



The role of specific allocation fund on the local government budget timeliness

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Abstract

Local government budget (APBD) is the annual financial planning of the local government in Indonesia that requires consent from the Regional House of Representatives (DPRD) and is determined by regional regulation. One of the budgets is a fiscal balance which includes a revenue-sharing Fund (DBH), a general allocation fund (DAU), and a specific allocation fund (DAK). This study aims to analyze the role of funds allocation from the central government on the promptness of APBD establishment. The populations of this research were local governments in Central Java in periods 2014-2017. The data were obtained from the audit board (BPK) office and regional financial and asset management board (BPKAD) office in Central Java. This study is analyzed by logistic regression. The outcomes of this study indicated that DAK has a significant positive effect on the promptness of APBD establishment, whereas DAU and DBH have an insignificant negative impact.

Keywords: Special allocation fund; general allocation fund; revenue sharing fund; timeliness

Introduction

General Allocation Fund (DAU) is an unconditional transfer to cover the regional budget needs that cannot be fulfilled from a region's pure income. DAU becomes the main focus for local governments in determining the APBD, also known as the flypaper effect. Such conditions are found in most regions in Indonesia. Kusumadewi & Rahman, 2007 research in 225 regions in Indonesia shows that there is a flypaper effect where local governments in determining their spending policies are more stimulated by the amount of DAU received in the current year than from the PAD itself and also more determined by the DAU in the previous period than from the PAD in previous period. Prakosa, 2004 also showed the phenomenon of flypaper effect in the regions of Central Java and DIY provinces. The flypaper effect phenomenon shows that the dependence of the regional government on the central government is still high, this will risk a delay in regional autonomy. The study also showed that the amount of regional expenditure was influenced by the DAU of the current year or the DAU of the previous year.

Special Allocation Funds (DAK) are funds originating from the APBN which are allocated to regions to help finance certain needs (Law No. 33 of 2004). Obtaining

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and utilizing the Special Allocation Fund (DAK) must follow the guidelines set by the Central Government. DAK is allocated in the APBN for certain regions in the context of funding special activities that are regional matters and included in the national priority program. A region can receive DAK if it meets three criteria, namely (1) general criteria based on the net fiscal index; (2) special criteria based on laws and regulations and regional characteristics; and (3) technical criteria based on the technical index of related fields (Law No. 32/2004 and Law No. 33/2004) (Handayani & Nuraina, 2012).

DAK recipient regions must provide supplement funds in the APBD of at least 10% of the DAK received. Exceptions can be given to regions with low fiscal capacity. In addition, regions are required to provide 3% of the DAK value received for general costs taken from other revenue sources. DAK is used to close public service gaps between regions with priorities in the fields of education, health, infrastructure, marine and fisheries, agriculture, regional government infrastructure, and the environment (Handayani & Nuraina, 2012). Research by Nuarisa, 2013 and Juniawan & Suryantini, 2018 stated that DAK influences the allocation of capital expenditure. Whereas the research of Handayani & Nuraina, 2012 in Madiun Regency and the research of Moha, Kumenaung, & Rotinsulu, 2013 in Bolaang Mongondow Regency stated that DAK had no effect on regional expenditure allocations, because the needs for activities were difficult to estimate using the general allocation formula and those special needs were national commitments or priorities.

According to Ardiyah & Wijayanti, (2016), DAU as one of the transfer funds does not affect the timeliness of APBD determination. Hendaris, Budi, & Rahayu, (2012) argue DAU and DAK simultaneously have a positive effect on capital expenditure. Meanwhile, Feridan (2013) states that fiscal balance affects capital expenditure. Tuasikal, (2008) also explains that DAU and DAK have positive effects on capital expenditure. The effect of DAU and DAK on capital expenditure shows that DAU has an important role in regional financing.

Revenue Sharing Funds (DBH) are funds sourced from APBN revenues that are allocated to regions based on percentage figures to fund regional needs in the context of implementing decentralization (Law No. 33 of 2004, on Fiscal Balance between the Central Government and regional governments). The DBH transferred by the central government to regional governments consists of 2 types, namely tax DBH and non-tax DBH (Natural Resources) (Wahyuni, 2009). DBH is a potential source of regional income and is one of the basic capital of regional governments in obtaining development funds and meeting regional spending (Yusriadi, 2017). DBH has a positive effect on the amount of regional expenditure (Yusriadi, 2017); (Sofia & Syamsurizal, 2010); (Wulandari, 2014), however, a research on regency / city governments in Central Sulawesi Province states that DBH has no effect on regional spending (Rosyid, 2018).

Considering that the DAU, DAK, and DBH are related to APBD stipulations, the delay of transfer of the three funds may also cause delays in APBD determination. Delays in determining the APBD will result in delayed activities, especially the expenditure in local governments. In addition, regional expansion also causes delays in the non-tax DBH (Savitri, Dewantara, Darmayant, Dewi, & Sari, 2019).

This research is essential because research on the timeline in determining APBD is still rarely conducted, especially from the point of transfer funds or balance funds, while there are still many local governments that are late in setting the APBD. The results of previous researches that have not been consistent become the basis of this study to analyze the factors that can slow down the determination of the APBD. This research is expected to have a contribution as a reference to the development of science especially in the field of accounting with concentration of public sector accounting regarding the determinants of the timelines of APBD determination. This research is also expected to have a contribution to the local government so that in determining the APBD there is no delay.

Research Method

The populations of this study were local governments in Central Java. Central Java was chosen as the populations of this study because based on Minister of Home Affairs records, there are still many local governments in Central Java that late in determining APBD. The sampling technique used in this study was purposive sampling technique with criteria: local governments in Central Java that have financial reports for periods 2014-2017 and active on their website to present information related to DPRD and regional heads³. The research framework described in Figure 1; the measurement of variables used a Likert scale, as shown in Appendix 1, and the research analysis used logistic regression.

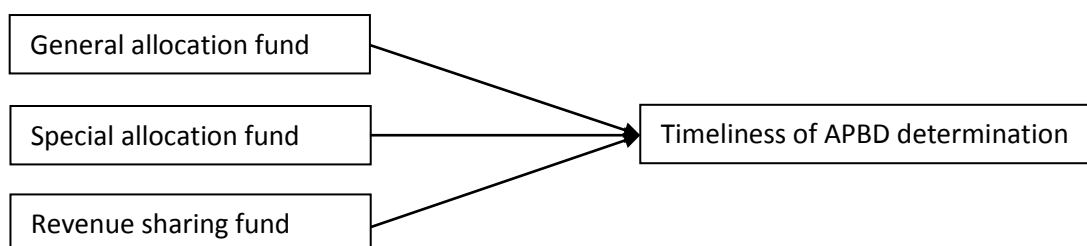


Fig. 1. Theoretical research framework

Result and Discussion

The number of samples used in this study were 35 local governments in Central Java for 4 (four) years, so the total sample were 140. After collecting data and input the sample data to SPSS 22.0, based on the all result in Table 1, the statistical value of Hosmer and Leme shows 0.759, which is greater than the sign level ($\alpha = 5\%$). These results explain that this research model can be accepted or classified as fit, so that the variable of general allocation fund, special allocation fund, and revenue sharing fund can be used to predict observations in research. The overall model fit test is conducted to determine whether the model is fit with the data or not. Hence, the research model can be seen in the function of -2 Log Likelihood. The value of -2 log likelihood is 72,049 (Block number = 0). Meanwhile, the value of -2 log likelihood is 63,912 (Block number =

³ See for more detail at: <https://www.semarangkota.go.id/>; <http://www.magelangkota.go.id/>; <http://kuduskab.go.id/>

1). Based on the decrease in numbers between the first block number and the second block number, it indicates that the regression model is better.

The coefficient of determination in logistic regression is indicated by the value of Nagelkerke R Square. The value of determination coefficient is 0.056. Meanwhile, the value of Nagelkerke R Square is 0.140. This value indicates that all independent variables in this study can explain the dependent variable that the timeliness of APBD determination is 14.0% and the 86.0% which is explained by other variables. Logistic regression is used to predict the probability of an event. The dependent variable of logistic regression is a dummy or dichotomous variable (0 and 1) so that there is no need to assume normality, heteroscedasticity, and autocorrelation. However, the logistic regression continues to test multicollinearity assumptions. It is caused by logistic regression that only involves independent variables.

Table 1. Overall model fit test (Block Number = 0 and 1)

Iteration		-2 Log likelihood	Constant			
Step 0	1	80.652	1.714			
	2	72.541	2.342			
	3	72.053	2.545			
	4	72.049	2.565			
	5	72.049	2.565			
		Coefficients				
		-2 Log likelihood	Constant	DAU	DAK	DBH
Step 1	1	77.201	2.498	-.223	.336	-.132
	2	65.749	2.627	-.457	.746	-.273
	3	64.006	.535	-.587	1.060	-.354
	4	63.913	-.638	-.624	1.162	-.366
	5	63.912	-.737	-.628	1.171	-.366
	6	63.912	-.737	-.628	1.171	-.366
		-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square		
		63.912 ^a	.056	.140		
Result of feasibility test (Hosmer and Lemeshow Goodness of Fit)						
		Chi-square	Df	Sig.		
		4.982	8	.759		

Table 2. Results of logistic regression

Variable	B	S.E.	Wald	Df	Sig.	Description
Step 1 ^a DAU	-.628	1.295	.235	1	.628	Rejected
DAK	1.171	.476	6.042	1	.014	Accepted
DBH	-.366	.669	.300	1	.584	Rejected
Constant	-.737	29.573	.001	1	.980	

General Allocation Fund

The first hypothesis test shows that DAU influences the timeliness of APBD determination. In the results of this study, the DAU variable has a sig value of 0.628 which is more than 0.05, hence the hypothesis cannot be accepted. The results of this study are consistent with the research of Ardiyah & Wijayanti, (2016) and Kartiko, (2012). The research states that some governments in Indonesia only try to avoid the set

time limits in order to avoid DAU delay or DAU deduction sanctions, but they do not try to determine the APBD on the specific time. Based on the description above, the DAU variable has not been able to motivate the local government to determine the APBD in a timely manner. So that it can be concluded that general allocation fund does not have a positive effect on the timeliness of APBD determination.

Special Allocation Fund

Based on the test results using logistic regression, the second hypothesis is accepted. Table 2 shows that the Special Allocation Fund (DAU) has a sig value of 0.014 or below 0.05. Thus the DAU hypothesis that has a significant positive effect on the timeliness of APBD determination is accepted. Based on the research of Tuasikal, (2008) special allocation fund or DAK has positive effect on local budget. The research also revealed that the level of local governments independence in financing regional development, especially for capital expenditures, is still very dependent on central government transfers. This dependency makes the government tries to implement timeliness in APBD determination so that it can avoid sanctions. Kartiko, (2012) argues that sanction of delaying DAK disbursement at stage 1 is only given to local governments that submitted regional regulations about the deadline of APBD determination is December 31. The higher the amount of DAK obtained by a region, the more motivated the region to get a bigger DAK for the following year. Thus it can be concluded that special allocation fund has a positive effect on the timelines of APBD determination.

Revenue Sharing Fund

Table 2 shows that the logistic regression test results for DBH variable has a sig value of 0.584 and a beta value of -0.386. This shows that the third hypothesis cannot be accepted or rejected. The results of this study are not in line with the research conducted by Nuarisa, 2013 and Juniawan & Suryantini, 2018 which stated that fiscal balance included in DBH has a positive effect on capital expenditure. The researchers assumes that DBH cannot be a motivation for local governments to determine their APBD on time. This is because the determination of personal income tax (PPh) as the object of determining DBH amount causes the local government to only focus on collecting local revenue from PPh, not to focus on the arrangement and determination of APBD. Therefore DBH cannot yet become an indicator of APBD determination timeliness. The above description can be concluded that the timeliness of APBD determination cannot be positively affected by revenue sharing fund.

Conclusions

APBD or local government budget is the basis for regional financial management within one fiscal year starting from January 1 to December 31 (Permendagri Number 37 of 2014). The arrangement of APBD is made by local government and approved by DPRD. Determination of APBD must be carried out in a timely manner in accordance with the specified time. So all activities and programs that have been listed in APBD during that year can be realized and implemented on time and target. Based on the discussion of the APBD determination timeliness in local

governments of Central Java, this research has succeeded in concluding the following points: Special allocation fund is proven to have a positive effect on APBD determination timeliness. However, the general allocation fund and revenue sharing fund are not proven to have a positive effect APBD determination timeliness.

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Appendix

1. Variable operational definition

Variable	Definition	Indicator	Measurement Scale
General allocation fund (DAU) (X ₁)	General allocation fund (DAU) is aimed to equalize the financial capacity of the region horizontally (Siregar 2016:144).	The amount of DAU	The nominal scale is measured using a log of total general allocation fund
Special allocation fund (DAK) (X ₂)	Special allocation fund (DAK) is aimed to equalize the region's ability in providing basic services (Siregar, 2016:144)	The amount of DAK	The nominal scale is measured using a log of total special allocation fund
Revenue sharing fund (DBH) (X ₃)	Revenue sharing fund is fund from the central government (APBN) allocated to local governments	The amount of DBH	The nominal scale is measured using a log of total special allocation fund
Dependent Variable	The timeliness of APBD determination is the timeliness of local government and DPRD in determining the next year's APBD.	1. APBD determination before December 31 2. APBD determination after December 31	Ordinal scale by using 1 = if appropriate, 0 = if inappropriate

Source: Summary from Ardiyah and Wijayanti (2016) and Tuasikal (2008)