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Capital Expenditure Determinants with Economic Growth as a Moderator in Regency and Municipal Government in South Kalimantan

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ABSTRACT

The purpose of this study is to test empirically how variables of PAD, DBH, DAU, DAK, Goods and Services Expenditure (BBJ), Personnel Expenditure (BPEG), affect the capital expenditure pattern with economic growth (PDRB) as a moderator on regency and municipal government in South Kalimantan. From the tests conducted on 65-panel data, it shows that this research model can be used to predict the factors influencing the allocation of capital expenditure. Even if there is still wide open possibility of other influential variables that have not been included in this model. Simultaneously, PAD, DBH, DAU, DAK, BBJ, BPEG, PDRB have a significant effect on the allocation of capital expenditure, but partially the significance and direction of each influence vary. Partially, BBJ (goods and services expenditure) has a significant effect on the allocation of capital expenditure, while BPEG (personnel expenditure) has a negative effect on the allocation of capital expenditure. The higher the personnel expenditure, the lower the opportunity of capital expenditure allocation, it shows that BPEG is a determinant of efficiency in the use of regional resources. The economic growth moderation variables proxied by PDRB in this study empirically succeeded in moderating the effect of DAK on Capital Expenditure but not significantly.

INTRODUCTION

The development of infrastructures used for public services by the government is funded from capital expenditure allocations (Bradbury & Stephenson, 2003). Capital expenditure is defined as budget expenditure in the achievement of fixed assets and other assets that can have a positive impact on one accounting period (PP No. 71 of 2010). Capital expenditure is a component of direct expenditure in government budgets that result in the output of fixed assets (IFAC, 2016). In the perspective of public policy, most capital expenditures are related to public services, so in every annual budget, the amount should be relatively enormous.

In this study, the factors tested were PAD, DBH, DAU, and DAK, goods and services expenditure, personnel expenditure, and economic growth as independent variables. Sugiardi and Supadmi (2014); Merina and Sari (2016), as well as other researchers with different scopes and territories. The difference with the current research is done on the scope of regency and municipal governments in South Kalimantan Province and add variables of Goods and Services Expenditure, Revenue Sharing Fund (DBH) and Personnel Expenditure, in accordance with Merina and Sari (2016) research results. In addition, this research is conducted considering there are still many gaps in previous research that contain inconsistencies.

In the view of Wagner's Law or known as the 'law of expanding state expenditure' that if the economic growth of a region increases, then the government will increase capital expenditures to improve and equip infrastructure with the aim of improving public services (Salih, 2012). Conversely, in Keynesian view, if increased government spending is expected to increase aggregate demand and increase consumption, which in turn leads to increased production (Jahan, S., & C. Papageorgiou, 2014.)

A. LiteraturReview

Agency Theory

Shapiro (2005) states that agency relations are a contract between the management (agent) and the principal. The agency relationship sometimes creates problems between agent and principal. Agents and principals have different goals and each wants their goals met. The result is a conflict of interest. (Salih, 2012).

According to Zimmerman (1976), in Watts and Zimmerman (1990) agency problems also exist within the context of governmental organizations. The people as the principal mandate the government as an agent, to carry out government duties in order to improve the welfare of the people. In this case, the people are the principal.

B. Theory of Budget

According to Zimmerman and Yahya-Zadeh (2011) budget is a form of a statement of management plan and policy used in a certain period as a blueprint in that period. Some budget functions, namely: (1) As a political instrument, meaning that the budget is one of the formal instruments that realize executive bargaining with the demands of public needs represented by the legislature. (2) Fiscal Policy Instruments. Budgets can be used to encourage, facilitate, and coordinate community economic activities to accelerate economic growth and equity of the results. (3) The instrument of planning. The budget specifies the objectives to be achieved, the cost, and the expected outcomes of each activity in each work unit. (4) Control Instruments. The budget contains detailed revenue and expenditure plans for each work unit, so the work unit does not overspend, underspend, or allocate budget to other areas.

C. Theory of Economic Growth

Economic growth is a parameter of a development activity; this is because economic growth can measure the rate of development of activity in the economic sectors in an economy (Lewis, 2013). These parameters form the basis for making decisions and basic policies by the government to improve economic activity.

Economic growth is defined as an increase in the ability of an economy to produce goods and services. In other words, economic growth refers to quantitative change and is usually measured using Gross Domestic Product (GDP) data, or per capita output income. Gross Domestic Product (GDP) is the total market value of final goods and services produced within an economy over a period of time, usually one year.

D. Previous Research and Hypothesis Development

a. Effect of Original Income on the allocation of Capital Expenditure.

Theoretically, increasing PAD will increase capital expenditure, which will further improve the quality of public services. But empirically, this hope may not work, because the original revenue of the area is drawn to finance other expenditure. The research that has been done by Sugiardi and Supadmi (2014);

Merina and Sari (2016), confirms that PAD variable has significant effect to capital expenditure, while according to (Hidayati, 2016) PAD has no influence on capital expenditure allocation. From some previous research, there are still findings of inconsistent research results so it is necessary to re-test to know the consistency of research findings in the hypothesis as follows:

H1: Local revenues have a positive effect on the allocation of capital expenditure.

2. The Effect of General Allocation Funds on the allocation of capital expenditures.

The General Allocation Fund (DAU) is a fund derived from APBN allocated for the purpose of equitable financing among regions to finance expenditure needs in the context of decentralization. The financial balancing fund is a consequence of the transfer of central government authority to the local government. Local governments can use financial balancing funds (DAU) to provide services to the public that are realized through capital expenditures.

DAU affects capital expenditures supported by Sugiardi and Supadmi (2014) in Bali, (Suhardjanto, Sulistyorini, & Hartoko, 2009). However, this is different from Sugiardi and Supadmi (2014) which conclude that DAU variable does not significantly affect capital expenditure. And several other studies show the findings of inconsistent research results so it is deemed necessary to re-examine to know the consistency of research findings allocation of capital expenditure into the hypothesis as follows:

H2: General allocation funds have a positive effect on the allocation of capital expenditure

3. Influence of Special Allocation Fund on the allocation of capital expenditure.

According to LAN and BPKP RI, 2000, the Special Allocation Fund (Dana Alokasi Khusus, DAK) is a fund sourced from APBN allocated to local governments to finance special activities which are regional affairs and national priorities. The purpose of DAK is to reduce the burden of special activity costs to be borne by the local government.

Based on research conducted by (Darmayasa & Suandi, 2014), DAK has a positive relationship but has no significant effect on capital expenditure allocation in the provincial government. DAK is a special grant, in which its allocation for the construction has been determined from the center, which is prioritized for capital expenditure. This is different from (Ardhini, 2011) and (Wandira, 2013), DAK has a significant influence on capital expenditure. (Suhardjanto et al., 2009) who conducted research in Java and Bali was different from previous studies, resulting in DAK having a negative effect on capital expenditure. From some previous research, also still not consistent so that researcher needs to do re-test to know the consistency of research findings of capital expenditure allocation into hypothesis as follows:

H3: Special allocation funds have a positive effect on the allocation of capital expenditure

4. Effect of Revenue Sharing Fund on the allocation of capital expenditures.

UU no. 33/2004, mentioned DBH is a fund sourced from APBN revenues allocated to regions based on percentage figures to fund regional needs in the framework of decentralization implementation. DBH transferred by the central government to the local government consists of 2 types, namely DBH tax and DBH none tax (natural resources).

DBH has a positive effect on capital expenditures (Hidayati (2016); Merina and Sari (2016)) This is supported by Sugiardi and Supadmi (2014); Wandira (2013) all provinces in Indonesia have a significant relationship between DBH to capital expenditure. Unlike (Jiwatami, 2013) found empirical evidence that DBH has a negative effect on capital expenditure. Thus there are still many findings of inconsistent research results so that researchers need to do a test again to determine the consistency of research findings allocation of capital expenditure into the hypothesis as follows:

H4: Revenue sharing funds have a positive effect on the allocation of capital expenditure.

5. Effect of Personnel Expenditure on the allocation of capital expenditures.

In-service expenditures are compensation expenditures, in the form of money or goods stipulated under the laws and regulations granted to state officials, Civil Servants (PNS), and employees employed by non-civil servant governments in return for work that has been except work related to the capital formation (Burhanuddin, 2012). Study Burhanuddin (2012) Study on the Influence of Personnel Expenditure, Government Investment and Local Government Debt Payment on the Flypaper Effect Phenomenon, confirming that the expenditure of local government employee of Regency/municipal affects flypaper effect. While some other researchers concluded that personnel expenditures negatively affect capital expenditures (Jiwatami, 2013).Based on the above description, the authors test the personnel expenditure in affecting capital expenditure with the following hypothesis:

H5: Personnel expenditure positively affects the allocation of capital expenditure

6. The Influence of Economic Growth on the allocation of Capital Expenditures.

Economic growth is a parameter of a development activity; this is because economic growth can measure the rate of development of activity in the economic sectors in an economy (Lewis, 2013). The economic growth proxied through regional GDP and PDRB at the national level is the development of economic activity where it affects the increasing amount of goods and services so that the people's prosperity increases.

Research conducted Sularno (2013) indicates that there is a positive relationship between GDP and capital expenditure. However, unlike Ardhini (2011); Merina and Sari (2016) concluded there is no influence of economic growths on capital expenditure. Because there are still findings of inconsistent research results so that researchers need to do a test again to determine the consistency of research findings allocation of capital expenditure into the hypothesis as follows:

H6: Economic growth has a positive effect on the allocation of capital expenditure

7. Influence of Economic Growth on Relationship between PAD, DAU, DAK on Allocation of Capital Expenditure.

The amount of economic growth in each region can strengthen and weaken the relationship between the Source of Funds, namely the Pendapatan Asli Daerah (PAD) of the General Allocation Fund (DAU), and the Special Allocation Fund (DAK) for capital expenditure. Based on the results of research conducted by Tamawiwiy, Sondakh, and Warongan (2016); and Sugiardi and Supadmi (2014) concluded that economic growth has moderated the relationship between DAU to capital expenditure. Therefore the authors wish to examine the consistency of economic growth in influencing the relationship between DAU and capital expenditure with moderating variables if applied at different times and scopes with the following hypothesis:

H7: The higher economic growth will increase the effect of PAD on the allocation of capital expenditure

H8: The higher economic growth will increase the effect of DAU on the allocation of capital expenditure.

H9: The higher economic growth will increase the effect of DAK on the allocation of capital expenditure

METHOD

The study was conducted on the entire population of 13 regencies and municipal in South Kalimantan. The type of data observed is secondary data. The data were obtained from BPS of South Kalimantan Province, in the form of APBD Documents from 2012 to 2016, published in Government

Financial Statistics Book of South Kalimantan, and supporting data through the Ministry of Finance website (www.djpkpd.go.id). The APBD data analyzed is a five-year time series for 13 districts and cities that describe cross-sectional all observed variables. The merging of this data is known as panel data, so the amount of data analyzed is for 13 regencies and municipal multiplied by 5 years, which are as many as 65 units of test data.

Variables and Measurements

Independent and dependent variables are measured by ratios in Regency/municipal data panels in the last five years (2012-2016), relationships between variables and hypothesis testing can be described as follows:

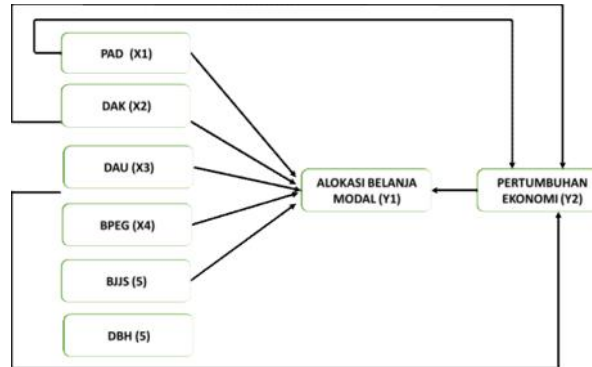


Figure 1. Variable Analysis Concept Framework

Analysis Technique

Data analysis technique used in this research is Moderated Regression Analysis (MRA) using Statistical Product and Service Solution (SPSS) V.22. MRA or interaction test is a special application of multiple linear regression wherein the regression equation contains elements of interaction or multiplication between two or more independent variables.

The regression equation for this research is as follows:

$$BM = + 1 PAD + 2 DBH + 3 DAU + 4DAK + 5 BBJ+ 6BpeG + 7 PE+ 8 (PE*PAD) + 9 (PE*DAU) + 10 (PE*DAK) +$$

Information:

- BM = Capital Expenditure
- PAD = Local Original Revenue
- DBH = Profit Sharing Fund
- DAU = General Allocation Fund
- DAK = Special Allocation Fund
- BBJ = Shopping for Goods and Services
- BPEG = Employee Spending
- PE = Economic Growth
- = Constants
- = Error Level
- = Regression Coefficient

RESULTS AND DISCUSSIONS

The study was conducted on the entire population of regency and municipal governments in South Kalimantan Province, each issuing a Regional Financial Report and Budget Realization Report, over a period of 5 years. (2012 - 2016), so the amount of data tested will amount to 65-panel data.

Data Analysis and Research Results

The coefficient of Determination Test (R²)

Table 1. Determination Coefficient Test

Model	R	R Square	Adjusted R Square
1	,862 ^a	,742	,711

Table 1 shows the value of R² of 0.742 which means that 74.2% change in capital expenditure can be explained by PAD, DBH, DAU, DAK, BPEG, BBJ, PDRB, and moderating variables, while the remaining 26.8% is influenced by other variables in outside model.

Statistical Test F

Table 2. Test of Goodness of Fit Model

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10,566	9	1,174	18,231	,000 ^b
	Residual	3,542	55	,064		
	Total	14,108	64			

a. Dependent Variable: Ln_Y

b. Predictors: (Constant), Ln_X7_x3, Ln_X6, Ln_X1, Ln_X7, Ln_X5, Ln_X2, Ln_X4, Ln_X3, Ln_X7_x1

Based on Table 3 it is known that the F value arithmetic is 18.231 and the probability of 0.000 is less than 0.05. This means that this regression model can be used (goodness) to predict capital expenditure allocation or it can be said variable of PAD, DBH, DAU, DAK, BBJ, PDRB, and moderating variable have an effect on dependent variable that is capital expenditure.

Discussion of Research Results

Moderate Regression Analysis (Moderate Regression Analysis)

Table 3. Moderate Regression Analysis (MRA)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-27,806	35,172		-,791	,433
	Ln_X1	2,401	1,969	3,288	1,220	,228
	Ln_X2	,700	,223	,402	3,137	,003
	Ln_X3	-,272	1,267	-,682	-,215	,831
	Ln_X5	1,040	,133	,869	7,831	,000
	Ln_X6	-,004	,017	-,022	-,249	,805
	Ln_X7	2,404	2,183	2,745	1,101	,276
	Ln_X4	-1,358	,220	-,843	-6,161	,000
	Ln_X7_x1	-,147	,125	-4,964	-1,175	,245
	Ln_X7_x3	,022	,080	,917	,275	,784
Adjusted R2 = ,711						
F Hitung = 18,231						
Sig. F = ,000 ^b						

Source: Processed SPSS22

Based on table 3 above, it is known that the F value is 18.231 and the probability is 0,000 smaller than 0.05. This means that the regression model can be used to predict the allocation of capital expenditure or it can be said that PAD, DBH, DAU, DAK, BPEG, BBJ, PDRB, and moderating variables affect the dependent variable that is capital expenditure.

The regression equation generated through Moderated Regression Analysis (MRA) is as follows:

$$BM = + 1 Ln_X1 + 2 Ln_X2 + 3 Ln_X3 + 4 Ln_X4 + 5 Ln_X5 + 6 Ln_X6 + 7 Ln_X7 + 7 (Ln_X7 * Ln_X1) + 9 (Ln_X7 * Ln_X3) +$$

Or:

$$BM = -27,806 + 2,401 PAD + 0,700 DAU - 0,272 DAK + 1,040 BBJ - 0,004 DBH + 2,404 PDRB - 1,358 BpeG - 0,147 (PDRB * PAD) + 0,022 (PDRB * DAK) +$$

Based on the MRA equation it can be seen that the constant value -27.806 has meaning if PAD, DBH, DAU, DAK, BBJ, Bpeg, PDRB, and constant moderating variables, then the allocation of capital expenditure will decrease by 27.806 percent. The PAD regression coefficient value of 2.401 means that if PAD goes up by one percent, then the allocation of capital expenditure increases by 2.4 percent with the assumption that other variables are constant. The DAU regression coefficient value of 0.700 means that if DAU increases by one percent, then the allocation of capital expenditure increases by 0.7 percent with the assumption that other variables are constant. The value of DAK regression coefficient of -0.2272 means that if DAK increases by one percent, then the allocation of capital expenditure decreases by 0.27 percent with the assumption that other variables are constant. The value of the regression coefficient of BBJ of 1.040 means that if goods and services spending rose by one percent, capital expenditure allocation increased by 1.040 percent. The DBH coefficient value of -0.004, means that revenue share goes up one percent, the allocation of capital expenditure decreases by 0.04 percent. The value of the regression coefficient of economic growth projected by GRDP at current prices, amounted to 2.404, meaning if PDRB increased by one percent, then the allocation of capital expenditure rose by 2.404 percent. The value of BPEG coefficient of 1.358, meaning that if the revenue-sharing fund increased one percent, the allocation of capital spending fell by 1.35 percent. The value of regression coefficient of GDP and PAD interaction variables equal to -0.147 indicates that the effect of moderation given is negative, meaning the higher moderation of economic growth, the effect of PAD on the allocation of capital expenditure decreased by 0.15. The value of regression coefficient of GDP and DAK interaction amounted to 0.022 indicates that the effect of moderation given is positive, meaning the higher moderation of economic growth, then the effect of DAK on the allocation of capital expenditure increases.

Hypothesis Testing Results

1. *The Effect of Original Income on the allocation of Capital Expenditures.*

The PAD regression coefficient value of 2.401 means that if PAD goes up by one percent, then the allocation of capital expenditure increases by 2.4 percent with the assumption that other variables are constant. Based on the significance level of $0.228 > 0.05$ shows the effect of PAD is not significant enough to the allocation of capital expenditure, and from the results of comparison t arithmetic and t table can be seen $t\text{-count} = 1.220 < t\text{-table} = 1.668$. Hence it can be concluded that H1 is rejected which means partially no significant effect on capital expenditure allocation. So the statement H1: PAD has a significant effect on the allocation of capital expenditure - rejected.

The results of this study do not confirm the research done by Sugiardi and Supadmi (2014); Merina and Sari (2016), but consistent with Hidayati (2016) has studied that PAD has no significant effect on capital expenditure allocation.

Theoretically, increasing PAD will increase capital expenditure, which will further improve the quality of public services. However, empirically, these expectations may not work, as regional capital expenditures depend more on regional equity funds or other fund transfers from other countries or regions, as the findings of this study suggest.

2. *Effect of General Allocation Fund (DAU) on the allocation of capital expenditures.*
The DAU coefficient value of 0.700 means that if DAU goes up by one percent, then the allocation of capital expenditure increases by 0.7 percent with the assumption that other variables are constant. Based on the level of significance $0.003 < 0.05$ indicates the effect of PAD is significant to the allocation of capital expenditure, and the results of comparison t arithmetic and t table can be seen $t\text{-value} = -0.215 < t\text{-table} = 1.668$. It can be concluded that H2: Specific allocation funds have a significant effect on the allocation of capital expenditures is rejected, which means that partially DAK has no significant effect on capital expenditure allocation. The results of this study are consistent with Suhardjanto et al. (2009), is no different from Sugiardi and Supadmi (2014) which states that the DAU variable has no significant effect on capital expenditure.
3. *Effect of Special Allocation Funds on the allocation of capital expenditures.*
The value of DAK regression coefficient of -0.2272 means that if DAK rises by one percent, then the allocation of capital expenditure decreases by 0.27 percent with the assumption that other variables are constant. However, based on the level of significance of $0.831 > 0.05$ shows the effect of PAD is not significant to the allocation of capital expenditure, and from the results of comparison t- and t-table can be seen $t\text{-count} = 3.137 > t\text{-table} = 1.668$. It can be concluded that DAK has a significant effect on capital expenditure, in line with Suhardjanto et al. (2009) who conducted research in Java and Bali, that DAK has a negative effect on capital expenditure. It also confirmed the study of Ardhini (2011) and Wandira (2013).
4. *Effect of Goods and Services Expenditure (BBJ) on the allocation of capital expenditures.*
The value of the regression coefficient of BBJ of 1.040 means that if goods and services spending rose by one percent, capital expenditure allocation increased by 1.040 percent. Based on the significance level $0.000 < 0.05$ indicates that the BBJ has a significant influence on the allocation of capital expenditure, and from the results of comparison t- and t-table can be seen $t\text{-value} = 7.831 > t\text{-table} = 1.668$. Hence it can be concluded that H4 accepted, that is: BBJ have a significant effect on the allocation of capital expenditure.

Spending for Goods and Services is the expenditure used for the purchase/procurement of goods whose value of benefits is less than 12 (twelve) months and is routine because it happens constantly. Variables of goods and services expenditure have been studied by Nurhaeni (2016) to variable equity of fund at SKPD Palu City, the result stated have influence but not significant to equity of fund at SKPD city of Palu.

Azwar (2016) proves changes in the value of the realization of goods/services procurement of government positive impact on the Indonesian economy. This positive economic response is ongoing and ongoing in the long-term permanently, where 91.12% of the variation in the formation of Indonesian economic indicators (at the end of the study period), comes from the procurement sector of government goods/services.

5. *Effect of Revenue Sharing Fund on the allocation of capital expenditures.*
The DBH regression coefficient of 0.004 means that if the revenue-sharing proceeds by one percent, the allocation of capital expenditure decreases by 0.04 percent, with significance level of $0.805 > 0.05$ indicating the effect of DBH is not significant on the allocation of capital expenditure, and from the comparison result t-arithmetic and t-table can be seen $t\text{-count value} = -0.247 < t\text{-table} = 1.668$. It can be concluded that the DBH has no significant effect on the allocation of capital expenditure. This study is consistent with Hidayati (2016); Merina and Sari (2016), Sugiardi and Supadmi (2014); and Wandira (2013), that the DBH has no significant effect on capital expenditure. While Jiwatami (2013) study found empirical evidence that DBH has a negative effect on Capital Expenditure.

Theoretically, local government will be able to determine the bigger capital expenditure if DBH budget is getting bigger, as well as smaller capital expenditure to be determined if DBH budget is getting smaller. DBH is a fund sourced from APBN revenues allocated to regions based on percentage figures to fund regional needs based on a certain percentage to fund regional needs in the context of decentralization implementation. But this study found at least a different picture of theoretical.

6. *Effect of Personnel Expenditure (BPEG) on the allocation of capital expenditures.*

The value of BPEG coefficient is -1.358, meaning that if profit sharing proceeds increase one percent, the allocation of capital expenditure will decrease by 1.35 percent. While the significance level of $0.000 < 0.05$ indicates that BPEG has a significant influence on the allocation of capital expenditure, and from the comparison of t-calculation and t-table can be seen $t\text{-value} = -6,161 > t\text{-table} = 1.668$, showing partially have influence significant negative to capital expenditure.

Burhanuddin's (2012) Research on the Effects of Personnel Expenditures, confirms that the spending of regency and municipal government employees influences the flypaper effect. While some other researchers concluded that personnel spending negatively affects capital expenditures (Jiwatami, 2013).

Personnel expenditures are compensation expenditures, either in the form of money or goods stipulated under legislation granted to state officials, Civil Servants (PNS), and employees employed by non-civil servant governments in return for work that has been performed except for work related to capital formation. Increased and less controlled personnel expenditure will reduce the ability of local governments to improve their own infrastructure. The magnitude of employee spending will shift other budgets, such as capital expenditures.

7. *Effect of Economic Growth (GRDP) on the allocation of Capital Expenditures.*

The value of the regression coefficient of economic growth projected by PDRB at current prices, of 2.404, means that if PDRB rises by one percent, then the allocation of capital expenditure increases by 2.404 percent, as long as the other variables are constant. While the significance level of $0.276 > 0.05$ indicates PDRB has no significant effect on the allocation of capital expenditure, and from the comparison of t-calculation and t-table can be seen $t\text{-count value} = 1.101 < t\text{-table} = 1.668$, showed partially no significant effect of capital expenditure, or H_7 is rejected. This is in line with Ardhini (2011); Maharani and Adi (2013) that there is no influence between economic growth on capital expenditure. In contrast, in contrast to the results of research conducted Sularno (2013) which indicates that there is a positive relationship between GDP and capital expenditure.

Economic growth is a parameter of a development activity, this is because economic growth can measure the rate of development of activity in the economic sectors in an economy. Economic growth has an impact on the growing number of goods and services so that the welfare of society increases (Salih, 2012).

8. *The Influence of Economic Growth (PDRB) on the Relationship Between Original Revenue (PAD) With Allocation of Capital Expenditure.*

The value of regression coefficient of GDP and PAD interaction variables equal to - 0.147 indicates that the effect of moderation given is negative, meaning the higher moderation of economic growth, the effect of PAD on the allocation of capital expenditure decreased by 0.15. Based on the level of significance $0.245 > 0.05$ shows the influence of PDRB not significant enough to moderate the effect of PAD on the allocation of capital expenditure, and from the results of t-count and t-table can be seen $t\text{-count} = -1,175 < t\text{-table} = 1.668$, it is concluded that moderation role is rejected, which means that the effect of moderation of GRDP on the effect of PAD is not significant on the allocation of capital expenditure.

This conclusion is in contrast to research conducted by Sugiardi and Supadmi (2014) which states that economic growth has moderated the relationship between PAD to capital expenditures. Similarly, Wahyu and Dwirandra (2015) have studied found that economic growth has a significant effect and is able to moderate the influence of local revenue on capital expenditures but with intensity and opposite directions.

9. *Influence of Economic Growth on Relationship between Special Allocation Fund (DAK) With Allocation of Capital Expenditure.*

The value of regression coefficient of GDP and DAK interaction amounted to 0.022 indicates that the effect of moderation given is positive, meaning the higher moderation of economic growth, then the effect of DAK on the allocation of capital expenditure increases. While based on the level of significance $0.784 > 0.05$ shows the influence of PDRB not significant enough to moderate the effect of DAK on the allocation of capital expenditure, and from the results of t arithmetic and t table can be seen the value of $t\text{-count} = 0.275 < t\text{-table} = 1.668$. it can be concluded that H-Moderation₂ is rejected, which means the effect of moderation of GRDP on the influence of DAK is not significant to the allocation of capital expenditure.

This conclusion is in line with (Wahyu & Dwirandra, 2015) study which found that economic growth is not able to moderate the effect of DAK on capital expenditures. While the results of research conducted by Tamawiy et al. (2016), and Sugiardi and Supadmi (2014) concluded that economic growth successfully moderated the relationship between DAK to capital expenditure.

CONCLUSION AND SUGGESTION

From a series of tests conducted, showing the model of this research can be used to predict the factors that affect the allocation of capital expenditures, namely PAD, DBH, DAU, DAK, BPEG, BBJ, PDRB, and moderating variables affect the dependent variable that is capital expenditures. Although there is still wide open possibility of other influential variables that have not been included in this model. Simultaneously PAD, DBH, DAU, DAK, BPEG, BBJ, PDRB, and moderating variables significantly influence the allocation of capital expenditures, but partially significant influence and influence variables on the dependent variable. Of all independent variables, only BBJ (goods and services expenditure) has a significant effect on the allocation of capital expenditure, whereas BPEG has a negative effect. The economic growth moderation variable proxied by PDRB in this study proved to have not succeeded in moderating the effect of PAD on capital expenditure; DAK to Capital Expenditures; DAU to Capital Expenditures.

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