yogyakarta Province.

Based on the t-test results, there are two variables that have a positive and significant effect on capital expenditure, namely balancing funds and budget surplus (SiLPA). To determine the extent of the change in capital expenditure due to changes in these two variables, an elasticity calculation will be performed. Elasticity is a method to measure the percentage change in capital expenditure if the independent variable changes by 1%.

Table 13. Elasticity Calculation

Elasticity of balanced funds	Elasticity of SiLPA
0,995166399	0,25268682

Source: Processed data, 2025

According to Table 13, the balance fund has a greater elasticity value than SiLPA (0.995 > 0.253). This indicates that balancing funds have a greater impact on capital expenditure than SiLPA, as a 1% change in balancing funds increases capital expenditure by 0.995%, while a 1% change in SiLPA only increases capital expenditure by 0.253%. In other words, an increase in balancing funds has a more significant impact on capital expenditure than SiLPA.

DISCUSSION

H1: The influence of local own revenue, balancing funds, budget surplus (SiLPA), and poverty on capital expenditure

The research findings indicate that local own revenue, balancing funds, budget surplus (SiLPA), and poverty collectively have a significant impact on capital expenditure in the Regencies/Cities of the Special Region of Yogyakarta Province from 2011 to 2023, thereby accepting the first hypothesis. This is because local own revenue, balancing funds, and budget surplus (SiLPA) are financial factors that serve as sources of local government revenue. The higher the revenue received, the greater the local government's capacity to fund infrastructure development and public services, as represented by capital expenditure. On the other hand, poverty levels, as a non- financial factor, also influence capital expenditure. This is because the higher the poverty rate, the greater the community's need for the provision of public goods and services, such as road access, health facilities, education, and other basic infrastructure. This condition should encourage local governments to increase capital expenditure allocations in response to the need for more inclusive and equitable development. Thus, these four factors are substantively relevant in determining the direction and priorities of local fiscal policy. This study is in line with research by Sari et al. (2018), Hasibuan & Tiara (2021), Saifudin & Siswanti (2020), Marlina et al. (2022), and Rabi'i et al. (2024) that local own revenue, balancing funds, and budget surplus (SiLPA) collectively contribute to increased capital expenditure.

H2: The effect of local own revenue on capital expenditure

Local own revenue does not have a significant effect on capital expenditure in the Regencies/Cities of the Special Region of Yogyakarta Province from 2011 to 2023, so hypothesis two is rejected. This indicates that an increase in local own revenue does not always lead to an increase in capital expenditure because the capacity of local own revenue is still limited compared to the large financing needs. This limitation is due to the suboptimal utilization of local economic potential, so that economic activities that should be a source of revenue have not been maximized to support a significant increase in capital expenditure. For example, many vehicles in the Special Region of Yogyakarta are used by migrants but registered outside the region, so their motor vehicle taxes do not go into the regional treasury. However, these taxes are the main source of local revenue, so this situation causes revenue potential to be suboptimal while the burden of providing infrastructure remains high. The lack of impact of local revenue on capital expenditure also indicates that most regions prioritize using their revenue to fund operational expenditures rather than capital expenditures. This study aligns with research by Hermawan et al. (2021) and Waskito et al. (2019), which shows that local own revenue does not significantly influence capital expenditure allocation.

H3: The effect of balancing funds on capital expenditure

Balancing funds have a positive and significant effect on capital expenditure in the regencies/cities of the Special Region of Yogyakarta Province in 2011-2023, so hypothesis three is

accepted. This shows that if balancing funds increase, capital expenditure will also increase because the fiscal capacity of the local government will be greater. The influence of balancing funds on capital expenditure also indicates that the Special Region of Yogyakarta Province still depends on transfer funds from the central government, thus categorizing it as a region with a low level of fiscal autonomy. The high dependence on transfer funds from the central government is caused by the fact that the contribution of local revenue to total local revenue is still not optimal in financing capital expenditure, resulting in the local government still heavily relying on central government transfer funds to support infrastructure development and other public investments. This study aligns with research by Saifudin & Siswanti (2020), Hasibuan & Tiara (2021), Muttaqin et al. (2021), and Hermawan et al. (2021) that balancing funds have a positive and significant impact on capital expenditure.

H4: The effect of budget surplus (SiLPA) on capital expenditure

Budget surplus (SiLPA) has a positive and significant effect on capital expenditure in the regencies/cities of the Special Region of Yogyakarta Province in 2011-2023, so hypothesis four is accepted. This indicates that if budget surplus (SiLPA) increases, capital expenditure will also increase because local governments receive additional budget funds that can be used to finance various unfulfilled regional development needs. However, although Budget surplus (SiLPA) positively contributes to capital expenditure, an excessive accumulation of Budget surplus (SiLPA) reflects budget inefficiency and weak planning. Therefore, local governments need to optimize the utilization of Budget surplus (SiLPA) to ensure that capital expenditure is maximally absorbed and supports effective development, rather than merely accumulating unused budgets. This study aligns with research by Sari et al. (2018), Angelina et al. (2020), Amelia & Periansya (2022), and Rabi'i et al. (2024) that Budget surplus (SiLPA) has a positive and significant impact on capital expenditure.

H5: The impact of poverty on capital expenditure

Poverty does not have a significant effect on capital expenditure in the Regencies/Cities of the Special Region of Yogyakarta Province from 2011 to 2023, so hypothesis five is rejected. This indicates that the level of poverty in an area does not directly influence the government's decision to increase capital expenditure, as capital expenditure is long-term and does not address the urgent needs of the poor. As a result, the government tends to allocate more budget to operational or social spending, which has a more immediate impact. Additionally, the reason poverty does not affect capital expenditure is that areas with high poverty levels generally have weak fiscal capacity due to low economic activity, limiting their ability to allocate budget for capital expenditure and forcing them to be more selective in determining spending priorities.

CONCLUSION

Based on the results of research on the factors influencing capital expenditure in the regencies/cities of the Special Region of Yogyakarta Province during the period 2011-2023, the following conclusions can be drawn: 1) Collectively, the variables of local own revenue, balancing funds, budget surplus (SiLPA), and poverty significantly influence capital expenditure in the Regencies/Cities of the Special Region of Yogyakarta from 2011 to 2023; 2) Partially, the variable of local own revenue does not significantly influence capital expenditure; 3) Partially, the variable of balanced funds has a positive and significant effect on capital expenditure; 4) Partially, the variable of budget surplus (SiLPA) has a positive and significant effect on capital expenditure; and 5) Partially, the variable of poverty does not have a significant effect on capital expenditure. This indicates that most districts/cities in the Special Region of Yogyakarta still depend on funds obtained from central government transfers in determining the amount of capital expenditure allocation. This dependence is inseparable from the suboptimal utilization of the economic potential of some

regions, so that the income generated has not been able to have a significant impact in encouraging an increase in capital expenditure.

Based on the results of this study, several strategies that local governments can implement are as follows: 1) local governments need to evaluate and rationalize budgets to increase spending on strategic sectors, such as strengthening public service infrastructure; 2) local governments need to reduce dependence on central government transfers by optimizing local economic potential, such as tourism and the creative economy, and encouraging collaboration with the private sector through public-private partnership (PPP) schemes and creating a conducive investment climate; and 3) local governments need to improve the effectiveness and accountability of budget management by improving planning, increasing the capacity of officials, and ensuring that SiLPA is productive and not the result of weak budget absorption.

This study has several limitations that may affect the results obtained, so improvements are needed in future research. The limitations of this study are as follows: 1) the independent variables used in this study are limited to four variables, namely local revenue, balancing funds, budget surplus (SiLPA), and poverty, while there are many other factors outside the research variables that also influence capital expenditure; 2) This study is limited to analyzing capital expenditure as a dependent variable without examining its impact on other variables such as economic growth, so it is not yet able to show the direct contribution of capital expenditure to regional development as a whole; 3) The location in this study is limited to districts/cities in the Special Region of Yogyakarta Province, so the results obtained may not necessarily apply to other regions with differences in economic, social, or fiscal capacity aspects.

Based on the limitations found in this study, the researcher provides several suggestions that can be implemented in future studies, including adding the scope of independent variables that have the potential to influence capital expenditure, both those originating from financial aspects such as regional revenue and non-financial aspects related to government policy direction. Additionally, it is hoped that the research location can be expanded to obtain more representative and applicable results, for example, by comparing capital expenditure across the entire Java Island or other regions with diverse economic characteristics.

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