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# The Influence of General Allocation Funds and Special Allocation Funds on Asahan District Government Capital Expenditure

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## Abstract

The expenditure budget, especially capital expenditure, is considered important because it relates to the continuity of government activities. Capital Expenditure is one part of the regional expenditure which is used in purchasing or procuring tangible fixed assets that have a benefit value of more than twelve months used in infrastructure development and provision of public facilities. Regional Revenue and Capital Expenditures influence each other. The purpose of this study was to determine the General Allocation Fund and the Special Allocation Fund for Capital Expenditures of the Regional Government of Asahan Regency and the method used in determining the sample in this study was the SPSS method. The analytical tool used in this study is multiple linear regression analysis. The results of this study found that the General Allocation Fund and the Special Allocation Fund had a positive effect on the Capital Expenditure of the Regional Government of Asahan Regency.

**Keywords:** General Allocation Fund (DAU) and Special Allocation Fund (DAK); Capital Expenditures

## 1. Introduction

Regional autonomy is the right, authority and obligation of an autonomous region to regulate and manage government affairs and the interests of local communities in accordance with statutory regulations. The implementation of regional autonomy provides opportunities for regional governments to further develop regional potential. To develop regional potential, regional governments need to increase capital expenditure budgets. Sources of funds used to finance capital expenditure consist of Regional Original Income (PAD), General Allocation Funds (DAU), Special Allocation Funds (DAK) and Profit Sharing Funds. Results (DBH). Law Number 32 of 2004 regulates the authority of regional governments to regulate and manage government affairs themselves according to the principle of autonomy and assistance tasks directed at accelerating people's welfare, including the authority to manage regional finances themselves.

The implementation of government affairs which fall under regional authority is funded from and at the expense of the regional revenue and expenditure budget which is prepared annually and determined by regional regulations. Financial balance between the central government and regional governments is a fair, proportional, democratic, transparent and responsible financial distribution system in the context of funding the implementation of decentralization by taking into account the potential, conditions and needs of the regions as well as the amount of funding for the implementation of deconcentration and assistance tasks. Balancing funds are divided into General Allocation Funds (DAU), Special Allocation Funds (DAK) and Profit Sharing Funds. The policy on the use of all these funds is submitted to the Regional Government to be managed and used effectively and efficiently by the Regional Government.

General allocation funds have two legal bases, namely Law no. 33 of 2004 concerning Balancing Funds between the Central Government and Regional Government and PP no. 55 of 2005 concerning Balancing Funds. Based on Law no. 33 of 2004 Article 1 point 21, general allocation funds are funds sourced from the APBN which are allocated to regions for the purpose of equalizing financial capacity between regions to fund regional funding needs in the context of implementing decentralization.

In article 1 number 23 of Law No. 33 of 2004, Special Allocation Funds (DAK) are funds originating from the APBN which are allocated to regions to help finance certain needs which are regional affairs and in accordance with national priorities. The aim of DAK is to reduce the burden of special activity costs that must be borne by local governments. The use of DAK is directed at development investment activities, procurement and improvement of physical facilities and infrastructure with a long economic life. DAK is funds allocated from the APBN to certain regions to fund special needs which are regional matters and also national priorities, including: needs of transmigration areas, health, education, etc.

Changes in spending allocations are aimed at building 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 providing various convenience facilities are carried out to increase investment attractiveness. The development of industrial infrastructure has a real impact on increasing Regional Original Income (PAD). In other words, the construction of these various facilities will lead to increasing regional independence (Wong, 2004 in Adi, 2006). Increasing the quality of public services can be improved through improving service quality management, namely efforts to minimize the gap between service levels and consumer expectations (Bastian, 2006). Thus, the Regional Government must be able to allocate the capital expenditure budget properly because capital expenditure is one of the steps for the Regional Government to provide services to the public.

Darwanto and Yustikasari (2007) stated that the use of the expenditure budget should be allocated for productive things, for example for development. Regional government revenues should be allocated for public service programs. Both opinions state that allocating the capital expenditure budget for the public interest is very important. To be able to increase the allocation of capital expenditure, it is necessary to know the variables that influence the allocation of capital expenditure, such as economic growth, Regional Original Income, General Allocation Funds and Special Allocation Funds. Its use is left entirely to the regions in accordance with priorities and needs in the context of implementing regional autonomy (block grant). National Special Allocation Funds are determined in the APBN, in accordance with the capabilities of the APBN and then continue with the calculation of DAK per region.

## 2. Literature Review

### 2.1. Theoretical Foundations

Mardiasmo (2002) states that a budget is a statement regarding the estimated performance to be achieved over a certain period of time expressed in financial terms, while budgeting is a process or method for preparing a budget. Regional budgets are a tool that plays an important role in improving public services and it reflects the needs of the community by taking into account the potential and sources of regional wealth. The APBN is the annual financial plan of the state government approved by the People's Representative Council (UUNo17/2003).

Budgeting has three stages, namely

1. formulation of budget proposals,
2. ratification of the budget proposal,
3. implementing the budget which has been determined as a legal product (Samuels, 2000).

Von Hagen (2002) in Darwanto (2007) states that budgeting is divided into four stages, namely executive planning, legislative approval, executive implementation and index accountability. At the executive planning and legislative approval stages, interaction occurs between executives. with the legislature where budget politics dominates, while at the executive implementation and ex post accountability stages it only involves the bureaucracy as an agent.

## 3. Research Methods

### 3.1. General Allocation Fund (DAU)

General Allocation Funds (DAU) are funds originating from APBN revenues that are specifically allocated with the aim of equalizing financial capacity between regions to fund regional needs in the context of implementing decentralization (Law Number 33 of 2004). DAU aims to equalize financial capabilities between regions, which is intended to reduce disparities in financial capabilities between regions through the application of formulas that take into account regional needs and potential.

Based on Law no. 33 of 2004 article 29 The proportion of DAU between provinces and districts/cities is determined based on the balance of authority between provinces and districts/cities. General Allocation Funds are funds originating from the Central Government taken from the APBN which are allocated with the aim of financial equality between regions to finance the expenditure needs of Regional Governments in the context of implementing decentralization.

Based on Table 1, it can be seen that the budget provided by the central government to the regional government of Asahan Regency from 2011 to 2022 is 16,669.82 M and the costs that have been realized from 2011 to 2022 are 15,271.71 M. There is an increase capital expenditure per year so this shows that the government spends too much capital on regional expenditure. The management of income and expenditure carried out by the government has a very important role in driving the nation's economy.

Table 1. Result of Validity Test

Tahun Anggaran	Dana Alokasi Umum	Dana Alokasi Khusus
2015	817.746.952	77.480.770
2016	875.860.020	143.978.145
2017	891.149.644	231.880.634
2018	877.794.641	247.059.101
2019	916.413.719	266.936.658
2020	923.774.467	252.247.326
2021	845.782,109	141.972.561

Table 2. Result of Realibity Test

Tahun	Anggaran	Realisasi	%
2011	803,23 M	892,57 M	111.12
2012	873,69 M	1.037,63 M	123.87
2013	1.083,25 M	1.143,61 M	110.15
2014	1.141,91 M	1.388,14 M	121.56
2015	1.241,83 M	1.395.72 M	112.39
2016	1.667,94 M	1.501,95 M	90.5
2017	1.550,42 M	1.662,59 M	107.42
2018	1.594,70 M	1.623,25 M	101.79
2019	1.685,29 M	1.775,23 M	503,34
2020	1.769,05 M	1.603,18 M	90.62
2021	1.613,96 M	0,00 M	0.00
2022	1.644,55 M	1.247,66 M	75.87

Based on Table 2, it can be seen that the budget provided by the central government to the regional government of Asahan Regency from 2011 to 2022 is 16,669.82 M and the costs that have been realized from 2011 to 2022 are 15,271.71 M. There is an increase capital expenditure per year so this shows that the government spends too much capital on regional expenditure. The management of income and expenditure carried out by the government has a very important role in driving the nation's economy.

#### 4. Results and Discussion

Table 3. Result of Interpretasi Koefision test

##### SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.580354
R Square	0.336811
Adjusted R Square	0.226279
Standard Error	1.11E+11
Observations	15

- Interpretation of the Coefficient of Determination of Multiple Regression Based on Table 3.

The Multiple R value is 0.580354, R Square is 0.336811, Adjust R Square is 0.226279, Standard Error is 1.11E+11 and Observations 15 of these data can be interpreted as General Allocation Funds (DAU) and Special Allocation Funds (DAK) in This research has an effect on the Capital Expenditures of the Regional Government of Asahan Regency, North Sumatra Province. Hypothesis testing is carried out to determine the influence of the independent variable (Free Variable) on the dependent variable (Dependent Variable) either simultaneously or partially. Simultaneous hypothesis testing uses the F-test (F Test), while partial testing uses the t-test (t Test).

Table 4. Result of uji F test

ANOVA				Significance F
Df	SS	MS	F	
Regression	2 7.48E+2	3.74E+2	3.04719	0.050879
Residual	2 1.47E+2	1.23E+2	2	
Total	4 2.22E+2	2		

- F Test Conclusion Based on table 4

The Model Suitability Test (F test) is intended to determine whether the model in this research is suitable for use as an analytical tool to test the influence of the independent variable on the dependent variable. The test results can be seen in Table 4.3. The calculated F value is 3.047192 with an F-sign value of 0.050879, and the sign value is smaller than the probability value of 0.05 or the value of  $0.000 < 0.05$ . This means that the regression model can be used to predict capital expenditure or it can be said that the DAU and DAK variables together influence the dependent variable, namely Capital Expenditure. Simultaneously or together, the General Allocation Fund (DAU) and Special Allocation Fund (DAK) have a significant effect on Capital Expenditures, this is proven by the F-sign value obtained being smaller than 5% ( $0.085 < 0$ ).

Tabel 5: Result of uji T test

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%
Intercept	6.1E+10	1.42E+11	-0.4276	0.6765	3.7E+1	2.49E+1	3.7E+1
X1	0.015813	0.2494	2.4681	0.0295	0.0722	1.1594	0.0722
X2	0.09323	0.5133	1.8162	0.0343	2.0507	0.1861	2.0507

- T Test Conclusion Based on Table 5

The results of hypothesis testing (t test) are as follows: 1. The first hypothesis states that General Allocation Funds have an influence on Capital Expenditures. The t-calculated value in Table 4.4 shows the General Allocation Fund Coefficients value of 0.015813 with a significant value of  $0.000 < \alpha (0.05)$ . This means that the General Allocation Fund has a significant positive effect on the capital expenditure of North Sumatra Province, Asahan Regency; 2. The second hypothesis states that Special Allocation Funds have an effect on Capital Expenditures. The calculated t value in Table 4.4 shows a Coefficients value of 0.09323, with a significant value of  $0.000 > \alpha (0.05)$ . This means that the Special Allocation Fund is proven to have an influence on the capital expenditure of North Sumatra Province, Asahan Regency. 3. The third hypothesis states that the General Allocation Fund and Special Allocation Fund together influence the Capital Expenditure of the Asahan Regency Government because the funds come from the State Revenue and Expenditure Budget (APBN) which is allocated with the aim of equalizing regional financial capacity to finance its expenditure needs. in the context of implementing decentralization.

## 5. Conclusions

DAU has a positive influence on capital expenditure in Asahan Regency, North Sumatra Province. The positive influence of DAU on capital expenditure allocation can provide an explanation that the General Allocation Fund is connected to regional infrastructure development. The connection with regional infrastructure development can be said to be because assistance in the

form of DAU sent from the national level and used by regional governments is aimed at funding regional government activities or programs through regional expenditure, especially capital expenditure. DAK has a positive and significant influence on capital expenditure in Asahan Regency, North Sumatra Province. The central government's provision of funds to regions in the form of DAK for regional governments is related to funding national program needs that are appropriate to regional coverage, used to improve public facilities and infrastructure development through increasing capital expenditure. The higher the provision of DAK by the central government, the more Capital Expenditures will increase in relation to uniform development with the national program. DAU and DAK have a positive influence together on Asahan Regency Government Capital Expenditures. because the funds come from the State Revenue and Expenditure Budget (APBN) which is allocated with the aim of equalizing regional financial capacity to finance.

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