

Nexus Between Flypaper Effect And Growth Inclusive Economy

Annisa Azzahra¹

Graduate Program, Master of Accountancy, STIE YKPN
Yogyakarta, Indonesia
annisaazzahra980@gmail.com

Adelaida Krista Manesanulu²

Graduate Program, Master of Accountancy, STIE YKPN
Yogyakarta, Indonesia
adelaidamanesanulu@gmail.com

Trisnabila B. Upara³

Graduate Program, Master of Accountancy, STIE YKPN
Yogyakarta, Indonesia
trisnabilaupara@gmail.com

Rudy Badrudin⁴

Department of Management, STIE YKPN
Yogyakarta, Indonesia
rudybadrudin.stieykpn@gmail.com

Abstrak

Pendapatan Asli Daerah (PAD) dan Dana Alokasi Umum (DAU) ialah dana daerah untuk menganggarkan Belanja Modal (BM) dalam menyediakan fasilitas dan layanan masyarakat agar menciptakan Pertumbuhan Ekonomi inklusif (PE), sehingga kesejahteraan masyarakat dapat terpenuhi. Tujuan penelitian ini ialah untuk menguji hipotesis pengaruh PAD dan DAU terhadap BM, pengaruh BM dalam memediasi PAD dan DAU terhadap PE, pengaruh PE dalam memediasi BM terhadap kesejahteraan masyarakat, dan kemungkinan *Flypaper Effect* pada pengaruh PAD dan DAU pada BM. Populasi dalam penelitian ini ialah seluruh Kabupaten/Kota di Provinsi Gorontalo periode 2016-2021. Pengambilan sampel menggunakan *purposive sampling* dengan jenis data sekunder meliputi data PAD, DAU, BM, PDRB dan IPM. Penelitian ini menggunakan analisis *Structural Equation Modeling* (SEM) dengan program pengolahan data statistik Smart PLS. Hasil penelitian menunjukkan bahwa PAD berpengaruh negatif terhadap BM, DAU berpengaruh positif terhadap BM, BM tidak mampu memediasi PAD dan DAU terhadap PE, PE tidak mampu memediasi pengaruh BM terhadap Kesejahteraan Masyarakat, terdapat *Flypaper Effect* pada PAD dan DAU pada BM.

Kata Kunci: Pertumbuhan Ekonomi Inklusif, *Flypaper Effect*, Belanja Modal, Dana Alokasi Umum, Pendapatan Asli Daerah.

Abstract

Regional Original Revenue (ROR) and General Allocation Fund (GAF) are fund regions to budget for Capital Expenditures (CE) to provide facilities and services community will create inclusive Economic Growth (EG), so the welfare community can fulfilled. This study aims to test the hypothesis of the effect of ROR and GAF on CE, the influence of CE mediating ROR and GAF on EG, the influence of EG mediating CE on community welfare, and the possibility of a flypaper effect on the influence of ROR and GAF on CE. The population in this study are all Regencies/Cities in Gorontalo Province period 2016-2021. The sampling is purposive sampling with secondary data types which includes data on ROR, GAF, CE, GRDP and HDI. This study uses Structural Equation Modeling (SEM) analysis with a statistical data processing program Smart PLS. The study results indicate that ROR has a negative effect on CE, GAF has a positive effect on CE, CE is unable to mediate ROR and GAF on EG, EG unable to mediate the influence of CE on Community Welfare, there is a Flypaper Effect on ROR and GAF on CE.

Keywords: *Inclusive Economic Growth, Flypaper Effect, Capital Expenditure, General Allocation Fund, Regional Original Revenue.*

Introduction

Before the reformation period, the Indonesian state adhered to a centralized government. It is believed that this centralized government system will cause regional injustice in Indonesia, which will result in all the potential resources in each region of Indonesia not being able to be carried out optimally, so that to maximize all of this potential, a change in the government system is needed. Therefore, in 1999 the Indonesian government adopted a policy of handing over authority to each region in Indonesia by regulating the interests of its own region, which is called Regional Autonomy. The implementation of regional autonomy will affect regional financial management.

Regional Original Revenue (ROR) is a source of funding for autonomous regions which is obtained from the ability of their own regional resources. The ability of different resources in each region will lead to different regional original income. Local governments need to have other sources of revenue outside of Regional Original Revenue (ROR) in order to overcome the fiscal gap (disparity between regional fiscal needs and regional capacity) and the

differences in the capabilities of each region, by means of the central government distributing balancing funds to regions to overcome fiscal imbalances between the center and regions as well as between regions based on statutory regulations. This fund is part of the State Budget which is specifically allocated to local governments. The Balance Fund includes the Revenue Sharing Fund (RSF), the General Allocation Fund (GAF), and the Special Allocation Fund (SAF). Each type of balance fund has its own role. Of the funds mentioned above, General Allocation Fund (GAF) is the largest fund and is a more flexible fund in its use.

With Regional Original Revenue (ROR), it can be seen how much the area depends on the central government. If a region relies too much on funds from the Balance Fund rather than Regional Original Revenue (ROR) in funding regional expenditures, this event is called the flypaper effect. Flypaper effect is a situation where regional expenditures are more dependent on transfers of government funds than regional own funds (Mentayani et al., 2016). In addition to influencing the phenomenon of the flypaper effect, Regional Original Revenue (ROR) and General Allocation Fund (GAF) can also

affect economic development. The process of increasing products and services in all economic activities of a country for a certain period of time is called economic growth. In order to increase economic growth, it is necessary to have a balance between community welfare and regional income to help regions realize inclusive economic growth.

Economic growth (EG) in Indonesia is developing fluctuatingly, one of which is in Gorontalo Province. When viewed from the size of inclusive economic growth, human resource development in Gorontalo Province has become a flagship program but in fact labor productivity is still low, the rate of increase in Human Development Index (HDI) in Gorontalo Province is relatively slow with the national Human Development Index (HDI) rate and the poverty rate in Gorontalo Province continues to be a serious problem, not only because of the high numbers but because of the slow decline in recent years.

The Gross Regional Domestic Product (GRDP) of Gorontalo Province has fluctuated and is not fixed from year to year starting from 2016-2021. In Boalemo, Gorontalo, Pohuwato, North Gorontalo, and Gorontalo regencies in 2016-2019 there was an increase with an average Gross Regional Domestic Product (GRDP) of 6.62 while in 2020-2021 it experienced a rapid decline to touch the figure of -0.01 this usually happened because of expenditure by the local government which caused the Gross Regional Domestic Product (GRDP) to decrease drastically. Gross Regional Domestic Product (GRDP) can fluctuate depending on regional expenditures in a particular year.

In addition, the various efforts designed and implemented by the regional government to increase growth for the region itself are expected to have a positive impact on the welfare of its people (Wijayanti & Darsana, 2015). According to Ratnasari et al., (2019) to see the extent to which human development and welfare has been successful, an indicator is used,

namely the Human Development Index (HDI) to measure the success of development and welfare. The development of the level of welfare of the people of Gorontalo can be observed from the Human Development Index (HDI) figures obtained by the Province of Gorontalo. Gorontalo Province Human Development Index (HDI) in 2016-2021 which continues to increase. In 2016 the Human Development Index (HDI) was 66.29 and continued to increase until 2021 which had reached an HDI of 69. Although the Human Development Index (HDI) of Gorontalo Province continues to increase, the Human Development Index (HDI) in Province Gorontalo is still at medium level status.

In contrast to several previous studies, which have been conducted by Utami & Indrajaya (2019) in Bali Province using the dependent variable, namely Community Welfare, the independent variable, namely Regional Original Revenue (ROR) and Capital Expenditures (CE), and the mediating variable, namely Economic Growth (EG). The result obtained is that capital expenditure does not have a significant influence on community welfare through economic growth in the Regency/ City of Bali Province in 2012-2017.

Besides that, Ansori & Muthmainah (2018) conducted research in Bali Province using the dependent variable, namely Regional Expenditures, as well as the independent variables, namely Regional Original Revenue (ROR), General Allocation Fund (GAF), Special Allocation Fund (SAF), Revenue Sharing Fund (RSF). The result found that General Allocation Fund (GAF), Special Allocation Fund (SAF), Revenue Sharing Fund (RSF) and Regional Original Revenue (ROR) simultaneously and partially had a positive effect on the value of Regional Expenditures.

Study of Utami & Indrajaya (2019) does not include General Allocation Fund (GAF) as an independent variable, this study only uses the Regional Original Revenue (ROR) variable to see its effect on

Capital Expenditures (CE), even though to maximize the allocation of Capital Expenditures (CE) in an area, funds are needed not only from the region itself, but additional funds from the government are also needed. While research Ansori & Muthmainah (2018) does not use mediating variables. So that from the research results obtained, it can be seen that research of Ansori & Muthmainah (2018) can only identify the relationship between the independent and dependent variables used jointly or individually, while the indirect relationship between the independent and dependent variables used cannot be known.

Based on the description of the research data obtained from the statistics above, Gorontalo is an area with a relatively low economic growth rate from year to year so that to find out the reasons, researchers are motivated to research in Gorontalo Province with the dependent variable, namely the human development index (IPM) as the dependent variable. free Regional Original Income (ROR) and General Allocation Fund (GAF), as well as for Capital Expenditure (CE) and Economic Growth (EG) mediation variables with the 2016-2021 time period.

Based on the explanation above, this research was conducted with the aim of testing, analyzing, and providing empirical evidence on: (1) The Effect of ROR on Capital Expenditures; (2) The effect of the GAF on Capital Expenditures; (3) Effect of Capital Expenditure in mediating ROR on Economic Growth; (4) Effect of Capital Expenditure in mediating GAF to Economic Growth; (5) The Effect of Economic Growth in Mediating Capital Expenditures for Community Welfare; (6) The possibility of a flypaper effect on the influence of ROR and GAF on Government Capital Expenditures.

Literature Review and Hypotheses

Agency Theory

Agency theory according to Supriyono (2018), namely the contractual relationship between the principal and the agent. The agency relationship in this study is based on the central government as the principal and the local government as the agent. The central government as the party that gives authority (principal) to the local government (agent) in the form of an agreement with the intention of working for the interests of the principal.

Regional Autonomy

In 1999, the Indonesian government adopted a policy of granting authority to local governments in the form of regional autonomy policies. The regional autonomy system is in accordance with the existing rules in Law Number 22 of 1999 which has now been updated with Law Number 9 of 2015. With the birth of the regional autonomy policy, it will create regions that are more independent in regulating, and managing what is owned by the region in the form of resources and all forms of revenue, and financing so that regional governments do not rely on funding from the center.

General Allocation Fund

The General Allocation Fund (GAF) is a fund obtained from the State Revenue and State Budget which is specifically distributed with the aim of balancing financial capacity between regions to cover every need in the implementation of decentralization. One of the objectives of the General Allocation Fund (GAF) is that when the needs of the region exceed the capacity of regional income, the General Allocation Fund (GAF) can be used to reduce the gap in these financing needs (Jumasrah, 2018).

Regional Original Revenue

Regional Original Revenue (ROR) is a source of income received by a region which is collected based on the rules of the applicable legislation, namely Law Number 33 of 2004. According to Wulandari & Iryanie (2018), Regional Original Revenue (ROR) is one of the components of the regional revenue expenditure budget. According to Mardiasmo (2017), ROR is revenue obtained from the regional tax sector, regional levies, the results of regionally owned companies, management of separated regional assets, and other legitimate Regional Original Revenue. ROR sector plays a very important role, because through this sector it can be seen to what extent a region can finance government activities and regional development (Siregar, 2017). There are 4 components of Regional Original Revenue (ROR) sources, namely: general services, business services, local taxes, certain permits, results of regional management that are separate from legitimate Regional Original Revenue (ROR).

Capital Expenditure

Capital Expenditure (CE) is part of Regional Government Expenditure for the acquisition of fixed assets and other assets where the useful life is more than twelve months or one accounting period. To form capital such as development, improvement and procurement as well as non-physical activities is the purpose of Capital Expenditure (CE). Research conducted by Utami & Indrajaya (2019) reveals that capital expenditure is spending used to manufacture public fixed assets consisting of land, equipment and machinery, buildings and structures, roads, irrigation and networks and other fixed assets, which are intended for services public and officials.

Inclusive Economic Growth

Inclusive Economic Growth is economic development that creates wide access and opportunities for all levels of society in an equitable manner, increases welfare, and

reduces tensions between groups and regions (Bappenas, 2018). Research Ramadhan et al., (2019) explains that to measure growth which is inclusive is approximated by the index inclusivity to find out the achievements in obtaining possible economic growth reduce poverty and inequality. In measuring inclusive economic growth, it can be seen from the Inclusive Growth Index or it can also be measured by the Gross Regional Domestic Product (GRDP) which can measure and determine the quality of economic growth that has been achieved by regencies/cities in an area.

Community Welfare

Social welfare usually refers to a situation where prosperous conditions are created, namely the fulfillment of various life needs, especially basic needs such as clothing, food, housing as well as education and health. The indicator used by the state to measure the level of community welfare is the Human Development Index (HDI). If the Human Development Index (HDI) number of a country is getting closer to 100, then it is getting closer to achieving the goals of that country. Research of Brudeseth (2015) stated welfare as the quality of life satisfaction which aims to measure the position of community members in development life balance includes; material well-being, societal well-being, emotional well-being and security.

Flypaper Effect

Flypaper Effect is a condition on unconditional grants (change in the amount of transfer) indicated by General Allocation Fund (GAF), where the determination of these funds is based on the fiscal gap (Oktavia, 2014). This can be seen from the influence of Balancing Funds on Regional Expenditure is greater than the effect of PAD on Regional Expenditures. Ansori & Muthmainah (2018) conducted research to test the flypaper effect phenomenon, and the results obtained were that the flypaper effect occurred in regencies/cities on the island of Bali and Nusra in 2012-2016.

Determination of the incidence of the *flypaper effect* is focused on the comparison of the effect of Regional Original Revenue (ROR) and General Allocation Funds (GAF) on Capital Expenditure (CE).

Framework

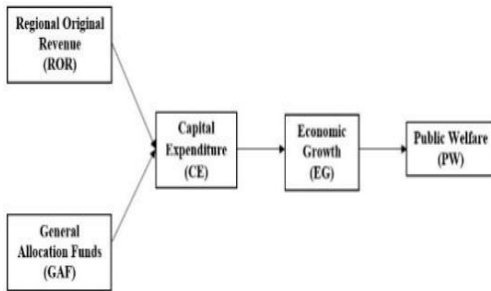


Figure 1
Research Framework

The Effect of Regional Original Revenue on Capital Expenditures

In preparing the Regional Budget, spending allocations must be adjusted to regional needs by considering the Regional Original Revenue (ROR) received. Where when the amount of ROR owned by the region increases, in making expenditures through Capital Expenditure, the regional government is able to fund it even greater. Research related to studies focusing on the influence of ROR on Capital Expenditures that have been carried out by Sudrajat et al., (2017).

H₁: ROR Has a Positive Effect on Capital Expenditures

The Effect of General Allocation Funds on Capital Expenditures

General Allocation Funds (GAF) is a budget from state budget revenues that is submitted to local governments with a plan that is to equalize financial capabilities between regions. The higher GAF will provide regional opportunities to increase Capital Expenditures. Research related to studies focusing on the influence of GAF on Capital Expenditures that have been carried out by

Sudrajat et al., (2017) and Juniawan & Suryantini (2018). Where these studies explain that GAF has a positive effect on Capital Expenditures.

H₂: GAF Has a Positive Effect on Capital Expenditures

The Effect of Capital Expenditure in Mediating ROR to Economic Growth

An increase in ROR will be followed by an increase in regional Capital Expenditure investment as a result, increasing the quality of public services. When the ROR of a region is high, the regional financial dependence on the center is getting smaller. Research related to studies with a focus on ROR has a positive effect on Economic Growth with Capital Expenditures as a mediating variable by Hendriwiyanto & Kholis (2014) and aligned results are also stated by Siswiyanti (2015).

H₃: Capital Expenditure Mediates The Effect of ROR on Economic Growth

The Effect of Capital Expenditure in Mediating GAF to Economic Growth

In measuring its success budgeting there are several performance indicators, namely inputs, outputs, and outcomes. In this case, GAF is an input, local government spending is an output, and economic growth is an outcome. Outcomes can be successful if they are accompanied by output, which in this study economic growth will be achieved if it coincides with the measurement of regional expenditures which are included in the Capital Expenditure. that includes capital expenditure as an independent and dependent variable in influencing and being influenced by economic growth with regional income variables, by Sema & Riduan (2021) and research conducted by Agus (2020) with the results of general allocation fund affect to economic growth through capital expenditure.

H₄: Capital Expenditure Mediates the Effect of GAF on Economic Growth

The Effect of Economic Growth in Mediating Capital Expenditures on Community Welfare

The main key in eradicating poverty and becoming an indispensable resource for human development is economic growth. The allocation of capital expenditures used to increase the sector of public facilities and infrastructure is a capital formation sector that can increase the productivity of economic activity. The higher the amount of capital expenditure allocated by the government, the growth of a region will increase as a result will improve people's welfare. Research related to studies with a focus on the effect of Capital Expenditure on Community Welfare through Economic Growth has been carried out by Setiawan & Budiana (2015), the result of which is that Capital Expenditure has a positive and significant indirect effect on the human development index through growth mediation economy. In contrast to these results, Utami & Indrajaya (2019) conducted the same research, but showed results that capital expenditure did not have a significant effect on social welfare through economic growth.

H₅: Economic Growth Mediates the Effect of Capital Expenditure on Community Welfare

The Possibility of The *Flypaper Effect* on The Influence of ROR and GAF on Government Capital Expenditures

Flypaper Effect is a situation that arises when local governments respond more to capital expenditures by consuming transfer funds (grants), this transfer fund is the GAF. The *flypaper effect* can lead to regional fiscal reluctance, this is because the regions rely more on the center to provide GAF than the efforts of local governments to develop their capacity to obtain maximum ROR. Purnamawati & Making (2021) shows the results that there is a *flypaper effect* phenomenon on Capital Expenditures. In addition, the research conducted by Karwur et al., (2018) and Inayati & Setiawan (2017)

concluded that in the research area there is a *flypaper effect* phenomenon.

H₆: The Occurrence of The *Flypaper Effect* on The Influence Of ROR and GAF on Capital Expenditures

Methods

The object of research that became the population in this study were all regencies/cities in Gorontalo Province with period from 2016-2021. The technique used in sampling is using purposive sampling technique, with the criteria for taking samples from regencies/cities in Gorontalo Province with a period of 2016-2021, regencies/cities used as samples must already be autonomous regions in order to avoid bias against local government APBD reports, data to be used to support research must be in accordance and available with what is needed for the observation year 2016-2021, the 2016-2021 APBD realization report has been submitted by the district/city government of Gorontalo Province and has been published on the Directorate General of Fiscal Balance (DJPK) website, value of budget realization in the field of PAD, DAU and Capital Expenditure must have been reported in the APBD realization report for the 2016-2021 time period by the regional government of the Regency/City of Gorontalo Province, and there is no value of 0 (zero) or - (minus) in the value of PAD, DAU and Capital Expenditure which remaining in the report on the realization of the Gorontalo provincial APBD for the 2016-2021 period. The type of data used is secondary data which includes report data on the realization of regencies/cities State Budget in Gorontalo Province for the period 2016-2021 on the Regional Original Revenue (ROR), General Allocation Funds (GAF) and Capital Expenditure (CE) sections obtained through the official website of the Directorate General of Fiscal Balance. The number of samples is 36. In addition, using data, namely data on the statistical rate of Gross Regional Domestic Product (GRDP)

growth according to business fields and statistical data on the regencies/cities Human Development Index (HDI) in Gorontalo Province for the period 2016-2021 which was obtained through the official website of the Central Statistics Agency. This study uses statistical analysis tools Structural Equation Model (SEM) with Partial Least Square (PLS) approach. The statistical data processing program used is Smart PLS.

Variable Measurements

Independent Variable

Regional Original Revenue (ROR)

$$\text{ROR} = \text{Local Tax} + \text{Local Retribution} + \text{Separated Wealth Management Results} + \text{Other legitimate RORs}$$

General Allocation Fund (GAF)

$$\text{GAF} = \text{Basic Allocation} + \text{Fiscal Gap}$$

Dependent Variable

Community Welfare

$$\text{HDI} = 1/3 (\text{Index } X_1 + \text{Index } X_2 + \text{Index } X_3)$$

Mediating Variable

Capital Expenditure (CE)

$$\text{CE} = \text{Net increase in fixed assets} + \text{Depreciation Expense}$$

Economic Growth (EG)

$$\text{EG} (y) = \frac{(\text{GDPy} - \text{GDPy-1})}{\text{GDPy-1}} * 100\%$$

Results and Discussion

Goodness of Fit

Table 1
Table Fit Model SRMR

	Saturated Model	Estimated Model
SRMR	0.000	0.295
D_ ULS	0.000	1.309
D_ G	0.000	0.502
Chi-Square	0.000	59.993
NFI	1.000	0.415

Source: Data Processed

Analysis using SEM also requires requirements like classical assumptions, but the requirements in SEM are known as Goodness of Fit. Model Fit (SRMS) is a measure to determine whether the model obtained has the feasibility or not to be used to test the independent variable on the dependent variable. Where the results obtained are 0.000 smaller than 0.1. Thus it can be concluded that the structural model in the study is feasible.

Multicollinearity Test

Table 2

Table Collinearity Static VIF
Collinearity Static VIF

CE	1,000
GAF	1,000
HDI	1,000
ROR	1,000
PE	1,000

Source: Data Processed

Multicollinearity testing was conducted to see whether or not there was a correlation between independent variables in the research model by looking at the Collinearity Stastic VIF value. If the VIF value is between 5-10 then there is multicollinearity between the independent variables.

R-Square Test

Table 3

Table R-Square Test Results

	<i>R Square</i>	<i>R Square Adjusted</i>
HDI	0.085	0.058

Source: Data Processed

In table 4 it can be seen that the R-Square value is 0.085. The value of the R-Square results can explain that changes in community welfare variables can be explained by ROR, GAF, CE, PW by 8.5%, while 91.5% is explained by other variables outside this study.

Table 4
Table Hypothesis Testing Results

No.	Path	Path Coefficient	T Statistics	P Value	Prediction	Finding	Research Hypothesis
1	ROR→CE	-0.617	4,403	0.000	Positive	Negative	Not Supported
2	GAF→CE	0.799	5,470	0.000	Positive	Positive	Supported
3	ROR→CE→PW	-0.096	0.840	0.401			Not Supported
4	GAF→CE→PW	0.124	0.936	0.350			Not Supported
5	CE→PW→HDI	-0.014	0.287	0.774			Not Supported

The table above contains a summary of the test results. The measurements of the various research variables are: ROR (Regional Original Revenue), GAF (General Allocation Funds), CE (Capital Expenditures), PW (Public Welfare) = GRDP, HDI (Human Development Index).

Source: Data Processed

Table 5
Table Hypothesis Testing Results (Log)

No	Path	Path Coefficient	T Statistics	P Value	Prediction	Finding	Research Hypothesis
1	LogROR→LogCE	-0.825	5,217	0.000	Positive	Negative	Not Supported
2	LogGAF→LogCE	0.967	5,997	0.000	Positive	Positive	Supported
3	LogROR→LogCE→PW	-0.170	1.170	0.242			Not Supported
4	LogGAF→LogCE→PW	0.200	1,205	0.229			Not Supported
5	LogCE→PW→HDI	-0.019	0.329	0.742			Not Supported

The table above contains a summary of the test results. The measurements of the various research variables are: ROR (Regional Original Revenue), GAF (General Allocation Fund), CE (Capital Expenditure), PW (Public Welfare) = GRDP, HDI (Human Development Index).

Source: Data Processed

Hypothesis Testing Results

In testing this hypothesis using 2 data models, namely original data and data in the form of transformation (Log). The original data in table 3 and the log data in table 4. This is done because in the original data processing, the results obtained are that there are 4 rejected hypotheses and 2 accepted hypotheses, to ascertain whether these results can be trusted then data processing is carried out using data transformation. However, the results obtained when using data transformation, the results are the same when using the

original data, namely there are 4 rejected hypotheses and 2 accepted hypotheses.

Discussion

The Effect of ROR on Capital Expenditures

ROR is a source of funding for local governments in realizing regional infrastructure. Where the role of ROR is important for regional capital expenditures. When a region shows its level of independence, it means that the amount of ROR obtained will be higher. The results in this study show that ROR does not have a

positive effect on CE in districts/cities in Gorontalo Province from 2016-2021. ROR may not have a positive effect on CE due to the occurrence of an unexpected variance (unfavourable variance). That is, when the realization of ROR is smaller than the budgeted, this causes the overall capital expenditure to be unable to be realized by ROR because the available funds are not sufficient. Another aspect that makes ROR not have a positive effect on Capital Expenditure is that the government tends to allocate ROR funds to fund other posts besides capital expenditures. The other posts such as personnel expenditures.

These results are in line by Rahman et al., (2018) and Karwur et al., (2018) where in each research states that ROR has a negative effect on Capital Expenditures. But the different result by Atmaja & Riharjo (2018), where the alleged hypothesis shows that ROR has a positive effect on Capital Expenditure in East Java Province from 2014-2016. The results of this study are not in line with the theory where the central government as the party that gives authority (principal) to the local government (agent) in the form of an agreement with the intention of working for the interests of the principal. In this theory, the role of the ROR has not been able to be utilized optimally so that the financing of capital expenditure is not fulfilled by the ROR.

The Effect of GAF on Capital Expenditures

GAF is a fund obtained from the state budget with the aim of balancing the financial capacity of a region for the purposes of implementing decentralization. The relative amount of GAF received by a region depends on the fiscal capacity and needs of the region. This study obtained results showing that the General Allocation Fund has a positive influence on Capital Expenditures in districts/cities in Gorontalo Province from 2016-2021. GAF has a positive influence on capital expenditures because balancing funds, especially GAF,

have Block Grant characteristics. This also shows that the regions in using the GAF are allocated to regional development contained in the allocation of capital expenditures. Another cause of the influence of the GAF on Capital Expenditures is that the General Allocation Fund is a transfer fund from the central government with the largest amount compared to transfer funds other than GAF. So it is very common if the General Allocation Fund affects Capital Expenditures. From these findings, it is concluded that in funding their regional activities, local governments still depend on balancing funds from year to year.

The results in this study are the same as Priambudi (2017), Juniawan & Suryantini (2018), and Abdillah & Mursinto (2016) that shows that GAF has a significant and positive effect on Capital Expenditures. This is because if the amount of GAF obtained is large, then in making expenditures through Capital Expenditures the Regional Government uses a large GAF as well. The results of this study are in line with the theory where the central government as the party that gives authority (principal) to the local government (agent) in the form of an agreement with the intention to work for the benefit of the principal. In this theory, the role of GAF is able to be utilized optimally so that the financing of capital expenditure is fulfilled by GAF.

Capital Expenditure Mediates ROR to Economic Growth

During the regional expenditure budget preparation process, local governments will consider the amount of ROR received in the process of allocating Capital Expenditures. Based on the tests that have been carried out, the results obtained are that CE is not able to mediate the influence of ROR on Economic Growth. This shows that the local government does not maximize the ROR that has been allocated to capital expenditure with the aim of increasing regional economic growth, namely GRDP with the support of capital expenditure. If

the ROR obtained is relatively large, it can determine the size of the regional budget for development purposes, especially for capital expenditures that are supported to increase economic growth.

The results of this study are in line with Irvan & Karmini (2016) and the result by Suwandi & Tahar (2015) that states that Capital Expenditure is unable to mediate ROR on Economic Growth. Different result by Siswiyanti (2015), with the results of Capital Expenditure being able to mediate the relationship between ROR and PE. aligned results are also stated by Hendriwiyanto & Kholis (2014) with the results of ROR has a positive effect on Economic Growth with Capital Expenditures as a mediating variable. ROR will first be allocated into Capital Expenditures which will be used as regional development financing and will then affect the level of Economic Growth.

The results of this study do not support agency theory which states the agency concept, namely a contract with principals who hire agents to contribute to their interests. The central government as the party that gives authority (principal) to the local government (agent) in the form of an agreement with the intention to work in the interests of the principal. In this theory, the role of GCG (Good Corporate Governance) is to reduce interventions that can be detrimental to both parties, so that it is expected to provide added value to the company.

Capital Expenditure Mediates GAF to Economic Growth

GAF aims to meet regional needs that have exceeded the capacity of regional income, so that GAF acts as a cover fund. The GAF has the character of a block grant, which means that the GAF can be freely used by the regions according to the interests and needs of the region so that it can meet capital expenditures with the aim of good economic growth. This study obtained results showing that Capital Expenditures cannot mediate the General Allocation Fund for Economic

Growth in districts in Gorontalo Province from 2016-2021. From the results obtained, GAF is not used optimally into capital expenditures so that this makes economic growth (GRDP) not going well. The realization of economic growth if it can create and increase new economic activities in the community so that the amount of output of regional goods and services can be followed by local governments and increase GRDP and community welfare.

Research results Uhise (2013) stated that CE was not able to mediate GAF on Economic Growth, and by Sundoro & Suharjo (2021) state CE not a mediating variable related to the influence of the DAU variable on variables Economic growth, but in research conducted by Lisandri et al., (2017) which states that CE is able to mediate GAF on economic growth and CE has a positive and significant effect on economic growth.

The results of this study do not support agency theory which states the agency concept, namely a contract with a principal who employs agents to contribute to their interests. The central government as the party that gives authority (principal) to the local government (agent) in the form of an agreement with the intention to work in the interests of the principal. In the case of this research, the central government is not optimal in allocating capital expenditures because the average capital expenditure allocation to regencies/cities in Gorontalo Province is only 10% with the remaining 90% GAF nationally.

Economic Growth Mediates Capital Expenditure for Community Welfare

Local governments seek to participate in optimizing the use of all resources to create high economic growth, one of which is by increasing ROR to measure how independent the region is in funding the regional development. It is hoped that regional revenues from ROR will not only be used to finance routine expenditures, but can increase investment in local government

capital expenditures so that public services can improve their quality.

This study obtained results that show that economic growth is not able to mediate the effect of capital expenditure on people's welfare in districts/cities in Gorontalo Province for the period 2016-2021. Economic growth is not able to mediate the effect of capital expenditures on people's welfare because local governments are less effective in allocating capital expenditures for regional economic growth. The lack of allocation of capital expenditures has resulted in slow development, resulting in a decline in the rate of economic growth. This has an effect on the decline in the level of community welfare, similar results are stated in the study Utami & Indra Jaya (2019) that Capital Expenditure has no significant effect on Community Welfare through Economic Growth.

There is a *Flypaper Effect* on The Influence of ROR and GAF on Government Capital Expenditures

Flypaper Effect arises when the local government is more concerned with capital expenditure by consuming transfer funds (grants), this transfer fund is the GAF. The *flypaper effect* can lead to regional fiscal reluctance, this is because the regions rely more on the center to provide GAF than the efforts of local governments to develop their capacity to obtain maximum ROR. The *flypaper effect* test is carried out by looking at the comparison of the ROR coefficient with the GAF coefficient which has a significant effect on capital expenditure, where the fund coefficient transfer is greater than the coefficient of Regional Original Revenue which indicates that there is a *flypaper effect* (Melda & Syofyan, 2020). Based on the calculation results, it can be seen that the path coefficient value of the ROR variable is -0.617 and the GAF is 0.799. From the two coefficient values, it can be concluded that the GAF coefficient value is greater than ROR, meaning that there is a *flypaper effect* phenomenon in

district/city governments in Gorontalo Province for the period 2016-2021. In addition, Karwur et al., (2018) also tested the *flypaper effect* and the results were only GAF which had a significant effect on Capital Expenditures while ROR did not have a significant effect, so it can be said that there has been a *flypaper effect* on Capital Expenditures. If related to the agency theory used in this study, it can be seen that the central government acts as the principal and the local government as the agent. If funding assistance from the center dominates over funds generated by the regions, it can cause the phenomenon of the *flypaper effect*, because the regions depend too much on the center. This proves that the sixth hypothesis which states that there is a *flypaper effect* on the influence of ROR and GAF on government capital expenditures in districts/cities in Gorontalo Province, is accepted. These results are in line with the results of research from Purnamawati & Making (2021) where in his research states, the phenomenon of the *flypaper effect* on capital expenditure occurs because local governments still rely heavily on GAF for capital expenditures.

Conclusions and Suggestions

Conclusion

Based on the results of research that has been carried out, the conclusions that can be drawn are: 1) ROR has a negative effect on Capital Expenditures. This means that CE will decrease if the amount of ROR increases. It can be said that ROR is a reflection of the size of capital expenditures. 2) GAF has a positive effect on Capital Expenditures. This is because the Center provides a fairly large amount of transfer funds (GAF), for the purpose of the transfer funds, namely as an equalization of capabilities between regions which ultimately leads to GAF consumption which affects the allocation of Capital Expenditures. 3) Capital Expenditure is unable to mediate the influence of ROR on

Economic Growth. This means that local governments have not been able to maximize the ROR that has been allocated to capital expenditures with a view to increasing Regional Economic Growth (GRDP) which is supported by capital expenditures. 4) Capital Expenditure is unable to mediate the effect of GAF on Growth. This means that local governments have not been able to optimally realize the GAF which is included in capital expenditures so that economic growth is not carried out properly, considering that the function of the GAF itself is to provide public services. 5) Economic growth is not able to mediate the effect of Capital Expenditure on the welfare of the community. This means that the Gorontalo regional government in 2016-2021 is less effective in allocating capital expenditures for regional economic growth. 6) There is a *Flypaper Effect* on the influence of ROR and GAF on Capital Expenditures. The occurrence of this phenomenon will have a negative influence on the performance of local governments in allocating funds received from the center. One of them is indicated by regions that are still unable to be independent because the income received by the region is dominated by the GAF and the original income obtained by the region has not been able to cover its expenses.

Limitation and Suggestion

This study only uses data from 6 regencies in Gorontalo Province so that the results obtained in this study cannot be applied in research in other regions, based on the results obtained only a number of hypotheses are supported because the independent variables and the mediation used have not been able to explain the variables well dependent, such as the capital expenditure variable has not been able to mediate ROR and GAF on economic growth and the economic growth variable has not been able to mediate capital expenditure on public welfare, then for years it is used limited to a period of 6 years.

Based on the results obtained in this study, it is recommended that the Gorontalo local government maximize the use of ROR and GAF in their functions so that economic growth can be achieved properly through capital expenditures that have been determined in order to create community welfare. One of the changes is to minimize the influence of the *flypaper effect* when planning regional budgets. Then the government should further increase regional income by optimizing the potential of its local economic capacity so that the region's dependence on the center can be reduced from year to year, this will make the region more independent in funding its own expenditure.

References

- Abdillah., Khubbi., and D. M. (2016). The Effect of Financial Balance Transfer Regional Own-Source Revenue on Regional Expenditure of Regencies and Municipalities in East Java Province. *International Journal Of Scientific and Research Publications*, 6(5).
- Agus, P. (2020). Pengaruh Pendapatan Daerah terhadap Belanja Modal dan Indeks Pembangunan Manusia Provinsi di Indonesia tahun 2005-2018. *Jurnal WidyaSwara Indonesia*, 1(1).
- Ansori, Wahid., and M. (2018). Fenomena Flypaper Effect atas Belanja Daerah Pemerintah Kabupaten/Kota di Pulau Bali dan Nusra. *Jurnal Akuntansi Dan Bisnis*, 18(2).
- Atmaja, N. A. P. (2018). Pengaruh Flypaper Effect Pendapatan Asli Daerah, Dana Alokasi Umum, dan Sisa Lebih Pembiayaan Anggaran terhadap Belanja Modal. *Jurnal Ilmu Dan Riset Akuntansi*, 7(2).
- Bappenas. (2018). *Indeks Pembangunan Ekonomi Inklusif*. Kementerian PPN/Bappenas. <http://inklusif.bappenas.go.id/index>
- Brudseth. (2015). *A Social Workers Guide*

- to Working In School. Australian Association of Social Workers.
- Hendriwiyanto, Guntur., and N. K. (2014). Pengaruh Pendapatan Daerah terhadap Pertumbuhan Ekonomi dengan Belanja Modal sebagai Variabel Mediasi. *Jurnal Ilmiah Mahasiswa FEB*, 3(1).
- Inayati, Nur Isna., and D. S. (2017). Fenomena Flypaper Effect pada Belanja Daerah Kabupaten/Kota di Indonesia. *Jurnal Ekonomi Dan Keuangan*, 1(2).
- Irvan, I putu., and N. L. K. (2016). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan terhadap Pertumbuhan Ekonomi dengan Belanja Modal sebagai variabel Intervening. *E-Jurnal EP Unud*, 5(3).
- Jumasrah. (2018). Pengaruh Pendapatan Asli Daerah, Investasi Swasta, dan Dana Perimbangan terhadap Pertumbuhan Ekonomi di Kota Makassar pada tahun 2013-2016. *Jurnal Ekonomi Bisnis Syariah*, 1(2).
- Juniawan, Made Ari., and N. P. S. S. (2018). Pengaruh PAD, DAU, dan DAK terhadap Belanja Modal Kota dan Kabupaten di Provinsi Bali. *E-Jurnal Manajemen Unud*, 7(3).
- Karwur, Jesika C., Ventje Ilat. and Jessy, D. L. W. (2018). Flypaper Effect atas DAU dan PAD terhadap Belanja Modal Kabupaten/Kota di Maluku Utara. *Jurnal Riset Akuntansi Going Concern*, 13(2).
- Lisandri., Fahmi, R. and A. Y. S. (2017). Pengaruh PAD dan DAU terhadap Pertumbuhan Ekonomi dengan Belanja Modal sebagai Variabel Intervening pada Pemerintah Kabupaten/Kota di Provinsi Kalimantan Selatan. *Jurnal SPREAD*, 7(2).
- Mardiasmo. (2017). *Perpajakan*. Andi.
- Melda, Helmi., and E. S. (2020). Analisis Flypapaer Effect pada Dana Alokasi Umum, Dana Alokasi Khusus, Dana Bagi Hasil dan Pendapatan Asli Daerah terhadap Belanja Daerah Kabupaten/Kota di Sumatera Barat. *Jurnal Eksplorasi Akuntansi*, 2(2).
- Mentayani, Ida., Hayati, N. and R. (2016). Flypaper Effect pada Dana Alokasi Umum dan Pendapatan Asli Daerah terhadap Belanja Daerah pada Kota dan Kabupaten di Provinsi Kalimantan Selatan. *Jurnal Ilmiah Bisnis Dan Keuangan Selatan*, 2(1).
- Oktavia, D. (2014). Flypaper Effect: Fenomena Serial Waktu dan Lintas Kabupaten Kota di Jawa Timur tahun 2003-2013. *Jurnal Akuntansi Universitas Jember*, 12(2).
- Priambudi, W. (2017). Pengaruh Pendapatan Asli Daerah dan Dana Alokasi Umum terhadap Belanja Modal pada Kabupaten dan Kota di Pulau Jawa tahun 2013. *Journal UNY*, 6(1).
- Purnamawati, Astuti., and L. S. K. M. (2021). Analisis Flypaper Effect pada Belanja Modal Kabupaten /Kota di Provinsi Nusa Tenggara Timur (NTT). *Jurnal Manajemen Dan Perbankan*, 8(2).
- Rahman, Nur Abdi Aulia., A. W. and M. A. (2018). Pengaruh Pendapatan Asli Daerah dan Dana Bagi Hasil serta Dana Alokasi Umum terhadap Belanja Modal Kota Samarinda. *Jurnal Ilmu Ekonomi Mulawarman*, 3(4).
- Ramadhan, Reza Rizki., and Y. S. (2019). Pengaruh Modal Fisik dan Sumber Daya Manusia Terhadap Indks Inklusif di Indonesia. *Jurnal Ekonomi Pembangunan*, 17(2).
- Ratnasari, Gita Triya., Sunlip Wibisono., and A. H. (2019). Analisis Faktor-Faktor Yang Mempengaruhi Indeks Pembangunan Manusia di Wilayah Eks Karesidenan Besuki. *Jurnal Ekonomi Ekuilibrium (JEK)*, 3(2).
- Sema, Leonardus Julyano., and A. R. (2021). Analisis Flypaper Effect, Pendapatan Asli Daerah, Dana Alokasi Umum dan Dana Alokasi Khusus terhadap Belanja Modal. *Jurnal Ilmu Dan Riset Akuntansi*,

- 10(5).
- Setiawan, Gusi Bagus Kompiang Putra., and D. N. B. (2015). Pengaruh Belanja Modal terhadap Indeks Pembangunan Manusia melalui Pertumbuhan Ekonomi sebagai Variabel Intervening Provinsi Bali. *E-Jurnal EP Unud*, 4(10).
- Siregar, B. (2017). *Akuntansi Sektor Publik*. UPP STIM YKPN.
- Siswiyanti, P. (2015). Pengaruh PAD, DAU DAK terhadap Pertumbuhan Ekonomi dengan Belanja Modal sebagai Variabel Intervening. *AKRUAL: Jurnal Akuntansi*, 7(1).
- Sudrajat, M Agus., Purniawati., I. D. (2017). Analisis Pengaruh PAD, DBH, DAU, DAK dan Pertumbuhan Ekonomi terhadap Belanja Modal Kabupaten Ngawi. *INVENTORY: Jurnal Akuntansi*, 1(2).
- Sundoro, Fredericho Mego., and Y. S. (2021). Pengaruh Dana Alokasi Umum Terhadap Pertumbuhan Ekonomi Dengan Belanja Modal Sebagai Variabel Mediasi (Studi Empiris Pada Kabupaten/Kota Di Jawa Tengah). *Jurnal Ilmiah Fakultas Ekonomi Universitas Semarang*, 19(3).
- Supriyono, R. A. (2018). *Akuntansi Keprilakuan*. Gajah Mada University Press.
- Suwandi, Kurni Adi., and A. T. (2015). Pengaruh Kinerja Keuangan terhadap Pertumbuhan Ekonomi Daerah dengan Alokasi Belanja Modal sebagai variabel Intervening (Studi pada Pemerintah Kabupaten/Kota D.I. Yogyakarta). *Jurnal InFestasi*, 11(2).
- Uhise, S. (2013). Dana Alokasi Umum (DAU) pengaruhnya terhadap Pertumbuhan Ekonomi Sulawesi Utara dengan Belanja Modal sebagai Variabel Intervening. *Jurnal EMBA*, 1(4).
- Utami, Desak Nyoman., A. I. G. B. I. (2019). Pengaruh PAD dan Belanja Modal terhadap Pertumbuhan Ekonomi dan Kesejahteraan Masyarakat di Provinsi Bali. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 8(10).
- Wijayanti, Ni Kadek Herni., and I. B. D. (2015). Pengaruh Pendapatan Asli Daerah dan Dana Alokasi Umum Terhadap Kesejahteraan Masyarakat melalui Pertumbuhan Ekonomi (Studi Kabupaten/Kota di Provinsi Bali Periode 2008-2013). *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 4(9).
- Wulandari, Phaureula Artha., and E. I. (2018). *Pajak Daerah dalam Pendapatan Asli Daerah*. Deepublish.