



**The Effect of General Allocation Funds and Special Allocation Funds on Regional Government Expenditures of Tidore Islands City Government**

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**Abstract:**

This study aims to determine the effect of the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) on the regional expenditure of the City Government of Tidore Islands. This research was conducted considering that regional expenditures have been used for routine expenditures which are relatively less productive. Therefore, in an effort to improve the quality of public services, local governments should change the composition of their spending. The results of the study show that the General Allocation Fund has a positive and significant effect on the Regional Government Expenditures of the City of Tidore Kepulauan in 2016-2018. The Special Allocation Fund has a positive and insignificant effect on the realization of regional expenditure in the City Government of Tidore Islands in 2016-2018. The General Allocation Fund and the Special Allocation Fund together have a positive and significant effect on the Regional Expenditure Realization of the Tidore Islands City government in 2016-2018.

**Keywords:** Regional expenditures, general allocation funds, special allocation funds

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## INTRODUCTION

Regional expenditure is a component of direct spending in the government budget which produces *output* in the form of *assets* fixed (Syukri Abdullah: 2016). Regional expenditure is closely related to the maintenance of *assets* fixed resulting from regional expenditure. According to the concept of the *Multi-Term Expenditure Framework* (MTEF), the Regional Expenditure policy must pay attention to the *usefulness* in allocating *assets* these in the long term (Allen and Tommasi, 2001).

Local governments allocate funds in the form of regional expenditure budgets in the APBD to increase *assets* fixed. Regional expenditure allocations are based on regional needs for facilities and infrastructure, both for the smooth implementation of government duties and for public facilities. Therefore, in an effort to improve the quality of public services, local governments should change the composition of their spending. So far, regional spending has been used for routine expenditures which are relatively less productive. Juli Panglima Sarangih (2003) stated that the use of expenditure should be allocated for productive things, for example for carrying out development activities. According to data from the Ministry of Finance (Kemenkeu) in 2016 to 2017, it shows that personnel expenditure still dominates the regional spending structure with an average of 43.75% from 2016 to 2017 while the portion of regional expenditure averages only 23.92% (kompas.co. id). This shows that regional spending, which should have had a big influence on development, actually received a small portion.

One of the balancing funds from the government is the General Allocation Fund. Regional expenditure is part of regional expenditure which is also funded by the General Allocation Fund and calculated by the regional government in the Regional Revenue and Expenditure Budget (APBD). This General Allocation Fund emphasizes aspects of equity and justice that are in line with the administration of government affairs. With this transfer from the central government in the form of a General Allocation Fund, it is hoped that local governments will be able to allocate the Regional Original Revenues obtained to finance capital expenditures in their regions.

The balance fund other than the General Allocation Fund is the Special Allocation Fund. The Special Allocation Fund is also a transfer fund received from the central government. Special Allocation Funds are funds sourced from APBN revenues allocated to certain regions with the aim of helping to fund special activities which are regional affairs and in accordance with national priorities. In general, the Allocation Fund still has many obstacles. The Special Allocation Fund Program has channeled funds for acceleration in 19 fields of development that touch the interests of the Indonesian people. The amount of the Special Allocation Fund has also increased from year to year. In regional implementation, many obstacles were found, so that the absorption of DAK funds and the physical performance of activities could not be said to be maximal. On the other hand, the absorption of the DAK program is low and slow.

The case that occurred in Indonesia, the 2017 Special Allocation Fund for the Environment (LH) budget increased the budget by 10%, namely Rp. 539,548,000,000 allocated for 432 Regencies / Cities. The ability of districts / cities to better manage the Special Allocation Fund for the Environment Sector better and on target is an illustration of the increased performance of the Special Allocation Fund for the Environment Sector at the District / City level. Meanwhile in the same year, the Special Allocation Fund for the Education Sector for the regions reached more than Rp. 11 trillion. It is used for building rehab, laboratory, library, and book procurement. By observing the development of the Special Allocation Fund, it is deemed necessary to increase effectiveness and efficiency in the implementation of monitoring and evaluation of the Special Allocation Fund.

### **Regional Shopping**

By PSAP No. 02, local expenditure is spending authority for the acquisition of *assets* fixed and *assets* other that benefit more than one accounting period. Furthermore, in the Minister of Home Affairs Regulation Number 59 of 2017 article 53 paragraph 2, it is determined that the value of *assets* tangible fixed budgeted in Regional Expenditures is the purchase price / building *asset* plus all expenditures related to procurement / development *asset* until the asset is ready to be used. Then in article 53 paragraph 4 states that

According to Halim (2017), types of Capital Expenditures consist of 5 main categories, namely:

a. Land Expenditures Land

Capital Expenditures are expenses / expenses that are used for procurement, purchase, settlement release, both land name and lease, certificate preparation, and other expenses in connection with the acquisition of land rights, until the land in question is in a ready-to-use condition.

b. Capital Expenditures for Equipment and Machinery

Capital Expenditures for Equipment and Machinery are expenses / costs that are used for procurement, addition, replacement and capacity building of equipment and machines as well as office inventory which provides benefits for more than 12 months and until the equipment and machinery in question is in ready-to-use condition.

c. Capital Expenditures for Buildings and Buildings

Capital Expenditures for Buildings and Buildings are expenditures / costs used for procurement, addition, replacement and including expenses for planning, supervision and management of building and building construction that add capacity, until the building and building are intended to be ready for use. .

d. Capital Expenditures for Roads, Irrigation and Networks

Capital expenditures for roads, irrigation and networks are expenditures / costs that are used to procure additions, replacements, increase in construction, manufacture and maintenance, and include expenditures for planning, monitoring and management of network irrigation roads increase the capacity of roads, irrigation and networks in a ready-to-use condition.

e. Other Physical Capital Expenditures Other Physical Capital

Expenditures are expenses / costs used for procurement, addition, replacement, improvement, construction, manufacture and maintenance of other physical items that cannot be categorized into the criteria for Capital Expenditures for land, equipment and machinery, buildings and buildings, roads, irrigation and networks, included in this expenditure are capital expenditures for lease and purchase contracts, purchases of art goods, ancient goods and goods for museum, livestock and plants, books and scientific journals.

### **General Allocation Fund The General Allocation**

Fund (DAU) is a transfer of funds from the Central Government to Regional Governments originating from APBN revenues, which are allocated with the aim of equitable distribution of financial capacity among regions to fund regional needs in the context of implementing decentralization.

According to Halim (2017: 74) the General Allocation Fund is a fund originating from the APBN which is allocated with the aim of equitable distribution of financial capacity between regions to finance expenditure needs. Meanwhile, according to Government Regulation number 55 of 2005 the General Allocation Fund is a fund originating from the APBN which is allocated for the purpose of equalization of inter-regional finance to finance expenditure needs in the context of implementing decentralization ”.

From the two opinions above, it can be concluded that the General Allocation Fund is a transfer fund from the Central Government which comes from the State Revenue and Expenditure Budget (APBN) and is allocated to each region with the aim of financial equality between regions to finance expenditure needs and DAU Regional Expenditure. is a transfer that is a *black grant*, meaning that its use is given to the regions to improve services to the community in the context of implementing regional autonomy. DAU is allocated for provinces and districts / cities. The amount of DAU is determined to be at least 26% of the Net Domestic Income (PDN) as stipulated in the APBN. The proportion of DAU for provincial and regency-city areas is determined in accordance with the balance of authority between provinces and district cities.

### **The stages of Calculating General Allocation Funds:**

First, Academic Stage, The initial concept of policy formulation or implementation of the general allocation fund formula is carried out by an independent team from various universities with the aim of obtaining a policy for calculating general allocation funds in accordance with statutory provisions and the characteristics of regional autonomy in Indonesia. Second Administrative Stages, In this stage the finance department cq the directorate general of financial balance coordinates with relevant agencies for the preparation of basic data for calculating general allocation funds including consolidation and data verification activities to obtain validity and conclusions of the data to be used. Third, the technical stage, is the stage for making a simulation of calculating the general allocation data that the government will consult with the DPR RI and is carried out based on the formula for general allocation funds as mandated by the law by using available data and taking into account the results of recommendations from academics. Fourth, the political stage, the political stage is the final stage. Discussion on the calculation of general allocation funds between the government and the regional expenditure committee of the DPR RI budget committee for consultation and obtaining approval of the results of the calculation of general allocation data.

Whereas the Provisions for the Calculation of General Allocation Funds, the general allocation fund (DAU) is set at least 26% of domestic revenue as stipulated in the APBN, the general allocation fund (DAU) for provincial areas and for regencies and cities is set at 10% and respectively. 90% of the general allocation funds as stipulated above, the general allocation funds for a certain regency and city area are determined based on the multiplication of the amount of general allocation funds for the respective districts and cities and the portion of regencies and cities as referred to above is the proportion of the weight of the regencies and cities in all regions. Indonesia. (Halim, 2017: 36)

### **Special Allocation Funds**

According to the Ministry of Finance of the Republic of Indonesia (2020), policies and special allocations aim to:

1. It is prioritized to assist regions below the national average, in order to finance the activities of providing physical facilities and infrastructure for basic community services which are regional affairs.
2. Support the acceleration of the development of facilities and infrastructure in coastal areas and small islands, border areas with other countries, underdeveloped / remote areas, areas prone to flooding / landslides, as well as in the category of food security areas and tourism areas.
3. Encouraging increased productivity, expansion of employment opportunities and economic diversification, especially in rural areas, through special activities in the fields of agriculture, marine and fisheries as well as infrastructure.
4. Improve access of the poor to basic services and basic infrastructure through special activities in the fields of education, health and infrastructure.
5. Maintain and improve the quality of life, as well as prevent environmental damage, and reduce disaster risk through special activities in the environmental sector, accelerate the provision and increase the coverage and reliability of services for basic infrastructure and facilities in an integrated system through special activities in the infrastructure sector.
6. Supporting the provision of infrastructure in areas affected by the expansion of the district, city and provincial governments through special activities in the field of government infrastructure.
7. Increase the integration and synchronization of activities funded by DAK with activities funded by the budget of the ministry / activity agency funded from the APBD.

8. Gradually transfer funds for deconcentration and co-administration which are used to fund activities that have become regional affairs to DAK. The funds diverted came from the budget of the Ministry of Public Works, the Ministry of National Education and the Ministry of Health.

## RESEARCH METHOD

type of research used in this is *explanatory research* or explanatory research with a quantitative approach. The number of samples used in this study were 49 respondents. The sampling technique used a random sampling technique, namely the sample was taken randomly (Wibisono, 2004).

The data analysis techniques used are:

- a. Descriptive analysis Descriptive analysis is needed on the research variables. Based on these variables, analysis can be carried out to obtain information about many things. (Hadi, 2014)
- b. Multiple linear regression Multiple linear regression analysis is used to regress simultaneously between independent and dependent variables. (Agung, 2015)

In this study, the regression model used is:

$$Y = \alpha + b_1X_1 + b_2X_2 + e$$

Information:

Y = Capital Expenditure (BM)

- $\alpha$  = Constant
- = Slope or regression coefficient
- $X_1$  = General Allocation Fund (DAU)
- $X_2$  = Special Allocation Fund (DAK)
- e = Error

- c. F test  
To test the effect of the independent variables simultaneously on the dependent variable (Ghozali, 2011)
- d. T test t  
test is carried out to partially test the significance of each independent variable (Ghozali, 2011)

## RESEARCH RESULTS AND DISCUSSION

### Research Results

Results of multiple linear regression analysis are as shown in the following table:

**Table. Test results Variable Regression General Allocation Fund (DAU) and Variable Special Allocation Fund (DAK) together towards the realization of regional expenditure Variable**

Independent Variables	Regression Coefficients	Ry(123)	R <sup>2</sup> y(1,2,3)	Sig	F <sub>count</sub>	Description
Constant	-15,527,134					
DAU (X <sub>1</sub> )	0.167	0.864	0.747	0,000	106,184	Significant
DAK (X <sub>2</sub> )	0.182					

Source: processed secondary data

From the results of multiple linear regression calculations in the table above, it can be seen that the relationship between the independent and dependent variables can be formulated in the following formula:

$$Y = -15.527,134_2 + 0.167X_1 + 0.182X_3 + e$$

The equation can be interpreted as follows: :

- a) A constant of -15,527,134 states that if there are no independent variables considered constant ( $X_1=0$ ,  $X_2=0$ ,  $X_3=0$ ), then the capital expenditure for each region is -15,527,134.
- b) The General Allocation Fund (DAU) coefficient increases by 0.167, meaning that if there is a change in the DAU of 1%, it will increase the Capital Expenditure by 0.167 or 16.7%.
- c) The Coefficient of Special Allocation Funds (DAK) increases by 0.182, meaning that if there is a change in DAU of 1%, it will increase Capital Expenditures by 0.182 or 18.2%.

Together the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) have a positive effect on the Realization of Regional Expenditure as indicated by the correlation coefficient ( $R_{y(1,2)}$ ) of 0.864, then the magnitude of the coefficient of determination ( $R^2_{y(1,2)}$ ) is 0.747. The calculation of this statistical result means that the ability of the independent variable in describing the variation of the change in the dependent variable is 74.7%, while the remaining 25.3% (100% -74.7%) is explained by other factors outside the regression model.

The results of statistical tests with the F test are explained through  $f_{table}$  is 2.69 and  $F_{counts} > 106.184$ , then  $F_{count} > F_{table}$  means that together all the independent variables of the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) have a significant effect on the realization of regional expenditure. This regression model explains that the General Allocation Fund and the Special Allocation Fund together have a positive and significant effect on the realization of regional capital expenditures. Therefore, it is concluded that the fourth hypothesis is accepted.

## DISCUSSION

### 1. The Effect of General Allocation Funds Capital Expenditure

Based on the data analysis that has been carried out, the second hypothesis states that "General Allocation Funds have a positive effect on the realization of Regional Expenditure in the City of Tidore Islands in 2016-2018", it is proven that the General Allocation Fund has a positive effect on the Realization of Regional Expenditure. This is indicated by the correlation coefficient ( $r_{x1y}$ ) of 0.658. The coefficient of determination ( $r^2_{x1y}$ ) of 0.433 shows that the General Allocation Fund has an influence on the Realization of Regional Expenditure by 0.05. Value  $t_{count} 9.168 > t_{table} 1.98137$ . These results indicate that the higher the General Allocation Fund, the Capital Expenditures will increase, and vice versa, if the lower the General Allocation Fund, the lower the Capital is. The results of this study are supported by the results of research conducted by Suryantini (2018) which states that the General Allocation Fund has a positive effect on capital expenditure.

According to Prasoka (2004), the General Allocation Fund is a fund originating from the APBN which is allocated with the aim of equitable distribution of financial capacity between regions to finance expenditure needs. This is related to the balance of money between the center and the regions. This transfer is significant enough so that local governments can use it to provide better public services. The General Allocation Fund (DAU) can be categorized as an unconditional transfer or *block grant*, which is a type of transfer between levels of government that is not linked to a specific expenditure program. The purpose of using the General Allocation Fund (DAU) is to equalize regional financial capacity in order to provide basic community services.

Based on the results of the above research, the greater the General Allocation Fund (DAU) received by the regional government, the greater the Regional Expenditure activities carried out by the regional government. Hence a second hypothesis was accepted.

## **2. The Influence of Special Allocation Funds on Capital Expenditure**

Based on the data analysis that has been carried out, the third hypothesis states that the Special Allocation Fund has a positive effect on the Realization of the Capital Expenditure of the City Government of Tidore Kepulauan 2016-2018, it is proven that the Special Allocation Fund has a positive effect on capital expenditure. This is indicated by the correlation coefficient ( $r_{xy}$ ) of 0.166. The coefficient of determination ( $r^2_{xy}$ ) of 0.028 indicates that the Special Allocation Fund has an influence on the Realization of Regional Expenditure by 2.8%. The significance value is 0.080, the value is higher than 0.05. The value of  $t_{count}$  1.770 <  $t_{table}$  1.98137, then the Special Allocation Fund to the Realization of Regional Expenditure is positive but not significant. These results indicate that the higher the Special Allocation Fund, the higher the Regional Expenditure Realization, and vice versa, the lower the Special Allocation Fund, the lower the Capital Expenditure. This result explains that the city of Tidore Islands which receives a large Special Allocation Fund tends to have a large Realized Capital Expenditure as well. The results of this study support the research conducted by Handayani (2018) which states that DAK has a positive effect on capital expenditure.

Special Allocation Funds are funds sourced from APBN revenues allocated to certain regions with the aim of helping finance special activities which are regional affairs and in accordance with national priorities. The use of the Special Allocation Fund is directed at investment activities in the development, procurement, improvement and repair of physical facilities and infrastructure with a long economic life, including the provision of supporting physical facilities. With the allocation of the Special Allocation Fund, it is hoped that it can influence the allocation of the Capital Expenditure budget because the Special Allocation Fund tends to increase the *assets* fixed owned by the government in order to improve public services. Based on the results of the above research, the greater the Special Allocation Fund, the greater the regional spending activities carried out by the regional government. Thus the second hypothesis is accepted.

## **3. The Effect of General Allocation Funds (DAU) and Special Allocation Funds together on Regional Expenditure Realization**

With the F statistical test, which tests the effect of all independent variables, namely the General Allocation Fund and the Special Allocation Fund on the dependent variable, namely the Realization of Regional Expenditure, proves that together the three independent variables have a positive and significant effect on the dependent variable with a correlation coefficient ( $R_{y(1, 2)}$ ) amounting to 0.864. The coefficient of determination ( $R^2_{y(1, 2)}$ ) is 0.747. The test results with the F test with a significant value of 0.000, this value is less than 0.05,  $F_{table}$  is 2.69 and  $F_{count}$  106.184 so that  $F_{count} > F_{table}$  which means together all the independent variables of the General Allocation Fund, and The Special Allocation Fund has a significant effect on capital expenditure. The results of this study are supported by research conducted by Sumarmi (2009) which states that simultaneously the DAU and DAK variables have a significant effect on the Regional Expenditure realization variable. The third hypothesis which states that the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) together have a positive effect on the Regional Expenditure Realization of the Tidore Islands City government is accepted.

## CONCLUSION

1. The General Allocation Fund has a positive and significant effect on the Regional Expenditure Realization of the City Government of Tidore Kepulauan in 2016-2018. This is indicated by the coefficient of determination ( $r_{x_1y}$ ) of 0.658 and the coefficient of determination ( $r^2_{x_1y}$ ) of 0.433. The value of  $T_{count} 9.168 > t_{table} 1.98137$ .
2. The Special Allocation Fund has a positive and insignificant effect on the realization of regional expenditure in the City Government of Tidore Islands in 2016-2018. This is indicated by the coefficient of determination ( $r_{x_2y}$ ) of 0.166 and the coefficient of determination ( $r^2_{x_2y}$ ) of 0.028. The value of  $T_{arithmetic} 1.770 < t_{table} 1.98137$ .
3. The General Allocation Fund and the Special Allocation Fund together have a positive and significant effect on the Regional Expenditure Realization of the Tidore Islands City government in 2016-2018. This is indicated by the number of the correlation coefficient ( $r_{y_{1,2}}$ ) of 0.864 and the coefficient of determination ( $r^2_{y_{(1,2)}}$ ) of 0.747. The value of  $T_{count} 106.184 > t_{table} 2.69$ .

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