

THE EFFECT OF CAPITAL EXPENDITURE, BALANCING FUNDS AND REGIONAL ORIGINAL REVENUE ON THE FINANCIAL PERFORMANCE OF THE BIREUEN DISTRICT GOVERNMENT IN THE 2005-2023 FISCAL YEAR**Nurul Amalia Fitri^{1*}, Muhammad Arkan², Muchsal Mina³, Izza Vharhaty⁴, Rizqi Nabila⁵**^{1,2,3,4,5} Universitas Islam Kebangsaan Indonesia

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***Email:** Nuruldekneung@gmail.com**ABSTRACT**

This study aims to determine the Effect of Capital Expenditure, Balancing Funds and Local Original Revenue on Financial Performance. The research location is the Bireuen Regency Government for the 2005-2023 Fiscal Year. The sample of this study was 19 years from 2005-2023. The method used is a quantitative method with a multiple linear regression model using SPSS 25. Based on the results of the study, it is known that Capital Expenditure has a positive and significant effect on the Financial Performance of the Bireuen Regency Government for the 2005-2023 Fiscal Year. Balancing Funds have a negative effect on the Financial Performance of the Bireuen Regency Government for the 2005-2023 Fiscal Year. Local Original Revenue does not affect the Financial Performance of the Bireuen Regency Government for the 2005-2023 Fiscal Year. Capital Expenditure, Balancing Funds and Local Original Revenue simultaneously affect the Financial Performance of the Bireuen Regency Government for the 2005-2023 Fiscal Year.

Keywords: Financial Performance, Influence of Capital Expenditure, Regional Original Income Balancing Fund.**INTRODUCTION**

Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments. Based on the legislation, it emphasizes the delegation of authority to manage regional financial resources, with the assumption that district and city governments have a better understanding of the needs, potential, and aspirations of their communities than the central government. The consequence of regional autonomy is that it must be accompanied by increased performance and accountability of regional governments so that the objectives of decentralization of power can be achieved. The reality is that the level of regional financial dependence on the central government is still high. In Permendagri number 13 of 2006 article 22 states that the structure of the APBD consists of regional income, regional expenditure and regional financing. Furthermore, in article 23 it is explained that regional income includes all receipts of money through the regional general cash account that increase equity funds, are regional rights in one budget year and do not need to be repaid by the region; while what is meant by regional expenditure includes all expenditures from the regional general cash account that reduce equity funds,

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are regional obligations in one budget year and will not be repaid by the region; and regional financing includes all financial transactions to cover deficits or utilize surpluses. In PP Number 58 of 2005 concerning regional financial management, ideally the implementation of regional spending is carried out with a performance approach that is oriented towards work achievements, by considering the relationship between funding and the output and outcome expected from activities and programs, so that the performance approach reflects the efficiency and effectiveness of public services. Sources of regional income consist of three components, namely Regional Original Income, Balancing Funds and Other Legitimate PAD, where each of these can support government activities. In order to carry out its functions and authorities, regional governments are expected to be able to find their own sources of financial income, especially to meet the needs of financing and regional development. In Law 33 of 2004, it is stated that the main sources of Regional Original Income (PAD) stated in the APBD are Regional Taxes, Regional Levies, Results of Management of Separated Regional Assets, and Other Legitimate PAD.

THEORY

Capital Expenditure

According to Halim (2007) "Capital Expenditure is a budget expenditure for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period". According to Mardiasmo (2009) "Capital Expenditure is an expenditure whose benefits tend to exceed one budget year and will increase the routine budget for operational and maintenance costs".

Balancing Fund

Balancing Fund is a fund sourced from the APBN revenue allocated to regions to fund regional needs in the context of implementing decentralization aimed at creating a financial balance between the central government and regional governments and between regional governments (Darise, 2008). According to Djaenuri (2012) "Balancing Fund is a source of regional income originating from the APBN to support the implementation of regional government authority in achieving the objectives of granting autonomy to regions, namely especially improving services and improving public welfare.

Local Original Income (PAD)

According to Halim (2007) Regional Original Income is the income obtained by regions from sources within their own territory which is collected based on applicable laws. Regional Original Income as a source of regional income needs to be increased in order to cover part of the expenditure required for the implementation of government and development activities which increase every year so that broad, real and responsible regional autonomy independence can be implemented (Darise, 2008).

Financial performance

According to Fahmi (2012) Financial Performance is the result or measurement of an analysis conducted to see to what extent a particular organization has carried out its activities using financial implementation rules properly and correctly. The definition of

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Financial Performance according to Jumingan (2006) is a description of the financial condition of an organization in a certain period which is usually measured by indicators of capital adequacy, liquidity and company profitability.

METHODS

The method used is a quantitative method with a multiple linear regression model using SPSS 25. The population in this study is Capital Expenditure, Balancing Funds, Local Original Income and Financial Performance of the Bireuen Regency Government for the 2005-2023 Fiscal Year. The sample of this study was 19 years from 2005-2023. Data testing used the Classical Assumption Test (Normality Test, Multicollinearity Test, Heteroscedasticity Test and Autocorrelation Test), Multiple Linear Regression Test, Hypothesis Test (Partial Test and Simultaneous Test) and Determination Coefficient Test (R²).

RESULTS

Descriptive Analysis

Descriptive analysis was conducted in the Bireuen Regency Government for the 2005-2023 Fiscal Year. The test tool used in this study was SPSS 25 software.

Table 1. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
LN_X1	19	17.60	19.75	18.9272	0.58890
LN_X2	19	19.38	21.19	20.4895	0.51181
LN_X3	19	15.51	19.26	18.0484	1.22167
LN_Y	19	1.95	3.35	2.7476	0.34471
Valid N (listwise)	19				

Source: processed data (2024)

Based on table 1 the descriptive results with 19 samples of these three variables prove that the average value is greater than the standard deviation value and shows that it is very good. This shows that the standard deviation has a very high deviation so that the distribution of data shows normal results and does not spread bias in the data.

Normality Test

To test whether the data distribution is normal or not, see Table 2 below:

Table 2. Data Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		19
Normal Parameters ^{a,b}	Mean	0.000000
	Std. Deviation	0.11951904
Most Extreme Differences	Absolute	0.156
	Positive	0.133
	Negative	-0.156
Test Statistics		0.156

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Asymp. Sig. (2-tailed)	0.200c,d
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Source: processed data (2024)

Based on table 2, the value of Asymp. Sig (2-tailed) is 0.200. If the significance value is above 0.05, then the variables are statistically normally distributed and suitable for use as research data, it can be interpreted that the significance value of $0.200 > 0.05$. The data of the independent variables, namely Capital Expenditure, Balancing Funds and Regional Original Income meet the normality test, and this study can be studied further.

Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables.

Table 3. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	LN_X1	0.261	3,830
	LN_X2	0.161	6.218
	LN_X3	0.113	8,870

a. Dependent Variable: LN_Y

Source: processed data (2024)

Based on table 3 above, it can be seen that the tolerance value of Capital Expenditure is $0.261 \geq 0.10$ and the VIF value is $3,830 \leq 10$. The tolerance value of Balancing Funds is $0.161 \geq 0.10$ and the VIF value is $6,218 \leq 10$. The tolerance value of Local Original Income is $0.113 \geq 0.10$ and the VIF value is $8,870 \leq 10$. So it can be concluded that each variable does not experience multicollinearity.

Heteroscedasticity Test

The method used in this study is the Glejser test. The Glejser test is carried out by regressing between the independent variables and their absolute residual values.

Table 4. Glejser test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,854	.901		-2,058	.057
	LN_X1	.018	.039	.202	.464	.649
	LN_X2	.122	.057	1.186	2.135	.052
	LN_X3	-.049	.029	-1.131	-1,705	.109

a. Dependent Variable: Abs_RES

Source: processed data (2024)

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From Table 4. above, it can be seen that the significance value of X1 is $0.649 > 0.05$, the significance value of X2 is $0.052 > 0.05$, and the significance value of X3 is $0.109 > 0.05$. Thus, it can be concluded that there is no heteroscedasticity.

Autocorrelation Test

To detect autocorrelation symptoms using the Durbin Watson test.

Table 4. Autocorrelation Test

Durbin Watson	1,153
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Source: processed data (2024)

Based on the test results above, the DW value is 1.153, which means that the value is between -2 and +2, meaning that it can be concluded that there are positive autocorrelation symptoms in the model in this study.

Multiple Linear Regression Analysis

To determine the influence of independent variables on dependent variables, a multiple linear regression model is used.

Table5. Regression Results Linear Multiple

		Coefficientsa				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	5,687	2.374		2.396	0.030
	LN_X1	0.868	0.103	1,483	8,463	0.000
	LN_X2	-0.854	0.150	-1.268	-5,679	0.000
	LN_X3	-0.104	0.075	-0.367	-1.378	0.188

Source: processed data (2024)

Based on table 6 of the results of the multiple linear regression analysis test above, the multiple regression equation obtained is as follows:

$$KK = 5.687 + 0.868*BM - 0.854 *DP - 0.104*PAD + \varepsilon$$

Information:

- KK : Performance Finance
- BM : Capital Expenditure
- DP : FundsBalance
- PAD : Locally-generated revenue
- e : Error

The interpretation of the equation is as follows:

1. Based on the regression equation, a constant value of 5.687 is obtained. This shows that if the Capital Expenditure (X1), Balancing Fund (X2) and Regional Original Income (X3) variables are considered constant/equal to zero, then the Financial Performance level is 5.687%.
2. Based on the results of the regression equation above, the Capital Expenditure variable (X2) has a regression coefficient of 0.868, which is positive. So, assuming

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that other variables are constant, if the Capital Expenditure variable (X2) increases by one unit, Financial Performance (Y) will increase by 0.868%.

3. Based on the results of the regression equation above, the Balancing Fund variable (X2) has a regression coefficient of -0.856, which is negative. So, assuming that other variables are constant, if the Balancing Fund variable (X2) decreases by one unit, Financial Performance (Y) will decrease by -0.856%.
4. Based on the results of the regression equation above, the Regional Original Income variable (X3) has a regression coefficient of -0.104, which is negative. So, assuming that other variables are constant, if the Regional Original Income variable (X3) decreases by one unit, so that Financial Performance (Y) will decrease by -0.104%.

Partial Hypothesis Test (t-Test)

The t-test aims to test the partial influence between independent variables on dependent variables with other variables considered constant.

Table 6. t-Test Results

Model		t	Sig.
1	(Constant)	2.396	0.030
	LN_X1	8,463	0.000
	LN_X2	-5,679	0.000
	LN_X3	-1.378	0.188

Source: processed data (2024)

Based on table 7 with a significance value of 0.05, it can be seen that:

1. The value of $t_{count} 8,463 > t_{table} 1.75305$ and the significance value of t from X1 is $0.000 < 0.05$. So it can be concluded that the first hypothesis (H1) is accepted, namely the positive and significant influence of Capital Expenditure on financial performance.
2. The value of $t_{hitung} -0.679 < t_{table} 1.75305$ and the significance value of t from X2 is $0.000 < 0.05$. So it can be concluded that the second hypothesis (H2) is accepted, namely the negative influence of the Balancing Fund on financial performance.
3. The value of $t_{count} -1.378 < t_{table} 1.75305$ and the significance value of t from X3 is $0.188 > 0.05$. So it can be concluded that the second hypothesis (H3) is rejected, namely there is no influence of Regional Original Income on financial performance.

Simultaneous Hypothesis Test (F Test)

The F test is used to determine whether the independent variables jointly or simultaneously influence the independent variables.

Table 7. F Test Results

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,882	3	0.627	36,592	0.000
	Residual	0.257	15	0.017		
	Total	2.139	18			

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Source: processed data (2024)

From the results of the F test above, it shows that the F count value is $36.592 \geq F$ table 3.29 with a significance value of $0.00 \leq 0.05$, meaning that there is a significant influence or relationship between Capital Expenditure (X1), Balancing Funds (X2), and Regional Original Income (X3) simultaneously on Financial Performance (Y).

Coefficient of determination (R²)

The coefficient of determination (R²) shows the percentage of variation in all dependent variables that can be explained by the dependent variable.

Table 8. Results of Determination Coefficient

Adjusted R-Squared	0.856
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Source: processed data (2024)

Based on table 9, the estimated value of R² can be seen as 0.856. This means that 85.6% of the Capital Expenditure, Balanced Fund and Regional Original Income variables have an influence on the Financial Performance variable. Bireuen Regency Government 2005-2023 Budget Year. While the remaining 14.4% is explained by other variables outside the research model.

DISCUSSION

The Impact of Capital Expenditure on Financial Performance

Based on the test results that have been carried out above, the values shown are $t_{hitung} 8,463 > t_{table} 1.75305$ and the significance value of t from X1 is $0.000 < 0.05$. So it can be concluded that the first hypothesis (H1) is accepted, namely that there is a positive and significant influence of Capital Expenditure on Financial Performance. Bireuen Regency Government 2005-2023 Budget Year. The results of this study are in accordance with research conducted by Anggraeni (2016) which states that capital expenditure has a significant effect on financial performance. Research by Sari & Mustanda (2019) states that capital expenditure has a positive effect on the financial performance of local governments. However, this study is contrary to research by Darwanis and Saputra (2014) which found that capital expenditure has a negative effect on the financial performance of local governments. Research by Prastiwi and Aji (2020) showed negative results.

The Influence of Balanced Funds on Financial Performance

Based on the test results that have been carried out above, the values shown are $t_{hitung} 0.679 < t_{table} 1.75305$ and the significance value of t from X2 is $0.000 < 0.05$. So it can be concluded that the second hypothesis (H2) is accepted, namely the negative influence of Balancing Funds on Financial Performance. Bireuen Regency Government 2005-2023 Budget Year. This study is in contrast to Saraswati's (2018) research and Maulina et al.'s (2021) research which found that there was a significant positive influence of balanced funds on financial performance.

The Influence of Local Original Income on Financial Performance

Based on the results of the tests that have been carried out, it shows the value of $t_{hitung} - 1.378 < t_{table} 1.75305$ and the significance value of t from X3 is $0.188 > 0.05$. So it can be concluded that the second hypothesis (H3) is rejected, namely that there is no influence of Regional Original Income on Financial Performance. Bireuen Regency Government 2005-2023 Budget Year. The results of this study are in line with Andirfa (2016) who stated that local revenue does not affect the financial performance of local governments. However, this study is not in line with Yasin and Kasino (2018) and Putri & Darmayanti (2019) who showed that PAD has a negative effect on the financial performance of local governments. Research by Ekasuryana, et al. (2018) which states that PAD has a positive effect on the financial performance of local governments.

CONCLUSION

Based on the results of the research and discussion obtained, it can be said that the conclusion of the answer to the formulation of the problem is that Capital Expenditure, Balancing Funds and Regional Original Income simultaneously affect the Financial Performance of the Bireuen Regency Government in the 2005-2023 Fiscal Year. This indicates that Capital Expenditure, Balancing Funds and Regional Original Income together are able to contribute significantly to increasing the level of Financial Performance of the Bireuen Regency Government in the 2005-2023 Fiscal Year. Capital Expenditure partially has a positive and significant effect on the Financial Performance of Regencies and Cities in Aceh Province in 2005-2023. Balancing Funds partially have a negative effect on the Financial Performance of the Bireuen Regency Government in the 2005-2023 Fiscal Year. Regional Original Income partially does not affect the Financial Performance of the Bireuen Regency Government in the 2005-2023 Fiscal Year.

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