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Review Article

Literature Review of Factors Affecting Capital Expenditure in Indonesia

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Abstract. This study reviews various research on the impact of financial variables on capital expenditure across different regions in Indonesia. The variables investigated include General Allocation Funds (DAU), Regional Original Income (PAD), Special Allocation Funds (DAK), and Profit Sharing Funds (DBH). The research primarily uses secondary data from financial reports, including the Realization Report of the Regional Budget (APBD) and financial statements from regional governments. Methods used across the studies include multiple regression analysis, moderated regression analysis, and panel data models with various statistical tests such as the Chow test, Hausman test, and Lagrange Multiplier test. The findings indicate that DAU and PAD generally have a positive impact on capital expenditure, while the effects of DAK and DBH vary, with some studies showing positive impacts and others indicating negligible or negative effects. The moderating factor of Remaining Over Budget Financing (SILPA) presents mixed results. The reviewed studies highlight a gap in comparative analysis across different regions and suggest a need for further exploration of the interaction between economic conditions and financial variables, as well as the impact of long-term economic cycles on capital expenditure. Addressing these gaps could enhance understanding and inform more effective fiscal management and resource allocation strategies.

Keywords: General Allocation Fund, Regional Original Income, Special Allocation Fund, Revenue Sharing Fund, Capital Expenditure.

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1. Introduction

Local Original Income (PAD) is an important component in the regional financial system, which reflects the ability of the region to manage resources and meet the needs of its people [1]. Based on Law Number 33 of 2004, PAD is income obtained from sources within a region, collected based on applicable regional regulations. PAD sources include regional taxes, regional levies, results of managing separated regional assets, and other legitimate local original income. This PAD component plays a significant role in supporting regional development, especially in the provision of infrastructure and public services [2].

Regional taxes are one of the main elements of PAD, which includes various types of taxes such as motor vehicle tax, land and building tax, and income tax [3]. This tax is not only a source of income, but also a tool to measure the ability of a region to utilize its local potential. Regional levies, which include fees for certain services or permits, also make an important contribution to PAD [4]. In addition, revenue from the management of regional assets and other revenues, such as the profit share from Regionally-Owned Enterprises (BUMD), also strengthen regional finances [5].

Despite the significant role of capital expenditure in promoting regional development and economic growth, research on the factors influencing capital expenditure in Indonesia remains limited and fragmented. Existing studies predominantly focus on general fiscal policies and their impacts, overlooking the intricate dynamics and unique challenges faced by different regions [6], [7], [8]. This gap in research highlights the need for a comprehensive literature review to systematically identify and analyze the determinants of capital expenditure in Indonesia. Understanding these factors is crucial for formulating effective fiscal strategies that enhance regional infrastructure and public services. Therefore, this study aims to fill this gap by providing a thorough examination of the existing literature, identifying key factors influencing capital expenditure, and offering insights into effective policy interventions. The urgency of this research lies in its potential to inform policy-makers and stakeholders, ultimately contributing to more efficient allocation of resources and sustainable regional development.

At the implementation level, PAD management is expected to be able to increase regional independence in financing development and public services. However, there are still challenges in optimizing PAD collection, including in the aspect of tax and levy collection which often does not reach the expected target. Limitations in the management and utilization of regional resources are also inhibiting factors in increasing PAD. This study aims to analyze the factors that influence the increase in PAD, as well as identify effective strategies in optimizing regional revenues. This research is important to provide recommendations for local governments in strengthening fiscal capacity and improving the quality of public services. Thus, it is hoped that more equitable and sustainable welfare can be created in the region.

2. Expenditure Theory

2.1 Rostow and Musgrave's Theory

The theory of government expenditure developed by Rostow and Musgrave, links the development of government expenditure with the stages of economic development which are distinguished between the early, middle and advanced stages. In this theory, Rostow and Musgrave argue that government expenditure will increase along with the stage of economic development of a country [9]. There are differences in the allocation of government expenditure in the early, middle and advanced stages. Each of course starts from different needs. In the early stages of economic development, large government expenditure is needed for government investment which is prioritized for infrastructure development such as roads, bridges, health, education, transportation infrastructure and so on [10]. In the middle stages of economic development, investment is still needed to trigger economic growth, but at this stage the role of private investors is expected to have begun to develop and have a role in the economy. Therefore, the role of the private sector has grown and is getting bigger at this stage, it can cause market failure and cause the role of the government to grow bigger to provide public goods and services in greater quantities and better quality. In the advanced stage of economic development, according to Rostow, government activities shift from spending on infrastructure provision to spending on social activities [11].

2.2 Adolf Wagner's Theory

This theory Adolf Wagner expressed his opinion that government spending and government activities are increasing over time. The core of this theory is the increasing role of government in the activities and economic life of society as a whole [12]. According to Wagner's law, government spending will increase along with the increase in the economy in a country [13]. Where there is a positive relationship between government spending and the level of national income. According to Adolf Wagner there are five (5) things that cause government spending to always increase, namely; demands for protection and security, increasing levels of community income, urbanization that accompanies economic growth, demographic development, bureaucratic inefficiency [14].

2.3 Peacok and Wiseman Theory

Adolf Wagner's theory states that government spending and government activities tend to increase over time. The core of this theory is the growth of the government's role in economic activities and the lives of society as a whole [15]. According to Wagner's law, government spending will increase along with the economic growth of a country, indicating a positive relationship between government spending and national income. Wagner identified five factors causing increased government spending, namely the demand for protection and security, increasing levels of community income, urbanization that follows economic growth, demographic development, and bureaucratic inefficiency [16]. Along with Wagner's theory, Peacock and Wiseman's theory provides additional perspectives on the dynamics between government spending and regional income. According to this theory, the government tries to increase spending, while the public is reluctant to pay higher taxes [17]. The public has a level of tax tolerance that allows them to understand the amount of tax collection needed to finance government spending. Although tax rates remain the same, economic development can cause tax collection to increase, which in turn increases government spending [18]. In normal situations, even though tax rates remain unchanged, economic growth can lead to an increase in tax revenues, which in turn increases government spending.

However, when normal conditions are disrupted, such as during wartime, the government will increase spending to finance the war, so tax rates need to be increased. After the war, even though tax rates should be reduced, the government may not do so because it has to return interest on loans and debt installments. This causes spending to remain high for economic recovery and debt payments [19]. Peacock and Wiseman's theory on tax collection in financing government spending is also supported by Erick Lindahl's theory. Lindahl argues that the provision of government infrastructure is carried out through tax collection from the entire community. To overcome dissatisfaction regarding tax rates, the government sets rates according to the community's ability, so that tax revenues remain stable even though tax rates are applied evenly.

3. Local Original Income

According to Law No. 33 of 2004, the definition of Regional Original Income is income obtained by a region that is collected based on regional regulations in accordance with laws and regulations. Regional Original Income is income obtained by a region from sources within its own territory that is collected based on regional regulations in accordance with applicable laws and regulations [20]. Regional Original Income (PAD) is a depiction of a region's independence in meeting the needs and welfare of the local community. PAD is obtained from the utilization and management of resources that the region already has [8]. Regional Original Income (PAD) is a component of regional income that is collected based on regional regulations in accordance with applicable laws and regulations [21]. Regional Original Income (PAD) acts as a source of income used to support development in a region, such as infrastructure development. Regional Original Income (PAD) is also a tool to measure the ability of a region to the resources that can be explored by the region. Regional Original Income is regional income consisting of taxes, levies, sales proceeds from regional assets and results from management of regional assets such as profit shares, dividends, and sales of regionally owned shares, as well as other loans [22]. Based on Article 157 of Law No. 32 of 2004, Regional Original Income (PAD) comes from:

3.1 Regional Taxes

According to Law Number 28 of 2009, regional taxes are mandatory payments imposed on individuals or private entities that apply in accordance with the law and cannot be compensated directly, but are used for the prosperity of the people. Regional taxes are an important source of income for regions in meeting expenditures, especially capital expenditures, which enable local governments to provide good public services and improve public welfare through capital expenditures [17]. From the perspective of collection authority, regional taxes are divided into taxes collected by the provincial government (Provincial Tax) and taxes collected by the district/city government. Based on Law Number 28 of 2009, the types of Provincial Taxes include Motor Vehicle Tax, Motor Vehicle Transfer Tax, Motor Vehicle Fuel Tax, Surface Water Tax, and Cigarette Tax. Motor Vehicle Tax is imposed on owners or authorities of motor vehicles, while Motor Vehicle Transfer Tax is imposed on the transfer of ownership of motor vehicles. Motor Vehicle Fuel Tax is applied to fuel for vehicles, Surface Water Tax is imposed on the taking and use of water other than for household and smallholder farmers' needs, and Cigarette Tax is imposed on cigarette excise collected by the central government.

3.2 District or City Tax

Hotel tax is a tax on services provided by hotels, namely buildings that provide accommodation, rest, and other services for a fee, including integrated buildings owned by the same party, except for urban and office areas. Restaurant tax is imposed on services provided by restaurants, namely places that serve food and drinks for a fee, but does not include catering services [23]. Entertainment tax is imposed on the organization of entertainment, including shows, games, and crowds that are charged to enjoy, except for sports facilities. Advertising tax is imposed on the organization of advertising, namely media or tools used to introduce, recommend, or promote goods, services, or individuals, which can be seen or read in public places, except by the government. Street lighting tax is imposed on the use of electricity for street lighting, the costs of which are paid for by the local government.

Non-metallic mineral and rock tax is imposed on the extraction of minerals such as marble, sand, and limestone. Parking tax is imposed on the organization of parking spaces outside the road by individuals or agencies that are provided for business or vehicle storage [24]. Groundwater tax is imposed on the extraction or use of groundwater, except for household needs. Swallow's nest tax is imposed on the extraction and processing of swallow's nests. Rural and urban land and building tax (PPB) is imposed on ownership, control, or utilization of land and buildings. Land and building acquisition tax (PBHTB) is imposed on the acquisition of land and building rights through transactions such as buying and selling, exchanging, or granting. Tax on the extraction of class C mining materials is imposed on the extraction of mining materials in accordance with applicable laws and regulations.

3.3 Regional Retribution

According to Law Number 28 of 2009, regional levies are levies for services or granting certain permits provided by the Regional Government for the benefit of individuals or bodies. These levies are recorded in the Regional Original Income (PAD) post in the APBD Realization Report. Regional levies consist of three main groups [7]. General Regional Levies include health services, waste management, document making, burials, parking on public roadsides, markets, motor vehicle testing, and other services.

Business Service Levies include the use of regional assets, wholesale markets, terminals, parking lots, lodging, slaughterhouses, ports, recreation, and crossings [25]. Certain Licensing Levies include building permits, permits for places selling alcoholic beverages, disturbance permits, route permits, and fisheries business permits. In addition, the results of the management of separated regional assets are also an important component of PAD, including the profit portion of Regionally-Owned Enterprises (BUMD) and financial institutions and investment results. Other legitimate regional original income includes the proceeds from the sale of regional assets, receipt of giro services, deposit interest, claims for compensation, and commissions.

4. Profit Sharing Fund

This fund is a fund sourced from the APBN revenue allocated to regions based on a percentage figure to fund regional needs in the context of implementing decentralization (Law No. 33 of 2004, Concerning Fiscal Balance Between the Central Government and Regional Governments). DBH transferred by the central government to regional governments consists of 2 types, namely tax DBH and non-tax DBH (Natural Resources) [26]. Based on the new Income Tax Law (Law Number 17 of 2000), starting in the 2001 budget year, regions received a share of the results from personal income tax (PPh), namely Article 21 Income Tax and Article 25/29 Income Tax for Individuals. The determination of Individual Income Tax as an object of profit sharing is intended as compensation and alignment for regions that do not have natural resources but make a large contribution to state revenue (APBN).

DBH is a source of regional income that is quite potential and is one of the basic capital of regional governments in obtaining development funds and meeting regional expenditures that do not come from PAD other than DAU and DAK [27]. The revenue sharing pattern is carried out with a certain percentage based on the producing region. Revenue sharing tax revenue comes from: Income Tax Article 21 (PPh 21), Income Tax Article 25 (PPh 25), Article 29 Domestic Individual Taxpayers (PPh WPOPDN). While revenue from DBH SDA comes from: Forestry, General Mining, Fisheries, Petroleum Mining, Natural Gas Mining, Geothermal Mining [28]. Revenue sharing funds are divided into 2, namely:

4.1 Tax Revenue Sharing Fund

Tax Revenue Sharing Fund (DBH) consists of three main types. DBH Land and Building Tax (DBH PBB) is a transfer to regions originating from Land and Building Tax revenues, except for rural and urban Land and Building Tax. DBH Income Tax (DBH PPh) includes revenues from Income Tax, including Article 21 Income Tax imposed on salaries, wages, honorariums, and allowances, as well as Article 25 and Article 29 Income Tax, which are income taxes owed by domestic individual taxpayers in accordance with the provisions of applicable laws, except as regulated in Article 25 paragraph (8) [29]. DBH Tobacco Excise (DBH CHT) is a transfer to regions distributed to provinces producing excise and tobacco. The use of DBH Tax is in the form of a block grant, meaning that the use of funds is handed over to regions according to their respective needs. However, for DBH CHT, a minimum of 50% of the funds must be used for programs that include improving the quality of raw materials, industrial development, social environmental development, socialization of excise provisions, and eradication of illegal excisable goods.

4.2 Natural Resources Revenue Sharing Fund

Natural resource revenue sharing funds are divided into five main types. Forestry Natural Resource Revenue Sharing Funds are transfers to regions originating from forestry natural resource revenues. Oil and Gas Natural Resource Revenue Sharing Funds (migas) are derived from oil and gas natural resource revenues [30]. Mineral and Coal Natural Resource Revenue Sharing Funds (mineba) include fixed fees (Land-Rent) and exploitation/exploration fees (royalties) as part of transfers to regions. Geothermal Natural Resource Revenue Sharing Funds consist of government share highlights or fixed fees and production fees. Fishery Natural Resource Revenue Sharing Funds include revenues from fishery natural resources allocated to regions.

5. General Allocation Fund

Balancing funds according to Law Number 33 of 2004 are funds sourced from the State Budget allocated to regions to fund regional needs in the context of implementing Decentralization. Balancing funds include revenue sharing funds, general allocation funds and special allocation funds [31]. General allocation funds (DAU) are one of the central government funds to regional governments sourced from APBN revenues, which are allocated with the aim of equalizing financial capacity between regions in the context of implementing decentralization. DAU is a general transfer (Block Grant) which means it is given to all districts and cities for the purpose of filling the gap between their fiscal capacity and needs, and is distributed with a formula based on certain principles that generally identify that poor and underdeveloped regions should receive more than rich regions. According to Yeleneva et al. [32], General Allocation Funds (DAU) are general transfers from the Central Government to Regional Governments to address horizontal inequality with the main aim of equalizing financial capacity between regions. The total amount of DAU is set at a minimum of 26% of the net domestic revenue (PDN) stipulated in the APBN. DAU for each Regency/City can be seen from the balancing fund post in the APBD Realization Report".

The general allocation fund which is the main support for APBD financing is mostly absorbed for employee expenses, so that spending on development projects is greatly reduced. The main obstacle faced by regional governments in implementing regional autonomy is the minimal income sourced from regional original income (PAD). Most expenditures, both routine and development, are financed from balancing funds, especially general allocation funds [33]. DAU is a fund originating from the APBN which is allocated for the purpose of equalizing finances between regions to finance expenditure needs in the context of implementing decentralization. The financial balancing fund is a consequence of the transfer of authority from the central government to the regional government. Thus, there is a significant transfer in the APBN from the central government to the regional government. Regional governments can use the financial balancing fund (DAU) to provide services to the public which are realized through capital expenditures. Research conducted [34].

6. Special Allocation Fund

Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments states that special allocation funds are part of transfers to regions (TKD) allocated with the aim of funding certain programs, activities, and/or policies that are national priorities and assisting the operationalization of public services whose use has been determined by the government. Special allocation funds are funds sourced from the APBN which are provided to regions with the aim of helping to fund all regional activities that are specific to the region in accordance with national provisions and priorities so as to be able to improve physical facilities and infrastructure, and increase economic activities or growth in [10]. Special allocation funds are one of the mechanisms for financial transfers from the Central Government to the regions which aims to increase the provision of physical facilities and infrastructure in the region in accordance with national priorities and reduce the gap in growth rates between regions and services between sectors [1].

Special allocation funds are intended for special regions selected for special purposes including in the fields of education, health, and infrastructure that support public needs, therefore the allocation of special allocation funds is entirely the authority of the central government to support specific national goals [35]. Special Allocation Funds are funds sourced from the APBN which are allocated to certain regions with the aim of helping to fund special activities that are regional affairs and in accordance with national priorities. According to Latif et al. [8] Special Allocation Funds come from the APBN which are allocated to Regencies/Cities to finance certain needs that are special in nature, depending on the availability of funds in the APBN. What is meant by special needs are needs that are difficult to estimate with the general allocation formula, and/or needs that are national commitments or priorities. According to Handayani et al. [36], the Special Allocation Fund is allocated to help regions fund the physical needs of facilities and infrastructure that are national priorities in the fields of education, health, infrastructure (roads, irrigation, and clean water), maritime affairs and fisheries, agriculture, regional government infrastructure, and the environment. The Special Allocation Fund is a fund sourced from the APBN which is allocated to certain regions with the aim of helping fund special activities that are regional affairs and in accordance with national priorities.

7. Capital Expenditure

7.1 Definition of Capital Expenditure

Based on the Regulation of the Minister of Home Affairs Number 64 of 2020, it states that capital expenditure is used to budget expenditures made in the context of procuring fixed assets and other fixed assets that have a useful life of more than 12 (twelve) months, used in regional government activities and there is a minimum limit for capitalization of fixed assets regulated in the regional head regulation. Syafiuddin et al. [37] states that capital expenditure is an expenditure that provides benefits in future periods and is reported as an asset. How to use capital expenditure by purchasing through an auction or tender process. based on the various opinions above, it can be concluded that capital expenditure is an expenditure sourced from a budget in the government which is used to obtain fixed assets or other assets that can provide benefits for more than one accounting period that can be used by the government in carrying out its duties and there is a minimum limit for capitalization of fixed assets regulated in the regional head regulation [7]. Based on the Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management, identifying expenditures according to their groups, namely direct expenditures and indirect expenditures. Indirect spending is spending that is budgeted not directly related to the implementation of programs and activities, while direct spending is spending that is budgeted directly related to the implementation of programs and activities. Direct spending is grouped according to the type of spending consisting of: (1) employee spending, (2) spending on goods and services, and (3) capital spending [38].

Government Regulation Number 71 of 2010 concerning Government Accounting Standards defines capital spending as budget expenditures for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period. Capital spending is one type of government spending that is useful for infrastructure development that can meet the needs of the community, this capital spending is usually also called development spending, where the economic value is more than one year so that it is expected to increase regional assets [37]. According to Brastama and Yadnya [19], Capital Spending is regional government spending whose benefits exceed one budget year and will increase regional wealth assets. Capital spending is divided into public spending and apparatus spending.

Public spending has benefits that can be enjoyed by the community in general, for example; the local government builds bridges, highways, or purchases other assets that are directly enjoyed by the community at large. Government spending has benefits that cannot be enjoyed directly by the general public, but can be enjoyed directly by government officials, for example; local governments buy official vehicles, official rooms, build offices.

7.2 Factors Affecting Capital Expenditure

The era of fiscal decentralization is expected to increase services in various sectors, especially the public sector. This increase in public services is expected to increase the attractiveness for investors to open businesses in the region. This hope can of course be realized if there are government efforts to provide various facilities for investment. Consequently, the government needs to provide a larger spending allocation for this purpose [21]. Changes in spending allocations are aimed at developing various capital facilities. The government needs to facilitate various activities to improve the economy, one of which is by opening up investment opportunities. Infrastructure development and the provision of various facilities are carried out to increase investment attractiveness. 21 The development of industrial infrastructure has a real impact on increasing PAD. In other words, the development of these various facilities will lead to increased regional independence [39].

Improving the quality of public services can be improved through improving service quality management, namely efforts to minimize the gap between the level of service and consumer expectations [40]. The Regional Government, therefore, must be able to allocate the capital expenditure budget well because capital expenditure is one of the steps for the Regional Government to provide services to the public. Bimo et al. [41], stated that the utilization of the expenditure budget should be allocated for productive things, for example for development. Regional government revenue should be allocated for public service programs. Both opinions state that the allocation of the capital expenditure budget for the public interest is very important. Factors that influence capital expenditure, such as economic growth, PAD, DAU, DAK, and DBH need to be known in order to improve the allocation of capital expenditure [42].

8. Previous Research

The researcher discusses previous studies that investigated various factors that influence capital expenditure in Indonesia, but the results show significant inconsistencies. Several studies identified a positive effect of the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) on capital expenditure, while other studies found a negative effect of Local Revenue (PAD) can be seen in **Table 1**. There are also studies that reveal that DAU has a significant effect, but Revenue Sharing Fund (DBH) does not. In addition, there are studies that note that PAD, DAU, and DAK simultaneously influence capital expenditure, with DAK showing a negative effect in some cases. Several studies also added that economic growth and PAD have a positive effect, while DBH has a negative effect. The gaps and variations in these findings emphasize the importance of further analysis to understand the dynamics that influence capital expenditure more comprehensively.

Table 1 Previous Research

Ref	Name and Title	Research Variables	Results and Analysis
[43]	Hairiyah (2017)	DAU, DAK, PAD, Capital Expenditure	Utilized secondary data from APBD reports for 2010-2015; analyzed with SPSS 21. Assessed the effect of DAU, DAK, and PAD on capital expenditure.
[44]	Suryantini, (2017)	PAD, DAU, DBH, DAK, Capital Expenditure	Employed multiple linear regression; PAD showed a negative effect, while DAU, DBH, and DAK showed positive effects. Coefficient of determination: 62.5%.
[45]	Sari et al., (2023)	DAU, PAD, DBH, SILPA (Moderating Variable), Capital Expenditure	Applied Moderated Regression Analysis (MRA); DAU had a significant effect; DBH had no significant effect. SILPA did not moderate the relationship.
[46]	Putri and Meutia, (2023)	PAD, DAU, DAK, Capital Expenditure	Used data from APBD reports; found that PAD, DAU, and DAK had a simultaneous effect on capital expenditure, indicating a positive impact on regional economy.
[47]	Manik, (2023)	PAD, DAU, DAK, Capital Expenditure	Utilized quantitative research method; PAD and DAU had a positive and significant effect on capital expenditure, while DAK had a negative and insignificant effect.
[48]	L et al., (2020)	Economic Growth, PAD, DAU, DAK, DBH, Capital Expenditure	Used panel data methods; economic growth, PAD, and DAU had a significant positive effect; DBH had a negative effect; DAK had no significant impact.

Based on **Table 1**, the studies reviewed provide a broad overview of how various financial variables impact capital expenditure across different regions and contexts. The research consistently highlights the significant influence of variables such as Dana Alokasi Umum (DAU), Pendapatan Asli Daerah (PAD), and Dana Alokasi Khusus (DAK) on capital expenditure. However, there is notable inconsistency in findings regarding the effects of these variables, particularly Dana Bagi Hasil (DBH) and DAK. While some studies report positive impacts, others find negligible or negative effects. This discrepancy suggests that the impact of these variables may vary depending on regional and contextual factors.

Moreover, the role of moderating factors, such as the Sisa Lebih Pembiayaan Anggaran (SILPA), presents mixed results across different studies, indicating a need for further exploration of how such moderating variables influence the relationship between financial resources and capital expenditure. Most research is geographically focused, with studies centered on specific regions such as East Kalimantan, Malang Raya, and West Java. This regional focus highlights a gap in comparative analysis across diverse geographic areas, which could provide a more comprehensive understanding of regional characteristics' effects on capital expenditure.

Additionally, while some studies address economic growth's impact on capital expenditure, a more detailed examination of how varying economic conditions interact with financial resources remains underexplored. Finally, although several studies use data spanning multiple years, there is an opportunity for future research to incorporate longer-term data and assess how financial variables influence capital expenditure across different economic cycles. Addressing these gaps could yield more nuanced insights into effective fiscal management and resource allocation strategies.

9. Relationship between variables

9.1 Relationship between Local Original Income and Capital Expenditure

In the implementation of regional autonomy, local governments must have adequate financial resources to finance their own regional expenditures in increasing development. Local government finances determine whether or not a region is able to carry out its duties and functions [14]. Latif et al. [8] stated that high PAD will be used by local governments to provide adequate public services so that they can increase capital expenditures.

9.2 Relationship of Revenue Sharing Funds to Capital Expenditures

Revenue Sharing Funds (DBH) are one of the components of balancing funds from the central government to the regions. The amount of DBH receipts from a region will certainly increase the amount of the APBD. To increase DBH receipts, regions must be able to identify which DBH components (Tax DBH or Natural Resources DBH) provide positive contributions and still have the potential to be increased [5]. If the allocation of revenue sharing funds is greater, the local government will provide a greater allocation of capital expenditures. On the other hand, if the allocation of capital expenditure provided by the regional government will be smaller [27]. The amount of DBH realization, which consists of tax DBH and natural resource DBH, in addition to being influenced by the performance of domestic revenues that are shared, also depends on laws and regulations regarding the percentage of the producing region's share.

9.3 Relationship of General and Special Allocation Funds to Capital Expenditures

Regional governments can use the financial balance funds of general allocation funds to provide services to the public which are realized through capital expenditures [10]. General allocation funds can indicate the level of independence of a region. The more DAU received means that the region is still very dependent on the central government in meeting its expenses. Special Allocation Funds (DAK) are allocations from the state revenue and expenditure budget to certain provinces/regencies/cities with the aim of funding special activities that are the affairs of the regional government and in accordance with national priorities. Capital expenditure and special allocation funds are interrelated as regional revenues that affect regional spending. With the use of special allocation funds, there is an increase in public services that are realized from capital expenditure [37].

10. Conclusion

Based on the literature review conducted, it can be concluded that various sources of regional income such as Regional Original Income (PAD), Revenue Sharing Fund (DBH), General Allocation Fund (DAU), and Special Allocation Fund (DAK) have a significant influence on capital expenditure. Increasing PAD allows local governments to finance important development projects, while optimal DBH receipts can strengthen the Regional Revenue and Expenditure Budget (APBD), thereby increasing the allocation of capital expenditure. Although DAU reflects dependence on the central government, this fund still plays an important role in supporting capital expenditure and public services. In addition, DAK, which is intended to fund activities according to national priorities, also contributes to increasing capital expenditure and public services.

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12. Declaration

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