

REVENUE BUDGET VARIANCE AND CAPITAL EXPENDITURE SPENDING: EMPIRICAL EVIDENCE FROM INDONESIAN LOCAL GOVERNMENTS

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Abstract

This study aims to examine the influence of variance of region own source revenue (or *Pendapatan Asli Daerah*), variance of regional fiscal balance fund (or *Dana Perimbangan*), and financial surplus from previous year (*siswa lebih perhitungan anggaran/SiLPA*) for capital expenditures. The samples of this study are 345 local governments in Indonesia. Data were obtained from the local government budget and the budget realization reports (between 2010 and 2014). Multiple regression analysis was applied to analysis the collected data. This study demonstrated that the variance of region owns source revenue, the variance of regional fiscal balance and financial surplus from previous year affected significantly both individually and collectively capital expenditures. Thus, it is suggested that local governments need to carefully estimate and budget their revenues in order to enhance the allocation and realization of capital expenditures.

Keywords: Budget Variance, Region Own Source Revenue, Balancing Funds Financial Surplus from previous year, capital expenditure, local government, Indonesia

JEL classification: H20, H21