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THE DETERMINANT FACTORS OF REGIONAL EXPENDITURE

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Abstract

The objective of this research is to analyze the determinant factors of Regional Expenditure in Bengkulu Province . The data used in this research is secondary data obtained from the Directorate General of Fiscal Balance (Ministry of Finance) and the Central Statistics Agency for 2016-2021 and other supporting reports. The data collected are local own-source revenue (OSR), general allocation funds (GAF), special allocation funds (SAF) and economic growth. The types of data and analysis tools used are panel data and multiple linear regression. Based on the panel data regression results, the best model obtained in this research is the Fixed Effect Model. The results of the study show that partially the General Allocation Fund (GAF) and the Special Allocation Fund (SAF) have a positive and significant impact on district/city Regional Expenditure in Bengkulu Province, and economic growth has a negative and significant effect on district/city Regional Expenditure in Bengkulu Province, while Local Own-Source Revenue (OSR) has no effect on district/city Regional Expenditure in Bengkulu Province. Meanwhile, simultaneously General Allocation Fund (GAF), Special Allocation Fund (SAF), economic growth and local own-source revenue (OSR) have a positive and significant effect on district/city Regional Expenditure in Bengkulu Province with an Adjusted R-squared amount of 89,04 percent, while 10.96 percent is explained by other variables outside the variables of this study.

Keywords: *Regional Expenditure Budget, Local Own-Source Revenue (OSR), General Allocation Fund (GAF), Special Allocation Fund (SAF), Economic Growth*

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INTRODUCTION

According to Law Number 32 of 2004 and Law Number 33 of 2004, local government budget is an annual financial plan set by the regional government. In this case, the preparation of regional expenditures is carried out with a performance approach. Where in the budgeting system prioritizes the achievement of results or output from the allocation of costs that have been determined.

Meanwhile, if we look at the financial performance of districts/cities in Bengkulu Province based on data obtained from the Ministry of Finance, since 2020-2021 Bengkulu Province has a Regional Fiscal Capacity Ratio (RKFD) which is categorized as very low. The fiscal capacity of districts/cities in Bengkulu Province can be seen in the following graph.

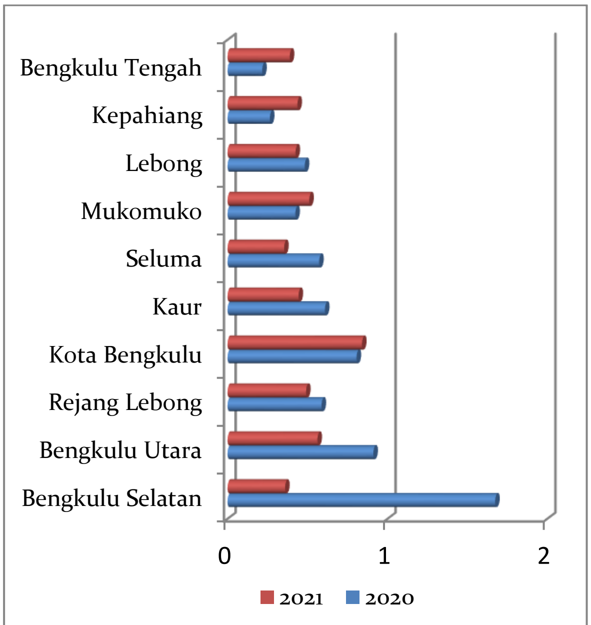

Figure 1. Fiscal Capacity Ratio of District/City Areas in Bengkulu Province
Source: Ministry of Finance, Directorate General of Financial Balance (data processed)

The low fiscal capacity of the region indicates that the financial capacity of the region is also low, especially in terms of regional revenue and regional expenditure. This financial performance achievement is related to regional autonomy policy. According to Law Number 32 of 2014, regional autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in the Unitary State system of the Republic of Indonesia. Furthermore, according to Mardiasmo (2010), regional autonomy is the delegation of wewanang in policy decision making, public fund management and regulation of activities in the context of governance and community services.

In the implementation of regional autonomy, the central government transfers general allocation funds (GAF), special allocation funds (SAF), profit sharing funds and other lawful local revenue. The purpose of providing transfer funds is to overcome fiscal gaps between regions (Oates, 1999). In addition, the transfer fund is expected to improve the performance or financial independence of the region. However, it turns out that at the time of its realization, according to Adi (2012) this transfer fund policy has positive and negative sides for local governments. The policy of providing very large amounts of funds actually causes fiscal laziness for local governments.

As stated by Holtz-Eakin et al. (1989), there is a close relationship between transfer funds and local government spending. Where regional expenditures are adjusted to regional revenues. If the regional revenue is large enough, then the potential for Regional Expenditure is also relatively large. As research conducted by Ashworth et al. (2005) found that income levels positively affect public spending As stated by Holtz-Eakin et al. (1989), there is a close relationship between transfer funds and local government spending. Where regional expenditures are adjusted to regional revenues. If the regional revenue is large enough, then the potential for Regional Expenditure is also relatively large. As research conducted by Ashworth et al. (2005) found that income levels positively affect public spending.

Therefore, local governments are expected to be able to regulate and be fully responsible for their regional financial management. In order to improve regional financial capabilities and be able to explore potential sources of regional income. In this case, of course, local governments need to carry out proper planning in optimizing the financial capabilities of the region. One of the policies that can be done is to make a Regional Expenditure plan. As stated in the 2002 State Finance Law, local goverment budget is one of the policy instruments to improve public services and community welfare.

Based on data obtained from the Central Statistics Agency, in 2022 Bengkulu Province is categorized as the 10 poorest provinces in Indonesia. The data on the percentage of poor people according to the 10 poorest provinces in Indonesia can be seen in the following graph.

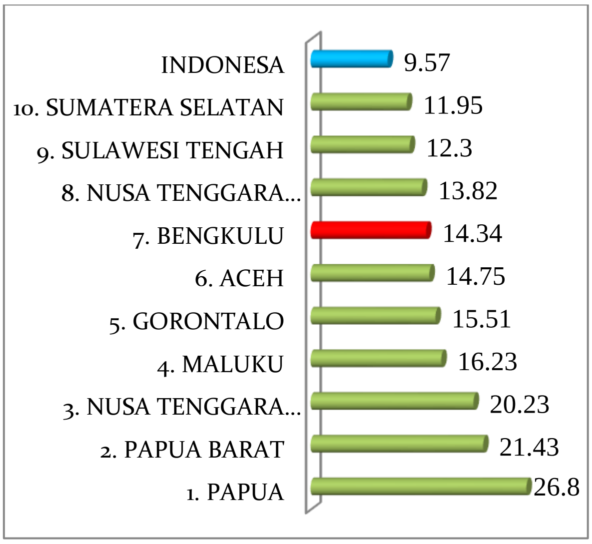

Figure 2. Indonesian Poverty Rate (%)
Source : Central Statistics Agency (processed, 2022)

This high poverty rate indicates the low level of welfare or income of the people of Bengkulu Province. As stated in Adolf Wagner's theory that in an economy if per capita income increases, then relatively government spending will also increase.

An interesting phenomenon is that the average expenditure of districts/cities in Bengkulu Province from 2016 to 2021 tends to fluctuate. According to data obtained from Bank Indonesia, (2021) in the economic report of Bengkulu Province, overall, regional expenditure in Bengkulu Province increased by 95.13 percent. This is due to an increase in direct and indirect expenditure.

Regional expenditure is an important component that always invites public attention. This is because the community as a public fund through local taxes has the right to know whether the funds have been used properly, efficiently, effectively, and oriented to the public interest. Efficient government spending is an important issue in public sector policy, efficient spending is believed to encourage the improvement of public welfare more broadly.

Furthermore, the high realization of this expenditure is influenced by regional revenues. This regional revenue is sourced from the equalization fund and local original income and is also influenced by the economic condition of the region. Most of the sources of regional revenue in districts/city in Bengkulu Province still come from the balance fund (transfer) consisting of tax revenue sharing, non-tax/natural resources profit sharing, GAF and SAF and other revenues consisting of grant income, emergency fund income and other income. This is in line with the results of research by Septriani et al. (2020) which found that on average more than 70 percent of the implementation of Bengkulu Provincial government activities comes from government transfer funds. The largest source of transfer funds is obtained from general allocation funds (GAF). Meanwhile, the Special Allocation Fund (SAF) also has an important role in increasing regional revenues. The higher the Special Allocation Fund (SAF), the more the ability of the regions to allocate revenue to finance special activities.

Meanwhile, Locall Own-Source Revenue (OSR) consists of regional taxes and regional levies. If viewed based on Bengkulu Province OSR data obtained from the Central Bureau of Statistics of Bengkulu Province, during 2016-2022, the amount of Bengkulu Province OSR always fluctuates and tends to increase from year to year. This OSR is one of the benchmarks for the success of regional autonomy. In addition, when viewed based on economic growth, during 2016-2022 the economic growth of Bengkulu Province always fluctuates from year to year and tends to decrease (Central Bureau of Statistics of Bengkulu Province). This economic growth is seen from the growth of Gross Regional Domestic Product. When economic growth is high, it indicates that people's welfare is also high, and vice versa. This will have an impact on regional revenues.

Large sources of regional revenue will have an impact on the availability of regional funds to be allocated as regional budgets. If regional sources of income increase, the ability of regions to implement regional autonomy also increases. Especially the government's ability to allocate budget to obtain or add more assets that provide greater benefits.

Research related to economic growth, local original income and general allocation funds to capital expenditure has been conducted by Syapsan (2017). The results showed that economic growth, local original income and general allocation funds had a positive effect on capital expenditure. Other researchers such as Waskito et al. (2019), Yovita & Utomo (2011), Ayuningrum & Ofasari (2022), Putri et al. (2019) and Sumarsono & Rahmawati (2017) also prove that economic growth, local original income and general allocation funds affect capital expenditure and regional expenditure.

Based on the explanation above, it can be seen that the Regency/City of Bengkulu has several sources of funding, both from Locall Own-Source Revenue (OSR) and balancing funds. Each of these funding sources also determines the amount of the regional budget. In addition, there is another variable that is also thought to affect regional expenditure, namely economic growth. However, it is necessary to study how much each variable contributes to the district/city budget in Bengkulu Province.

THEORETICAL BASIS

Regional Autonomy

Based on Law Number 12 of 2008, regional autonomy is the authority of autonomous regions to regulate and manage the interests of local communities according to their own initiatives based on community aspirations in accordance with laws and regulations. The basic principle of regional autonomy based on the law is to regulate the implementation of regional governments that prioritize decentralization with broad, real and responsible authority to the regions proportionally which is realized by the equitable distribution and utilization of national resources and the financial balance between the central and regional governments (Halim, 2010).

Meanwhile, according to Prastijo (2010), in principle, regional autonomy is the transfer of authority from the Central Government to Regional Governments to regulate their own households. Granting authority to a wider region is very appropriate because the region is the one that understands more about its own conditions. The development carried out will be in accordance with regional priorities and community aspirations. This is due to community participation in political activities at the regional level and the democratization system that is carried out in accordance with the objectives of autonomy itself.

The objectives of regional autonomy are basically directed to spur equitable distribution of development and its results, improve people's welfare, promote community initiatives and participation, and increase the utilization of regional potential in a real, optimal, integrated, and dynamic manner, as well as responsibly so as to strengthen national unity and unity, reduce the burden on the central government and interference with regions and provide opportunities to local or regional level coordination (Bastian, 2010).

According to Halim (2010) explained that the main characteristics of a region that is able to carry out autonomy, namely (1) regional financial capacity, meaning that regions must have the authority and ability to explore financial resources, manage and use their own finances that are sufficient enough to finance the administration of their government, and (2) dependence on central assistance must be minimal, so that Local Own-Source Revenue (OSR) can be part of the source The largest finance so that the role of local governments becomes greater.

Economic Growth

The concept of economic growth is related to the process of constantly increasing output in the long run (Djojohadikusumo, 1994). Economic growth is also defined as the process by which real GDP increases. In this sense the economy is said to grow or develop when there is real output growth. The real total output of an economy may also remain constant or decline (stagnate).

Economic change includes either static growth or a decline in real national income. The decline in real national income is a negative change, while economic growth is a positive change (Widjaja, 1997). It is further stated that economic growth occurs when there is an increase in per capita output. Economic growth by this definition describes an increase in living standards measured by real output per person. Economic growth occurs when the rate of increase in total real output is greater than the rate of population growth.

Local own-source revenue

Law Number 25 of 2009, Regional Own-Source Revenue is revenue obtained by regions from sources within their own territory collected based on Regional Regulations in accordance with applicable laws and regulations. Sources of Local Own-Source Revenue (OSR) must be sought continuously to be used as financing routine expenditures and regional development expenditures in the era of regional autonomy. Local Own-Source Revenue (OSR) consists of several elements, namely regional taxes, regional levies, the results of segregated regional wealth management and other legitimate income.

General Allocation Fund (GAF)

According to Law Number 23 of 2014, the General Allocation Fund (GAF) is a fund sourced from APBN revenues allocated with the aim of equitable distribution of financial capacity between regions to fund regional needs in the context of implementing decentralization. The purpose of General Allocation Fund (GAF) is to equalize regional financial capacity, including guaranteed continuity of local government implementation throughout the region in the context of providing basic services to the community, and is an integral part of the general revenue of the regional budget.

Special Allocation Fund (SAF)

Based on Law Number 23 of 2014, the Special Allocation Fund (SAF) is a fund sourced from state budget revenues allocated to certain regions with the aim of helping to fund special activities which are government affairs that are regional authorities. According to (Mardiasmo, 2010) Special Allocation Fund (SAF) is prioritized to help regions with financial capacity below the national average, in order to fund the provision of physical facilities and infrastructure for basic community services that have become regional affairs.

The special allocation fund (SAF) aims to finance the special needs of the region. Thus, in line with the main objective of the equalization fund, it can further empower and improve the ability of the regional economy, creating a fair, proportional regional financing system. Rational, transparent, participatory, responsible (accountable), and provide certainty of regional financial resources originating from the area concerned.

Regional Expenditure

Regional expenditures are all regional obligations that are recognized as a deduction from the value of net worth in the relevant fiscal year period (Law Number 23 of 2014). The regional expenditure is prioritized to protect and improve the quality of life of the community in an effort to fulfill regional obligations which are manifested in the form of improving basic services, education, providing health service facilities, social facilities and decent public facilities and developing social security by considering the analysis of spending standards, price standards, performance benchmarks and minimum service standards set in accordance with the laws and regulations (Law 32/2004).

RESEARCH METHODS

This type of research is quantitative descriptive research, which aims to make an objective picture of a situation using numbers. The data used in this research are secondary data obtained from the Central Statistics Agency (BPS) of Bengkulu Province, the Ministry of Finance and other related agencies. The data collected are data on the General Allocation Fund (GAF), Special Allocation Fund (SAF), Local Own-Source Revenue (OSR) and economic growth, regional budgets in Districts / Municipalities in Bengkulu Province during the 2016-2021 period. This research used a panel data regression analysis tool which is a combination of time series data and cross section data. The panel data regression equation is:

$$RE_{it} = \alpha + \beta_1 EG_{it} + \beta_2 OSR_{it} + +\beta_3 GAF_{it} + \beta_4 SAF_{it} + \varepsilon_{it}$$

Information:

RE	: Regional Expenditure
EG	: Economic Growth
OSR	: Regional Own-Source Revenue
GAF	: General Allocation Fund
SAF	: Special Allocation Fund
α	: Constant
β1, β2, β3, β4	: Regression coefficient
ε	: error term
i	: Cross section Unit (9 districts in Bengkulu province)
t	: time period (2016-2021)

To determine the best model between the common effect model, fixed effect model and random effect model, then do the chow test, hausman test and lagrange multiplier test.

RESEARCH RESULT AND DISCUSSION

Descriptive Analysis

This research uses 1 dependent variable, namely Regional Expenditure and 4 independent variables consisting of Local Own-Source Revenue (OSR), General Allocation Fund (GAF), Special Allocation Fund (SAF) and economic growth. The details of each of these variables can be seen in the following table.

Table 1. Statistics of Variable Information

Var.	N	Min.	Max.	Mean	Std. Dev.
RE	36	768711.1	1492517.	1068717.	167950.5
EG	36	-0.250000	6.130000	3.875556	1.916268
OSR	36	23930.53	208765.7	85867.13	50359.36
GAF	36	433937.0	1103863.	627972.5	146478.2
SAF	36	19604.48	275037.3	161457.6	73598.56

Source : Secondary Data (processed)

Regional Expenditure

Meanwhile, for Regional Expenditure data, during 2016-2021 the average amount of the Regional Expenditure of each district/city in the province always fluctuates and tends to decrease. The average district/city budget in Bengkulu Province is 1,068,717 with the lowest Regional Expenditure of IDR 768.711,1 million Rupiah and the highest Regional Expenditure of IDR 1.492.517 million Rupiah. Then the standard deviation value is IDR 167.950,5 million Rupiah. This standard deviation value is smaller than the mean, indicating that income data is homogeneous or there is no data deviation. In other words, the data in this research does not contain outliers (data that is too extreme).

In 2016 the average regional expenditure was IDR 95.775 million Rupiah, in 2017 the average regional expenditure decreased to IDR 883.568 million rupiah, then the average regional expenditure continued to increase until 2020 to IDR 1.066.882 million Rupiah and in 2021 it fell back to IDR 953.418 million Rupiah. According to data obtained from Indonesia Central Bank in the economic report of Bengkulu Province (2021), overall, Regional Expenditure in Bengkulu Province increased by 95.13 percent. This is due to an increase in direct and indirect spending. The increase in direct expenditure came from capital expenditure with the realization of expenditure 93.32 percent higher than the expenditure in the previous year which was only 78.30 percent. This is because, in 2020, it is inseparable from several policies made by local governments, including local governments making special letters to each Regional Apparatus Organization (OPD) that obtains Special Allocation Funds (SAF) to accelerate the realization of the Special Allocation Fund (SAF), then carrying out a recurring TU disbursement mechanism, especially Covid-19 funds, and local governments also make steps to finalize the year-end budget and make Covid-19 fund accountability guidelines. Meanwhile, the increase in indirect spending came from the realization of employee spending which reached 96.41 percent and this figure was higher than the previous year which was only 91.33 percent and there was an increase in the component of grant spending used for handling Covid-19. This is due to the development of the Covid-19 pandemic level in each region that requires adequate handling. The results of the refocusing and reallocation of the local government budget in handling Covid-19 cover 3 areas, namely handling the health sector, handling economic impacts, and handling social security nets (Bank Indonesia, 2021).

Economic Growth

Meanwhile, for economic growth data, during 2016-2021 the average economic growth of each district/city in the Province always fluctuates and tends to decrease. The average economic growth of districts / cities in Bengkulu Province is 3.87 percent with the lowest economic growth of -0.25 percent and economic growth, the highest of 6.13 percent. Then the standard deviation value is 1.91 percent. This standard deviation value is smaller than the mean, indicating that income data is homogeneous or there is no data deviation. In other words, the data in this research does not contain outliers (data that is too extreme).

In 2016 the average amount of economic growth was 5.32 percent, then fell to 5.02 percent in 2017 and 4.99 percent and 4.80 in 2018 and 2019 respectively. Then the average economic growth of districts/cities in Bengkulu Province has only increased in 2021. The lowest economic growth occurred in 2020. In general, the decline in economic growth in 2020 was caused by the Covid-19 pandemic which caused a decrease in the performance of all components, both in terms of use and in terms of business fields. When viewed from the use side, the decline in economic growth was caused by a contraction in the components of household consumption, investment and exports. Meanwhile, when viewed from the business sector, the decline in economic growth is caused by a decline in agriculture, trade and transportation business (Bank Indonesia, 2021).

Local Own-Source Revenue (OSR)

Based on Table 1, it can be seen that the original income of districts/cities in Bengkulu Province always fluctuates. The Local Own-Source Revenue (OSR) in the Regency/City government in Bengkulu Province averages IDR 85.867,13 million with the lowest local own-source revenue of IDR 23.930,53 million and the highest local own-source revenue of IDR 208.765,7 million. Then the standard deviation value is IDR 50.359,6 million. This standard deviation value is smaller than the mean, indicating that income data is homogeneous or there is no data deviation. In other words, the data in this research does not contain outliers (data that is too extreme).

The highest average Local Own-Source Revenue (OSR) was found in 2020, which was 85.006 million Rupiah, and the lowest was in 2016, which was 47.382 million Rupiah. The high Local Own-Source Revenue (OSR) in 2020 was sourced from Bengkulu City with a Local Own-Source Revenue (OSR) of 126,210 million. The high Local Own-Source Revenue (OSR) in Bengkulu City is caused because Bengkulu City is a Central Business District (CBD) or the economic center of Bengkulu Province. While the lowest Local Own-Source Revenue (OSR) is found in Central Bengkulu Regency, this is because Central Bengkulu is the youngest regency in Bengkulu province.

General Allocation Fund (GAF)

Meanwhile, for General Allocation Fund (GAF) data, during 2016-2021 the average size of the General Allocation Fund (GAF) of each District/city in the province continues to increase from year to year. The General Allocation Fund (GAF) districts/cities in Bengkulu Province amounted to IDR 627.972,5 million with the lowest General Allocation Fund (GAF) of IDR 433.937 million and the highest General Allocation Fund (GAF) of IDR 1.103.863 million. Then the standard deviation value was IDR 146.478,2 million. This standard deviation value is smaller than the mean, indicating that income data is homogeneous or there is no data deviation. In other words, the data in this research does not contain outliers (data that is too extreme).

In 2016 the average General Allocation Fund (GAF) of districts/cities in Bengkulu Province was IDR 494.297 million Rupiah, in 2017 it was IDR 511.133 Million Rupiah, in 2018 it was IDR 511.866 Million Rupiah, in 2019 and 2020 it was IDR 533.278 Million Rupiah and IDR 541.873 Million Rupiah, respectively, while the average increase in General Allocation Fund (GAF) in each district/city in Bengkulu province was highest in 2021, with an increase in General Allocation Fund (GAF) of 49.9 percent. The highest General Allocation Fund (GAF) was sourced from North Bengkulu Regency, which amounted to IDR 1.103.863 million Rupiah. Based on data obtained from Bank Indinesia's Publication in the 2021 Bengkulu Regional Fiscal Study, the increase in GAF in 2021 was driven by the needs of local governments for handling Covid-19 and national economic recovery. The highest GAF distribution occurred in February with the value of GAF distributed amounting to IDR 803.600 million Rupiah and the lowest distribution was in March with the value of GAF distributed amounting to IDR 118,600 million Rupiah.

Special Allocation Fund (SAF)

Furthermore, for Special Allocation Fund (SAF) data, during 2016-2021 districts/cities in Bengkulu Province always fluctuate. This is because DAF is a fund used to fund special matters and is a national priority in accordance with functions that are the manifestation of government duties in certain fields, especially in an effort to meet the needs of basic community service facilities and infrastructure (Law Number 55 of 2005). Therefore, the amount of SAF will always change every year according to the needs of the region and whether it is a national priority or not. The district/city SAF in Bengkulu Province is IDR 161.457,6 million Rupiah with the lowest Special Allocation Fund (SAF) at IDR 19.604,48 million Rupiah and the highest Special Allocation Fund (SAF) at IDR 275.037,3 million. Then the standard deviation value is IDR 73.598,56 million. Meanwhile, when viewed based on data, the highest average SAF was found in 2019, which was IDR 192.179 million and the lowest average Special Allocation Fund (SAF) was in 2021. The high Special Allocation Fund (SAF) in 2019 was caused by a significant allocation ceiling in 2019 (DJP Regional Office of Bengkulu Province, 2019). Furthermore, the standard deviation value in the Special Allocation Fund (SAF) variability is smaller than the mean, this indicates that income data is homogeneous or there is no data deviation. In other words, the data in this research does not contain outliers (data that is too extreme).

Results of Panel Data Regression

Analysis In panel data model research, there are 3 tests to determine the best model between the common effect model, fixed effect model, and random effect model. The three tests include the chow test, hausman test, and Lagrange Multiplier test. Based on the chow test, it is used to choose which model is the best between the common effect model or fixed effect model with an alpha confidence level of 5 percent. The results of the chow test can be seen based on the following table.

Table 2. Result of Chow Test

Effects Test	Stat.	df	Prob.
Cross-section F	3.898633	(9.46)	0.0010
Cross-section Chi-square	34.013393	9	0.0001

Source: Secondary data (processed)

Based on the chow test table, it can be seen that the probability value of cross-section F is smaller than α (0.05), which means that H1 is accepted and H0 is rejected.

Then the best model to use is the fixed effect model.

Therefore, it is necessary to do a hausman test to choose the best model between the random effect model or fixed effect model. Based on the results of the hausman test with an alpha confidence level of 5% (0.05), the following results were obtained.

Table 3. Result of Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	27.469608	4	0.0000

Source: Secondary data processed (2022)

Based on the results of the hausman test, it can be seen that prob. random cross-section (0.0000) is smaller than α (0.05) which means Ho is rejected and H1 is accepted, so the best model to use is the fixed effect model. The best model regression results are seen in the following table:

Table 4. Result of Best Model Regression

Var.	Coeff.	S. E	t-stat.	Prob.
C	690768.1	112615.5	6.133864	0.0000
OSR	0.477501	0.565686	0.844110	0.4030
GAF	0.307198	0.116511	2.636645	0.0114
SAF	0.897429	0.217689	4.122525	0.0002
EG	15824.83	5286.431	-2.993480	0.0044

Sig: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
R^2 : 0.914579
Adjusted R-Square : 0.890438
F-statistic : 37.88530
Prob.F-Statistic : 0.000000

Source : Secondary data (processed)

Based on the test results in Table 1, the regression equation in the natural logarithm in this research is as follows:

$$RE_{it} = 690768.1 + 15824.83\,EG_{it} + 0.477501OSR_{it} + 0.307198GAF_{it} + 0.897429SAF_{it}$$

Hypothesis Test

In this research, hypothesis testing was carried out consisting of a coefficient of determination test (R^2), F test and t test. Based on the results of the coefficient of determination (R^2) test, an Adj R^2 value of 89.04 was obtained. This shows that economic growth, General Allocation Fund (GAF), Special Allocation Fund (SAF) and Local Own-Source Revenue (OSR) are able to explain the Regional Expenditure by 89.04 percent, while 10.96 percent is explained by other variables outside the variables of this study. Meanwhile, based on the F test, an F-statistic value of 37.8850 was obtained with an F-statistic probability of 0.000000 lower than 0.05. This shows that simultaneously the variables General Allocation Fund (GAF), Special Allocation Fund (SAF), OSR, and economic growth have a positive and significant effect on the Regional Expenditure at α is 5 percent.

Then based on the results of the t test, it can be seen that the next value, the t-Statistics value of the General Allocation

Fund (GAF) obtained the probability value of t-Statistics General Allocation Fund (GAF), of 0.0114. This t-statistic probability number is smaller than α = 0.05, so Ho is rejected and H1 is accepted. These results show that the General Allocation Fund (GAF) has a positive and significant effect on Regional Expenditure at α is 5 percent. Then the value of t-Special Allocation Fund Statistics (SAF) has a probability value of t-Statistics of 0.0002. This t-statistic probability number is smaller than α = 0.05, so Ho is rejected and H1 is accepted. These results show that the Special Allocation Fund (SAF) has a positive and significant effect on Regional Expenditure at α is 5 percent. In the Local Own-Source Revenue (OSR), the probability value of t-Statistical Local own-source revenue (OSR) is 0.4030. The probability number t-This statistic is greater than α = 0.05, so Ho is accepted and H1 is rejected. These results show that Local Own-Source Revenue (OSR) has no effect on regional expenditure at α = 5 percent. Furthermore, the probability value of t-Statistics of economic growth is 0.0044. Numbers greater than α = 0.05, so Ho is rejected and H1 is accepted. These results show that economic growth has a negative and significant effect on Regional Expenditure at α is 5 percent.

Discussion

The Effect of Economic Growth on Regional Expenditure

Based on the results of the t test, partial economic growth has a negative and significant effect on Regional Expenditure at α = 0.05. This is indicated by a t-statistic value of -2.993480 with a t-statistic probability of 0.0044 or less than α = 5% or 0.05, so Ho is rejected and H1 is accepted. In addition, when viewed based on the value of the economic growth variable coefficient of -15824.83 which means that every decrease in economic growth by 1 percent will increase Regional Expenditure by 15,825 million Rupiah.

The results of this research show that economic growth negatively affects regional expenditure, meaning that when economic growth increases, Regional Expenditure actually decreases. The results of this research are not in accordance with the hypothesis that economic growth has a positive effect on regional expenditure. This is due to the average economic growth of districts/cities in Bengkulu Province tends to decrease from year to year. In 2016 the average amount of economic growth was 5.32 percent, then fell to 5.02 percent in 2017 and 4.99 percent and 4.80 in 2018 and 2019 respectively. Then the average economic growth of districts/cities in Bengkulu Province has only increased in 2021.

Economic growth is one indicator of a region's economic progress. Economic growth can be measured by gross regional domestic product (GRDP). GRDP describes the ability of a region to create output (added value) at any given time. Good economic growth has an impact on the ability of the population to meet its needs and obligations. GRDP is also used to measure the level of prosperity of a region (BPS, 2011). In Bengkulu Province, the economic growth of districts / cities actually has a negative relationship with regional expenditure. This means that when economic growth falls, Regional Expenditure actually increases. This is because the district/city budget in Bengkulu Province is mostly sourced from the balancing fund which continues to increase from year to year. So, even though the economic growth of Bengkulu Province has decreased, districts/cities in Bengkulu Province can still carry out Regional Expenditure by utilizing the balancing fund. This balancing fund is a source of regional revenue derived from the State Budget to support the implementation of local government authority in achieving the goal of granting autonomy to regions for the improvement of community services and welfare (Widjaja, 1997).

In addition, the incompatibility of the results of this research with the hypothesis is caused by economic development that should be able to increase people's welfare, in fact it is not always followed by an increase in capital expenditure. This can be seen from the proportion of capital expenditure budgeted by the government is lower when compared to the total regional budget. Meanwhile, the highest Regional Expenditure comes from employee spendingIn addition, the incompatibility of the results of this research with the hypothesis is caused by economic development that should be able to increase people's welfare, in fact it is not always followed by an increase in capital expenditure. This can be seen from the proportion of capital expenditure budgeted by the government is lower when compared to the total regional budget. Meanwhile, the highest Regional Expenditure comes from employee spending.

In addition, in this case the variable of economic growth does not directly affect regional expenditure. One of the variables that determine the level of Regional Expenditure is the amount of opinion of the region. As stated in the theory of Peacock and Wiseman which is based on an analysis of government expenditure receipts. In the analysis, the Government seeks to increase spending by relying on increasing tax revenues. The increase in tax revenue causes government spending to also increase. Then Friedman (1978) also assumes that an increase in income leads to an increase in government spending, which can lead to a financing deficit.

The results of this research are in line with the results of Munir and Mahdar's (2016) research which found that economic growth negatively affects capital expenditure. In contrast to the findings of Asmarita (2019) which actually found that economic growth has no effect on Regional Expenditure in West Sumatra. In addition, the results of this research are also different from the results of research found by Syapsan (2017) and Waskito et al. (2019) which found that economic growth has a positive effect on the Regional Budget.

The Effect of Local Own-Source Revenue (OSR) on Regional Expenditure

Based on the results of the t test, partially the general allocation fund has a positive and significant effect on regional expenditure at $\alpha = 0.05$. This is indicated by a t-Statistic value of 0.844110 with a t-statistic probability of 0.4030 or less than $\alpha = 5\%$ or 0.05, so Ho is accepted and H1 is rejected. Which shows that Local Own-Source Revenue (OSR) has no effect on district/city expenditures in Bengkulu Province.

The results of this research are in line with the results of research conducted by Fuad & Zakaria (2015) also found that Local own-source revenue does not affect regional expenditures in the District/City Budget in Papua Province. In addition, Asmarita (2019) also found that Local Own-Source Revenue (OSR) had no effect on Regional expenditure in West Sumatra. The incompatibility of the results of this research with the hypothesis is caused because the large contribution of Local Own-Source Revenue (OSR) to Regional Expenditure is relatively very low.

Furthermore, the results of this research are not in accordance with the theory put forward by Peacock and wiseman, when government revenue is getting bigger, government spending will also increase. Where the government always tries to increase its spending by relying on tax revenues, even though people do not like large tax payments to finance the increasingly large government spending. The increase in tax revenue causes government spending to also increase. Under normal circumstances, increasing GNP leads to greater government revenues, as well as greater government spending.

While the results of this research show that the Local Own-Source Revenue (OSR) of district/city in Bengkulu Province has no effect on regional expenditure. This is because the percentage of Local Own-Source Revenue (OSR) contribution to regional expenditures is still relatively small, so that the majority of regional expenditures utilize equalization funds. Pasaribu et al. (2021), stated that there are significant differences between Local Own-Source Revenue (OSR) and regional expenditure. As a study conducted by Septriani et al. (2020) on the financial performance of Bengkulu City, found that the ability of Bengkulu City Local Own-Source Revenue (OSR) to meet Regional Expenditure needs is only 6.8 percent, the rest is financed by other sources of income such as GAF, SAF, Revenue Sharing Fund and others legitimate income.

Therefore, OSR does not have a significant impact on regional expenditure.

Then based on the 2020 Bengkulu Province local government financial statistics report, the level of independence of local government administration can be seen from the Local Own-Source Revenue (OSR) ratio, which is a comparison of the amount of PAD to the total regional revenue. The magnitude of the Local Own-Source Revenue (OSR) ratio of the majority of regencies/cities in Bengkulu Province is still below 25 percent, with the largest Local Own-Source Revenue (OSR) ratio coming from Bengkulu City, which is 16.16 percent in 2019 and 14.37 percent in 2020 and the lowest Local Own-Source Revenue (OSR) ratio is found in Central Bengkulu Regency, which is only 2.88 percent in 2019 and 3.08 percent in 2020. The high Local Own-Source Revenue (OSR) in Bengkulu City is due to the fact that Bengkulu City is the Central Business District (CBD) or the economic center of Bengkulu Province. While the low Local Own-Source Revenue (OSR) of Central Bengkulu Regency is due to the fact that Central Bengkulu is the youngest regency in Bengkulu province.

Furthermore, based on data obtained from the 2021 Bengkulu Regional Fiscal Study, it also shows that in the fourth quarter of 2021, the level of fiscal independence of the Bengkulu region in aggregate was at 15.76 percent. Based on the Statistical Reference Information System (Sirusa) of BPS RI, the level of fiscal independence of the Bengkulu region is categorized as a "very low" level of independence, because it is still below 25 percent. The results of this research are different from the results of research found by Masdjojo and Sukartono (2009), Apriliawati (2016), Aqnisa (2016), and Mali et al. (2021) and (Septriani, 2023) who found that Local Original Income has a significant positive effect on Regional Expenditure. Where the higher the Regional Own-Source Revenue generated, the Regional Expenditure issued by the local government is also increasing. The results of this research are consistent with research conducted by which states that Local Original Income affects Regional Expenditure.

The Effect of General Allocation Fund (GAF) on Regional Expenditure

Based on the results of the t test, partially the general allocation fund has a positive and significant effect on regional expenditure at $\alpha = 0.05$. This is indicated by a t-statistic value of 2.636645 with a t-statistic probability of 0.0114 or less than $\alpha = 5\%$ or 0.05, so Ho is rejected and H1 is accepted. In addition, when viewed based on the value of the SAF variable coefficient of 0.307198 which means that every increase in the general allocation fund of 1 million Rupiah will increase Regional Expenditure by IDR 307.198 Rupiah.

The results of this research show that when the General Allocation Fund (GAF) increases, the budget of districts/cities in Bengkulu Province also increases. This is due to an increase in regional revenue, which has an impact on increasing the regional budget. Based on data obtained from the Directorate General of Financial Balance of the Ministry of Finance, it was obtained that the average size of the General Allocation Fund (GAF) of each district/city in Bengkulu Province always increases from year to year. The highest average increase in General Allocation Fund (GAF) in each district/city in Bengkulu province was in 2021, with an increase in General Allocation Fund (GAF) of 49.9 percent. Based on data obtained from Indonesia Central Bank Publication 2021, in the Bengkulu Regional Fiscal Study, the increase in General Allocation Fund (GAF) in 2021 was driven by the needs of local governments for handling Covid-19 and national economic recovery. In addition, the increase in the amount of General Allocation Fund (GAF) every year is due to the large number of regional needs of Bengkulu Province which is still included in the underdeveloped provinces on the island of Sumatra. As stated in Law Number 13 of 2005 that the General Allocation Fund (GAF) is a fund sourced from State Budget (APBN) revenues allocated with the aim of equitable distribution of financial capacity between regions to fund regional activities. The amount of this General Allocation Fund (GAF) has an impact on district/city expenditures in Bengkulu Province. The larger the General Allocation Fund (GAF), the greater the ability of the Regency/City area in Bengkulu Province to achieve development goals. As stated in the theory of development by W. W. Rostow and Musgrave who stated that government spending in the early stages of economic development the ratio of government investment to total investment is relatively large. This is because the government must provide facilities and infrastructure (Mangkoesoebroto, 2001). Therefore, to achieve development targets, the local government of districts/cities in Bengkulu Province strives to improve the quality of Regional Expenditure to more productive expenditures, such as capital expenditure. Meanwhile, non-priorities such as spending on goods and subsidies must be right on target.

The results of this research are in line with the results of research conducted by Septriani, et al (2020) which found that General Allocation Fund (GAF) has a positive effect on Regional Expenditure in Bengkulu City. Where the amount of regional expenditure in Bengkulu City is largely determined by the amount of General Allocation Fund (GAF) received by the Bengkulu City government. Meanwhile, General Allocation Fund (GAF) ability to meet regional expenditure needs is 75 percent, the rest is covered by other sources of income such as Local Own-Source Revenue

(OSR), Special Allocation Fund (GAF), Revenue Sharing Fund (RSF) and other legitimate income.

Furthermore, the results of this research are in line with the results of research conducted by Mali et al. (2021), Apriliawati (2016), Aqnisa (2016), Masdjojo & Sukartono (2009), Fuad & Zakaria (2015), Asmarita (2019), Sari & Asyik (2017) which found that the general allocation fund (GAF) had a positive effect on regional expenditure. According to Aqnisa (2016), the General Allocation Fund has a positive effect because when the General Allocation Fund is high, Regional Expenditure is high, this happens because general allocation fund (GAF) is a block grant allowing regions to use in accordance with regional priorities and needs to improve services to the community in the context of regional autonomy.

The Effect of Special Allocation Fund (SAF) on Regional Expenditure

Based on the results of the t test, partially the general allocation fund has a positive and significant effect on regional expenditure at $\alpha = 0.05$. This is indicated by a t-Statistic value of 4.122525 with a t-statistic probability of 0.0002 or less than $\alpha = 5\%$ or 0.05, so Ho is rejected and H1 is accepted. In addition, when viewed based on the value of the SAF variable coefficient of 0.897429 which means that every increase in special allocation funds of 1 million Rupiah will increase Regional Expenditure by IDR 897.429 Rupiah.

The results of this research are in line with the results of research conducted by Ayuningrum & Ofasari (2022), Waskito et al. (2019), Mali et al. (2021), Sumarsono & Rahmawati (2017) which found that the Special Allocation Fund had a significant positive effect on the regional budget. Where, an increase in the Special Allocation Fund (SAF) will increase the regional budget. In Bengkulu Province, with the increase in special allocation funds distributed by the central government to local governments, local government spending has also increased, but the amount of this special allocation fund tends to fluctuate from year to year. This is because Special Allocation Fund (SAF) is a fund used to fund special matters and is a national priority in accordance with functions that are the manifestation of government duties in certain fields, especially in an effort to meet the needs of basic community service facilities and infrastructure (Law Number 55 of 2005). Therefore, the amount of Special Allocation Fund (SAF) will always change every year according to the needs of the region and whether it is a national priority or not.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of panel data regression, the best model of this research was obtained, namely the Fixed Effect Model. The results showed that partially the General Allocation Fund (GAF) and Special Allocation Fund (SAF) had a positive and significant effect on district/city expenditures in Bengkulu Province, while economic growth had a negative and significant effect on district/city expenditures in Bengkulu Province, while Local Own-Source Revenue (OSR) did not affect district/city expenditures in Bengkulu Province. Meanwhile, simultaneously General Allocation Fund (GAF), Special Allocation Fund (SAF), Economic Growth and Local Own-Source Revenue (OSR) have a positive and significant effect on district/city expenditures in Bengkulu Province with an Adjusted R-squared amount of 89 percent. This shows that economic growth, General Allocation Fund (GAF), Special Allocation Fund (SAF) and Local Own-Source Revenue (OSR) are able to explain the Regional Expenditure by 89.04 percent, while 10.96 percent is explained by other variables outside the variables of this study.

Suggestion

Based on the results of the research, there are several things that should be done for further research, namely by adding variables outside the variables of this study. In addition, to minimize the incompatibility of research results with hypotheses, it is necessary to try to use other analytical methods and include relevant variables.

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