THE EFFECT OF LOCAL AUTONOMY POLICY AND
BUDGET ALLOCATION TOWARD
THE CAPITAL EXPENDITURE SHARE IN INDONESIA

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Abstract: Today, regional autonomy policy in Indonesia has been running for 12 years. This policy is generally expected to bring a good change to the Indonesian macroeconomics conditions and in particular for the regional economy, can be more independent in the revenue and in the allocation of the budget, which in turn is expected to improve the welfare of its people. This study aimed to examine the effect of regional autonomy, the budget allocation for education, health, housing, foreign aid, tax and salaries share toward the capital expenditure share. This study uses panel data by years of research 1990 - 2011 and consists of a cross section 26 provinces. Based on the results of the study by using a random effect model, statistically the result find the budget allocation for education, housing, health, salaries, foreign aid has a significant effect on the share of capital expenditure, while for regional autonomy and tax share has no effect a significant share of the capital expenditure.

Keywords: regional autonomy, the capital expenditure share.
1. Introduction

State budget is intended to finance the development in order to achieve a better sustainable of government and community life. The entire financing government activities designed in the state budget. Economically it is understandable if the government implements the efficient and effective principle. The use of public finances should be suitable or consistent to the needs of the community as outlined in the state budget/local which is legitimated by the House of Representatives (DPR)/People's Representative Council (DPRD). This conformity will be as the benchmark of accountability regime in holding the people's mandate in budget management.

The implementation of decentralization opens a canal of freedom for local governments to manage local financial and compatible with the conditions of each region. The interpretation of budget management by local level is often a point of contention remains to be devolution of power sharing with the center so that its implementation is not the same for each region. Willingness of central government in this implementation to be more simply is an inevitability. Decentralization policy also means reducing the power of the central government toward its budget. From various studies, among others: Litvack, et.al. (1998), Prud'homme (1995), Rahmi (2009), Bardhan (2002), Sharma (2010), Musgrave and Musgrave (1984), Hamzah (2004) and Rodden (2004) found that the link between decentralization process with the right release mechanism by the central government in various countries. Central Government should give up some power to local government financial management. Its mean that the distribution of an increasingly diverse make handling the increasingly complex problems that arise.

Revenue and Expenditure budget is one instrument by government to regulate the national economy. From the revenue side, budget can be used to set how the amount of funds in the economy should be flow to the government through taxation mechanisms and other instruments. In terms expenditure, the government can regulate the allocation of funds to sectors of the economy, based on preference or policy of the government to achieve a certain goal. Budget macro model is an analytical tool to design budget to develop alternative budget policies and to estimate the impact on development outcomes. Budget policy makers can compare the simulation results of various alternative policies are made, and determine which one is the best alternative to be implemented. A good alternative budget policy will has a positive impact to the area of all major development indicators.

Thus the model development activities are strategic step to devise an
efficient budget policy and in achieving the desired development goals. The achievement of development is to be measured from a variety of indicators of economic development, among others: gross domestic product, government revenue, income, employment and population of poverty. Thus with this construction model is expected that policy maker have some tools to determine various policy alternatives in the field of economic and policy on economic indicators, covering investment, exports/imports, GDP, government revenue, income, manpower absorption and sectoral output. Thus policy makers are able to recommend this policy to be implemented.

Outcome of the model is the creation of an efficient and effective allocation of central expenditure. Central budget will be consistent with the policy of pro-poor, pro-growth, and pro-job. Also it is expected that this model will directs the policies within the framework of fiscal-sustainability. From the discussion above, we try to examine: Is there an influence of regional autonomy, the budget allocation ratio of health, education, housing, taxes share, foreign aid and the proportion of employees' salary toward the capital expenditure share?

2. Theory of the State Budget (Government Expenditure Theories - Current Spending vs. Capital Spending)
Government expenditure can be categorized into current expenditure and capital expenditure. Current expenditure is expenditure that is used for consumption at a specific time period. Expenditures in the public sector is to be salaries, stationery, medicines for health care and others. While capital expenditure is expenditure on government assets. Expenditures for the purchase of the assets to be used for some time in the form of goods or services. In the case of government such as the construction of the hospital building, the purchase of computer and network equipment, building roads and others. Differentiation of the two above expenditure is essential. Capital expenditure has a longer impact the economy and assist the implementation of efficiency in the productive economy. An example is the construction of hospitals that have an impact on the efficiency and implement services in the future. While current expenditure has no impact in the economy long. Once the money is spent will affect the short run and in the economy. This situation is shown in this below figure. Point A has had a high level of current expenditure and low levels of capital expenditure, it showed lower growth lower. Point B has opposed a higher level of investment and the government will help the higher growth in the longer term. Thus the government should be very careful to determine the exact direction between spending on current expenditure and capital expenditure.
Figure 1 Composition of current expenditure and capital expenditure

Source: www.asuncyching.com

Conditions in Indonesia government expenditure can be seen from the state budget. State Revenue and Expenditure is a list containing details of revenues and expenses / expenditures during the year. Budget is set by law. The fiscal year budget covering a period of one year, starting from 1 January to 31 December (called the fiscal year). Budget components are: (i). Revenue and Grants, which includes income taxes, non-tax revenues and grants; (ii). Expenses / Expenditures, which are used for the purposes of administration of the central government and the implementation of the tasks of financial balance between central and local governments; and (iii). Deficit financing (Financing Budget), which is any revenue to be paid back and / or expenses that will be readmitted, both in the fiscal year concerned and in subsequent fiscal years.

3. Research Method
3.1. Research Design
This study was designed with quantitative methods, as well as secondary and tertiary uses data that has been released publicly. Data types and variables are explanatory research and research data are panel data from year 1992 to 2011 in 26 provincial level. This data was obtained from the Central Bureau of Statistics (BPS), MoHA (Ministry of Home Affairs), Ministry of Finance (MoF), Bank Indonesia (BI) and other agencies that can be used to complement the variable that will be required in the study. The variables included in this study are interrelated variables between endogenous and exogenous. When indicated all variables affect each other and, according to Gujarati (2009:711-730) and Green (2003), for the variables that affect each other can be used simultaneous equation model. Hence the function equations formed between the independent variables and the dependent variable, can exchange position and model equations are simultaneous equations.
3.2. Data Analysis Method

In this study, the data used is panel data (pooled data), because of the advantages of using panel data, one is able to provide data that is more informative and better at detecting and measuring the effects of which can not be observed in the cross section and time series (Gujarati, 2009). Linear regression models were used for the cross section data and time series each include:

Model with cross section data
\[ y_i = \alpha + \beta x_i + e_i ; i = 1,2,...,N \]

\( N \) = number of cross section data

Models with time series data
\[ y_t = \alpha + \beta x_t + e_t ; t = 1,2,...,T \]

\( T \) = number of time series data

Panel data is a combination of cross section data and time series data, then the model is written by:

Where:
\[ y_{it} = \alpha + \beta x_{it} + e_{it} ; i = 1,2,...,N; t = 1,2,...,T \]

Where:
\( N \) = number of observations
\( T \) = number of time
\( N \times T \) = number of panel data.

To estimate the parameters of the model with panel data in this study used the technique of Ordinary Least Square (OLS). This technique is no different than making regression with cross section data or time series, but for panel data before making regressions should incorporate cross section with time series data is required then the combined data as a whole observations are used to estimate the model. By using this method, the result will be better than the regression that only uses cross section data or time series because the panel data have more observations. The model equations are used and will be tested in the following research:

\[ Y_{1it} = \beta_{0it} + \beta_{1X1it} + \beta_{2X2it} + \beta_{3X3it} + \beta_{4X4it} + \beta_{5X5it} + \beta_{6X6it} + \beta_{7X7it} + e_{1it} \]

Where:
\( Y_{1} \) = the proportion of capital expenditure
\( X_{1} \) = policy autonomy
\( X_{2} \) = health ratio
\( X_{3} \) = education ratio
X4 = housing ratio  
X5 = tax share  
X6 = share of foreign aid  
X7 = wage bill / employment bill share  
β0 = constant  
β1 s/d β7 = coefficient  
i = Observation  
t = time

3.3. Least Squares Approach (Pooled Least Square)

The simple model approach in data processing panel that by incorporating or data that has been merged (Pooled). This model is also called commond model, suppose there are similarities as

\[ Y_{it} = \alpha + x'_i \beta_{it} + \varepsilon_{it} \quad \text{for } i = 1, 2, \ldots, N \text{ and } t = 1, 2, \ldots, T \]

Where N is the number of cross section units (individuals) and T is the number of time periods. Assuming an error in the processing components of ordinary least squares, we can perform the estimation separately for each unit cross section. For the period t = 1, will get a cross section regression equation as follows:

\[ Y_{it} = \alpha + x'_i \beta_{it} + \varepsilon_{it} \quad \text{for } i = 1, 2, \ldots, N \]

which will have implications for obtaining the equation of the same equation as T. Vice versa, we will also be able to obtain the equation of time series (time series) of N equations for each T observations. However, to get the parameters α and β are constant and efficient, will be obtained in the form of regression greater by involving as many as NT observations.

3.3.1. Fixed Effect

The greatest difficulty in the ordinary least squares method approach is the assumption of the intercept and the slope of the regression equation are held constant, both among regions and across time. Generalization in general is often done by inserting dummy variable (dummy variable) to allow for the difference parameter values vary both across units and between time cross section. In testing this thesis, the author will highlight the value of the intercept which could possibly vary from unit kenudian doing the cross section data using the Fixed Effects, Random Effects, Pooled Least Secure yang three in approach by including the dummy variable is known as a model fixed effects (fixed effect) or
the Least Square Dummy Variable also called Covariance Model. We can write these approaches in the following equation:

\[ y_{it} = \alpha_i + x_{ij}' \beta_j + \sum_{i=2}^{n} a_i D_i + e_{it} \]

Where:
\( y_{it} \) = dependent variable at time \( t \) for a unit cross section \( i \)
\( i \) = intercept which varies across cross section units
\( x_{ij} \) = independent variable \( j \) at time \( t \) for a unit cross section \( i \)
\( \beta_j \) = parameter for the variable to \( j \)
\( e_{it} \) = error component at time \( t \) for a unit cross section \( i \)

The decision to enter this dummy variable should be based on statistical considerations. We can not deny, by adding a dummy variable will be able to reduce the number of degree of freedom, which in turn will affect the coefficients of the estimated parameters. Consideration of the selection approach used is approximated using the F statistic that trying to compare the value of the sum of squares of the error of estimation process by using the method of least squares and fixed effects have included a dummy variable. The formula is as follows:

\[ F_{N-T,2NT-N} = \frac{ESS_1 - ESS_2}{ESS_2 / (NT - N - K)} \]

Where ESS1 and ESS2 is residual sum of squares using the method of ordinary least squares and fixed effects models, while the F statistic to follow the F distribution with degrees of freedom NT-1 and NT-NK. F test statistic value is the one which we then compare with the value of the F statistic table that will determine the choice of the model that we will use.

3.3.2. Random Effects Approach
The decision to include a dummy variable in the fixed effects model will be undeniable consequences (trade off). The addition of these dummies will be able to reduce the number of degrees of freedom (degree of freedom), which in turn will reduce the efficiency of the estimated parameters. In this regard, the panel data model known third approach is the random effects model (random effect). In the random effects model, the parameters are different between regions and between the time put into error. Because it was, the random effects model is
often called the model error component (error component models).
Form of a random effects model is described in the following equation:

\[ Y_u = \alpha + X'\beta_{uj} + \varepsilon_u \]
\[ \varepsilon_u = \varepsilon_i + \nu_i + \nu''_u \]

Where:
\[ u_i \sim N(0, \delta_u^2) = \text{component cross section error} \]
\[ \nu_i \sim N(0, \delta_i^2) = \text{component time series error} \]
\[ \nu''_u \sim N(0, \delta''_w) = \text{component error combination} \]

we also assume that the individual errors are not well correlated with the error as well as combinations thereof.

By using the random effects model, then we can save the use of degrees of freedom and does not reduce the number as that of the fixed effects model. This implies that the result of parameter estimation will be more efficient. Decisions using fixed effects model or random effects is determined by using specifications developed by Hausmann. This specification will provide an assessment using Chi Square Statistics values so that the model selection decision will be determined statistically.

3.3.3. Model Selection Test
After analysis of data then choose the model with some tests, there are several kinds of testing are:

(i). Chow Test
Chow Test is a test F Statistics is testing to select whether the model used Pooled Least Square or Fixed Effect. In this test done with the following hypothesis:
H0: Model Pooled Least Square (Restricted)
H1: Fixed Effect Model (Unrestricted)
The basis of the rejection of the null hypothesis is to use F statistics as formulated by Chow:

\[ CHOW = \frac{(RRSS - URSS)(N - 1)}{URSS I(NT - N - K)} \]

Where:
RRSS = Restricted Residual Sum Square
URSS = Unrestricted Residual Sum Square
N = cross section data
\[ T = \text{time series data} \]
\[ K = \text{number of explanatory variables} \]

Of the Chow test results obtained can be used as a benchmark to accept or reject Ho that the restrictions on the value of the intercept between individuals is true. If the results of Chow value greater than F Table or prob chi-square value is smaller than 0.05 (α 5%), then reject the null hypothesis, then the model is used instead of models Pooled Least Square, but the Fixed Effect Model (unrestricted) and if the results of Chow value is smaller than the F table or prob chi-square values greater than 0.05 (α 5%), then to accept the null hypothesis that the model means that the model used is the Pooled Least Square (PLS).

(ii). LM Test

LM_test is testing to select the model or models Random Effect PLS. In this test done with the following hypothesis:

H0: Model Pooled Least Square (Restricted)
H1: Random Effect Model (Unrestricted)

The basis of the rejection of the null hypothesis is to use a table chi_square distribution as formulated by Breusch_Pagan:

\[
\text{LM} = \frac{nT}{2(T - 1)} \left( \frac{\sum_{i=1}^{n} \sum_{t=1}^{T} e_{it}^2}{\sum_{i=1}^{n} \sum_{t=1}^{T} e_{it}^2} - 1 \right)^2
\]

\[ \sum_{i=1}^{n} \sum_{t=1}^{T} e_{it}^2 = \text{Restricted Residual Sum Square} \]

\[ \sum_{i=1}^{n} \sum_{t=1}^{T} e_{it}^3 = \text{number of quadrad of Random Effect} \]

N= number of cross section data
T= number of time series data

LM Test of the results obtained can be used as a benchmark to accept or reject Ho that the restrictions on the value of the intercept between individuals is true. If the results of the LM test value greater than the chi squares, then reject the null hypothesis, then the model is used instead of models Pooled Least Square, but the Random Effect models and if the results of the LM Test value is less than the Chi Square, then to accept the hypothesis zero which means that the model used is the model Pooled Least Square.
(iii). Test Hausmann

Testing is to select the model or models Random Fixed Effect Effect. In this test
done with the following hypothesis:
H0: Fixed Effect Model
H1: Random Effect Model (Unrestricted)

Hausman using REM as a benchmark (null hypothesis). If the test statistic
indicates rejection of the null hypothesis that the most appropriate FEM or REM
and vice versa if the null hypothesis can not be rejected. This test uses the value
of chi square prob. If the prob chi-square value is smaller than 0.05 (α 5%) then
the null hypothesis is rejected and the model chosen is the fixed effect and vice
versa.

3.4. Operational Variables

Operational definitions of variables used in this equation is the proportion of the
budget spent on local government to local government spending (routine) or
investment expenditure, breakdown for each variable are as follows:
1. OTDA is Policy of regional autonomy.
2. CEH is the proportion of government spending on health
3. CEE is the proportion of government spending on education
4. CEHs is the proportion of government spending in the areas of public housing
5. TS is the proportion of tax revenue collected by the government
6. FAS is the proportion of government revenue in from foreign aid.
7. EBS is the proportion of the government budget for government employees

4. Research Analysis and Results

4.1. District Financial Decrion

Based on the figures (see figure 1-20 at appendices) can be seen that the average
salary per employee, the highest province is DKI Jakarta Province
Rp.3,423,477.49,- followed by Central Java Province of Rp.770,036.17,- while
the rest, have the value of employee salary below of Rp. 500,000.00,-. While, the
highest capital expenditure per province, is DKI Jakarta around
Rp.1,983,020.46,- followed by Aceh; Riau, East Kalimantan, and Papua at
Rp.693,426.74,- Rp.590,916.40,-; Rp.581,773.57,- and Rp. 500,683.18,-, while
the rest, have values under Rp.500,000,-. The highest tax revenue per province is
DKI Jakarta, Rp.4,380,260.92,- followed by West Java, East Java and Central
Java Rp.2,173,435.25,-; Rp.2,097,274.06,-, and Rp.1,340,569.55,-. While the
rest, have tax revenue under Rp.1,000,000.00.

For foreign aid, the highest is DKI Jakarta Rp.2,673,113.95,-, followed
by East Kalimantan Rp.1,649,049.86,-, while the rest, under Rp.1,000,000.00,-.
For total government spending, the highest per province is East Java Province Rp.11,561,718.35,-, followed by West Java and Central Java Rp.10,354,698.87; Rp.10,144,183.89,-, while the rest, has a total value of government spending under Rp. 8,000,000.00. For the salaries of employees per government expenditure, the highest is DKI Jakarta (0.56) followed by Yogyakarta (0.34), while the rest are under 0.30. For capital expenditures per government expenditure, the highest is East Kalimantan (0.57), followed by DKI Jakarta (0.29), while the rest under 0.20. For the allocation of funds for the education, the highest is Central Java (Rp.2,605,974,256.80,-) followed by West Java (Rp.2,086,980,591.27,-), while the rest under Rp. 1,000,000,000.00. For housing allocation per province, the highest is Central Java (Rp.840, 792,618.30,-), followed by the East Java (Rp.721,330,294.56,-), while the rest, under Rp.700,000,000.00,. Meanwhile, the allocation of funds for health, the highest is East Kalimantan (Rp1,164,468,058.43,-) followed by DKI Jakarta amounted to Rp1,074,073,135.31,-, while the rest, under Rp.1,000,000,000.00.-. For the total expenditure, the highest is Central Java (Rp.2,548,225,118.13,-) followed by DKI Jakarta (Rp1,02,795,537.83,-) while the rest, under Rp. 1,000,000,000.00,-. The proportion of the total education allocation, the highest is West Sumatra at 373.64, followed by NTB and South Sulawesi at 269.45 and 258.77, while the rest under 250. The proportion of funds allocated for housing, the highest is West Kalimantan at 149.82, followed by 131.41 of West Sumatra (131.41), while the rest, under 130. For the proportion of the total health budget, the highest is South Sumatra Province (235.22), followed by East Kalimantan (207.60), while the rest, under 200. For the capital expenditure per share, the highest is East Kalimantan (0.6186), followed by DKI Jakarta (0.3935), while the rest under 0.3000. For tax share per province, the highest is Lampung (0.0018), followed by North Sumatra (0.0014), while the rest, below 0.0014. For foreign aid per share, the highest is East Kalimantan province (1.6750) followed by DKI Jakarta (0.6441), while the rest below 0.6000.

4.2. Statistical Test
4.2.1. Instrument Test (Choosing Estimation Model)
### Table 4.1
**Comparation of Estimation Model**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Common Effect</th>
<th>Fixed Effect</th>
<th>Random Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>Coefficient</td>
<td>Coefficient</td>
</tr>
<tr>
<td>C</td>
<td>-0.008787</td>
<td>-0.001737</td>
<td>-0.002851</td>
</tr>
<tr>
<td>OTDA</td>
<td>0.001363</td>
<td>0.000446</td>
<td>0.000206</td>
</tr>
<tr>
<td>CEH</td>
<td>1.84E-05</td>
<td>3.33E-05</td>
<td>3.19E-05 ***</td>
</tr>
<tr>
<td>CEE</td>
<td>-2.69E-05</td>
<td>-4.83E-05 ***</td>
<td>-4.62E-05 ***</td>
</tr>
<tr>
<td>CEHs</td>
<td>4.81E-05</td>
<td>0.000133</td>
<td>0.000125 ***</td>
</tr>
<tr>
<td>TS</td>
<td>4.019960</td>
<td>-6.983640</td>
<td>-5.517451</td>
</tr>
<tr>
<td>FAS</td>
<td>0.425724 ***</td>
<td>0.429969 ***</td>
<td>0.429445 ***</td>
</tr>
<tr>
<td>EBS</td>
<td>0.098748 ***</td>
<td>0.093248 ***</td>
<td>0.094544 **</td>
</tr>
<tr>
<td>R²</td>
<td>0.944312</td>
<td>0.970566</td>
<td>0.966228</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.945351</td>
<td>0.968631</td>
<td>0.965766</td>
</tr>
<tr>
<td>F-Statistic</td>
<td>1240.295 ***</td>
<td>501.8203 ***</td>
<td>2092.613 ***</td>
</tr>
</tbody>
</table>

*Source: process data by Eviews 7.0*

**Remarks:**
- *Significant on alpha 10%*
- **Significant on alpha 5%***
- ***Significant on alpha 1%***

### Table 4.2
**Estimation results of Model Selection between Common vs. Individual Effect**

<table>
<thead>
<tr>
<th>Method</th>
<th>Probability Chi-square</th>
<th>Conclusion</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chow Test</td>
<td>0.0000</td>
<td>Ho refused</td>
<td>Individual effect</td>
</tr>
</tbody>
</table>

*Source: process data by Eviews 7.0*

By testing using the Chow test in which the null hypothesis (H0) is a common effect models obtained from the Chi square probability value of 0.000 < 0.05. Thus the null hypothesis (H0) is rejected, so that a better model is used to estimate the individual effect, then the next test is to compare the fixed effect with a random effect using the Hausman test where the test.

### Table 4.3
**Estimation Result of Model Selection between Fixed Effect vs Random Effect**

<table>
<thead>
<tr>
<th>Method</th>
<th>Probability Chi-square</th>
<th>Conclusion</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hausman Test</td>
<td>0.0965</td>
<td>Ho accepted</td>
<td>Random effect</td>
</tr>
</tbody>
</table>

*Source: process data by Eviews 7.0*

By testing the null hypothesis that used Hausman Test (H0) is the random effect models obtained from the Chi square probability value of 0.5512 > 0.05. Thus the null hypothesis (H0) fails to be rejected, so that a better model is used to estimate random effect.
4.2.2. Result Test

Table 4.4
Random Effect Method Estimation Result

<table>
<thead>
<tr>
<th>Dependent Variable: Proportion coefficient of capital expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variable</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>OTDA</td>
</tr>
<tr>
<td>CEH</td>
</tr>
<tr>
<td>CEE</td>
</tr>
<tr>
<td>CEHS</td>
</tr>
<tr>
<td>TS</td>
</tr>
<tr>
<td>FAS</td>
</tr>
<tr>
<td>EBS</td>
</tr>
<tr>
<td>R-squared</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
</tr>
<tr>
<td>F-stat</td>
</tr>
<tr>
<td>Prob F-stat</td>
</tr>
</tbody>
</table>

*Source: process data by Eviews 7.0*

a. Goodness of Fit Model
Based on the results of processing by the method of random effect obtained values of adjusted R-square of 0.965766, it demonstrates the ability of all the independent variables in explaining the variation of the dependent variable was 96.57% while the remaining 3.43% explained by the other independent variables were not included in the model.

b. Concurrent Test (F Test)
H8: Simultaneously there are significant effect between OTDA, CEH, CEE, CEHS, TS, FAS and EBS to the Share of Capital Expenditure. F-stat values figure the accuracy of the model is equal to 2092.613, the F-stat probabiliti by 0.0000<0.05, then the alternative hypothesis is accepted and concluded at the 95% confidence level, the independent variables jointly have a significant effect on the dependent variable.

c. Individual test (t-Test)
Individual tests or test t-stat and probability are used to test whether the partial regression coefficients differ individually associated with the dependent
variable. Based on estimates using the Random Effect, can be interpreted as follows:

i. Regional Autonomy (OTDA)
H1: Supposed local autonomy policy has a significant influence on the level of the proportion of capital expenditure
That is, based on the test results is known that the level of the proportion of capital expenditure after the decentralization policy higher than before decentralization policy is enforced hasl seen from the coefficient of 0.000206 regional autonomy. The test results demonstrate the value of the statistical probability of 0.9820 > 0.05 (α 5%), then the null hypothesis fails to be rejected concluded. It was therefore concluded there is no effect on the level of regional autonomy proportion toward capital expenditure.

ii. Health Ratio (CEH)
H2: Supposed health ratio has a significant influence on the level of the proportion of capital expenditure
That is, if the health ratio increased by 1 unit, then the proportion of capital expenditure levels increased by 0.0000319 units, assuming ceteris paribus. The test results demonstrate the value of the statistical probability of 0.0034 <0.05 (α 5%), then the null hypothesis is rejected concluded. It was therefore concluded the 95% confidence level there is a positive and significant impact on the level of health ratio is the proportion of capital expenditure.

iii. Education Ratio (CEE)
H3: Supposed education ratio has a significant influence on the level of the proportion of capital expenditure
That is, if the education ratio increased by 1 unit, then the proportion of capital expenditure levels decreased by 0.0000462 units, assuming ceteris paribus. The test results demonstrate the value of the statistical probability of 0.0000 <0.05 (α 5%), then the null hypothesis is rejected concluded. It was therefore concluded the 95% confidence level are negative and significant effect on the level of education ratio is the proportion of capital expenditure.

iv. Housing Ratio (CEHs)
H4: Supposed housing ratio has a significant influence on the level of the proportion of capital expenditure
That is, if the housing ratio increased by 1 unit, then the proportion of capital
expenditure levels increased by 0.000125 units, assuming ceteris paribus. The test results demonstrate the value of the statistical probability of 0.0001 < 0.05 (α 5%), then the null hypothesis is rejected concluded. It was therefore concluded the 95% confidence level there is a positive and significant impact on the level of housing ratio the proportion of capital expenditure.

v. Tax Share (TS)
H5: Supposed tax share has a significant influence on the level of the proportion of capital expenditure
That is, if the tax share increased by 1 unit, then the proportion of capital expenditure levels decreased by 5.517451 units, assuming ceteris paribus. The test results demonstrate the value of the statistical probability of 0.4597 > 0.05 (α 5%), then the null hypothesis fails to be rejected concluded. It was therefore concluded there is no effect on the level of tax share proportion of capital expenditure.

vi. Foreign Aid Share (FAS)
H6: Supposed foreign aid share has a significant influence on the level of the proportion of capital expenditure
That is, if foreign aid share raise by 1 unit, then the proportion of capital expenditure levels increased by 0.429445 units, assuming ceteris paribus. The test results demonstrate the value of the statistical probability of 0.0000 < 0.05 (α 5%), then the null hypothesis is rejected concluded. It was therefore concluded the 95% confidence level there is a positive and significant impact on the level of foreign aid share proportion of capital expenditure.

vii. Wage Bill (EBS)
H7: Supposed wage bill/employment bill share has a significant influence on the level of the proportion of capital expenditure
That is, if the wage bill / bills employment share increased by 1 unit, then the proportion of capital expenditure levels increased by 0.094544 units, assuming ceteris paribus. The test results demonstrate the value of the statistical probability of 0.0487 < 0.05 (alpha 5%), then the null hypothesis is rejected concluded. It was therefore concluded the 95% confidence level there is positive and significant wage bill / employment share the bill levels the proportion of capital expenditure.
5. Conclusion and Suggestion
Decentralization policy is expected to bring changes and significant impact on the capital expenditure share. But based on the results of this study, it has insignificant effect although the resulting of coeefiesien is positive. This is due to the implementation of regional autonomy is not maximized. This result is as same as with the tax share. Tax share has no significant effect also. This is because of there are still many provinces whose revenues earned by fund balance. For sectoral budget allocation based on health, education, housing, foreign aid, as well as employee salaries concluded at 95% confidence level there is a significant influence on the proportion of capital expenditure levels. This suggests that the presence of regional autonomy brings a good impact to the budget allocation of health, education, housing, foreign aid, and salaries.

References


Gujaratl, Damodar N. (2009), Basic Econometric, 5th ed, Mc Graw Hill Irwin, Boston


Figure 1

Gaji Pegawai (Ribu Rp)

Figure 2

Belanja Modal (Ribu Rp)

Figure 3

Pajak (Ribu Rp)