
**CAPITAL EXPENDITURE'S ANTECEDENTS: PROOF OF THE PUBLIC
SECTOR IN EAST JAVA**

Nanda Widaninggar¹, Murti Sumarni², Saiful Amin³, Nurshadrina Kartika Sari⁴

¹College of Economics Mandala, Departement of Accounting
Sumatera Road 118-120, Jember, Indonesia

²University of PGRI Yogyakarta, Departement of Management
Sonosewu Street, Special Region of Yogyakarta, Indonesia

³College of Economics Mandala, Departement of Management
Sumatera Road 118-120, Jember, Indonesia

⁴College of Economics Mandala, Departement of Accounting
Sumatera Road 118-120, Jember, Indonesia

Abstract

The aim of this research was to find out the evidence of the impact of Local Governments financial performance, by proxy of Fiscal Space Ratio to the Capital Expenditure Allocation, with Accountability as a driver variable. This research was a deep study of the impact of Capital Expenditure on the Economic Growth. This research conducted in Situbondo Local Government and was executed by Qualitative method, this research was done by Thematic Content Analysis. The result Showed that the Capital Expenditure Allocation was not influenced by Fiscal Space Ratio, nor the Financial Performance, and Also the Accountability could not be a driving variable between Fiscal Space Allocation Ratio and Capital Expenditure. Besides, the Economic Growth was influenced by the Capital Expenditure Allocation. The vast literature on Fiscal Space Ratio and Accountability impact of dealing with the investment decision making of Capital Expenditure Allocation had not been well-researched in Indonesia. This research was expected to give a contribution to the Local Government budgeting in their decision making. This study only found the results in the Local Government Situbondo, cannot be represented to all aspects in Indonesian Public Sectors.

Keywords: Fiscal Space Ratio, Capital Expenditure Allocation, Accountability, Economic Growth, Thematic Content Analysis

1. Introduction

Good governance is the hope of the people as well as to achieve the noble goals and ideals of the Indonesian people. In the new concept of public management especially government, performance measurement system is needed to achieve the effective, efficient, and accountable government [1] and according to [2]. performance-based management and performance measurement have a linkage and have enormous power. Performance of accountability can be achieved if government have a good performance management and performance measurement, by developing the concept of corporate governance [3], with the key elements: 1) accountability,

2) transparency, 3) fighting corruption, 4) participation stakeholders, 5) legality and legal framework, 6) the relationship between democracy and elements of good governance [4]. According to [5] there are three aspects that support the achievement of good governance, namely oversight carried out by the DPRD, executive self-control to ensure policies and management systems are carried out properly so that organizational goals are achieved, and an examination/audit of government performance to see compliance with established standards.

Local governments are required to prepare their financial statements based on Government Accounting Standards, according to the RI Government Regulation No. 71 of 2010, and this is the implementation of the provisions of Law No. 17 of 2003, Law No. 1 of 2004, and Law No. 32 of 2004 concerning State Finance. Based on it, there is a statement that the Regional Government Financial Report must be audited by the Supreme Audit Board (BPK). However, the development of the decade since the introduction of regional autonomy in 2004 has not shown any significant improvement in the accountability of regional governments through the opinion of local government financial statements [6]. In spite of that, different things were shown in the Situbondo District Government, East Java, which continued to improve opinion on audit results, which had increased from Qualified Opinion to Unqualified Opinion for the last 3 (three) years.

Accountability will maintain transparency and lead to good governance when talking about the interests of the wider community. If accountability is able to become a value and spirit in the management of local government finances, then welfare will be easily achieved [7]. Even through the examination of regional financial performance, LKPD opinion will be related to people's welfare, because if the management of financial administration is good, surely the use of finances will also improve.

The financial performance of the local government becomes a matter that can not be separated with the accountability of the financial performance of the report itself. This is also in line with what was expressed by [8], which states that in every study of performance measurement, accountability pressure variables must always be used, because from the results of his research, it appears that the use of the Performance Measurement System with the role of operational activity is significantly influenced by external information and pressure, which is an obligation to submit financial reports and performance reports of regional governments due to regulations, as legislative communication, and because of public pressure on local government accountability.

The government has set a policy by translating an accountability system that is clear, orderly and effectively through bureaucratic reforms for the sake of public accountability is called the Government Performance Accountability System (SAKIP). The Situbondo District Government Agency Performance Report is carried out based on Presidential Instruction No. 7 of 1999, Presidential Regulation No. 29 of 2014 and Minister of Administrative Reform and Bureaucracy Reform No. 53 of 2014. This is part of the Implementation of a Government Institution Performance Accountability System to encourage the realization of a Government Institution good governance is clean and dignified (good Governance and clean Government) in Indonesia as mandated by the people through MPR Decree No. XI of 1998. While the measurement of the Government of Situbondo, in Presidential Instruction No. 7 of 1999, the Presidential Decree

Number 29 of 2014 concerning Performance Accountability System of Government Agencies and Regulation of the Minister of Administrative Reform and Bureaucratic Reform Number 53 of 2014 concerning Technical Instructions for Performance Agreements, Performance Reporting and Review Procedures for Performance Reports of Government Agencies rule. The development of SAKIP assessment in this Regency also experienced a significant change, if in 2018 it was still ranked BB, then in 2019, with its determination in 2020, Situbondo would win the A title for SAKIP assessment.

The Situbondo District Government has made many improvements in the area of accountability of Regional Government Financial Statements. The development of BPK's opinion based on the Summary of Semester Examination Results (IHPS) in 2008 received an Qualified Opinion, from 2009 to 2013 received a Unqualified Opinion. Then in 2014 the opinion of Situbondo District LKPD was Modified Unqualified Opinion, but there was a decline in opinion in 2015 which was Qualified Opinion, and finally in 2016 it achieve an Unqualified Opinion, and lasted until 2018. With the highest opinion achieved, it means that the performance in preparing financial statements in accordance with SAP is increasing.

In other side, the performance measurement executed by comparing the performance plan with the realization of the performance achieved. Then an analysis of the causes of performance gaps occurs and corrective actions are needed in the future. This method is very useful in order to give an idea to the parties concerned about the extent to which the implementation of the mission of the local government in order to realize the targets. The measurement of the performance of the Situbondo Regency Government was carried out based on the Situbondo District Regulation Number 10 of 2016 concerning the Situbondo Regency Medium Term Development Plan (RPJMD) 2016-2021. In the document the Regional Conditions, Regional Financial Management and Funding Frameworks have been identified, Analysis of Strategic Issues, Vision and Mission Objectives of the Goals, Policy Strategies and Direction, General Policies and Regional Development Programs, Indication of Priority Program Plans Accompanied by Funding Needs, Determination of Regional Performance Indicators, and Guidelines for Transition and Implementation Rules.

It is very interesting to make Situbondo Regency as a research location because in addition there has been an increase in LKPD opinion and an increase in LAKIP values, two of the six strategic issues in Situbondo Regency Development are Strengthening Economic Growth and Improving the Quality of Basic Infrastructure [9].

Based on the concept of regional finance and some previous studies mentioned above, the researchers are interested in doing research on the antecedents of capital expenditure of local governments, Situbondo, East Java and analyze its consequences in order to determine the impact of financial performance of local governments to the allocation of capital expenditures, the effect of the financial performance of government regions to the allocation of capital expenditures with local government accountability as a driving variable, as well as the influence of regional government capital expenditure allocations towards regional economic growth.

2. Theoretical Review

According to [10], theoretical review aims to explore the theories, and obtain the orientation of the broader problem of research as well as finding methods and techniques of research, both in collecting data or in analyzing data that has been used by previous researchers, also obtaining a broader orientation in the chosen problem and avoiding unwanted duplication. Literature review is one means to represent research activities and is used as a basis for determining research variables. In every study carried out in the government sector, Institutional Theory has always been one of the main underlying theories [11] states that the Theory of Institutional always there when explaining the organizational situation in public sector, organization was formed from the institutional environment. In addition, the organization was not only determined by the task, but also by the situation to the legitimation on effectiveness and rationality to the citizens. In further way, [12] states that the accountability include in it an explanation for what it have done, what is being done, and what will be done. Therefore one party is accountable to another party when the other party has the right to hold accountable for its activities.

a. Performance Measurement, Accountability, Capital Expenditure Allocation, and Economic Growth

Performance measurement will make it easier to assess the effectiveness of capital utilization which is often treated as a stimulus for performance improvement that is illustrated through Local Revenue (PAD) in government organizations. The importance of measuring performance is stated in the following sentence [13]:

1. What gets measured, gets done
2. If you don't measured results, you can't tell success from failure
3. If you can't see success, you can't reward it
4. If you do not dap at members rewarded for success, you might give a reward for failure
5. If you can't reward success, you might be rewarding failure
6. If you can't see success, you don't learn from it
7. If you can't see, you can't learn from it
8. If you can't recognize failure, you can't correct it
9. If you can demonstrate the results, you can win public support

The public sector performance measurement system is a system that aims to assist public managers in assessing the implementation of strategies through financial and non-financial measures, as a means of organizational control. Performance measures can be a factor in the success of this organization and in the future. In public sector organizations, the measurement of success is more complex, because the things that can be measured are more diverse and sometimes abstract in nature so that measurements cannot be made using only one variable. In other words it is not easy to measure performance in public sector organizations, especially those that are nonprofits organization such as government. During this time the performance measurement of a government agency is more emphasized on the ability of the government agency in absorbing the budget, so that an agency will be declared successful if it can absorb 100% of the government budget, even though the results and impacts achieved from the implementation of the program are still far below the standard. The measurement of public sector performance is carried out to fulfill three objectives according to Junaedi in [14], namely:

- a. Measurement of public sector performance is intended to help improve government performance. Performance measures are intended to help the government focus on the work unit's program goals and objectives. This will ultimately increase the efficiency and effectiveness of public sector organizations in providing public services,
- b. Public sector performance measures are used for resource allocation and decision making,
- c. Public sector performance measures are intended to realize public accountability and improve institutional communication.

One indicator as a measure of the efficiency of government spending is the ratio of fiscal space. Fiscal space is available when the government can increase its expenditure without threatening fiscal solvency [15]. In terms of public sector financial performance, accountability is a very important factor, through two financial accountability reports that must be compiled by government organizations. The Audited Financial Statement is considered more meaningful and the accountability pressure is greater than LAKIP, because there are four types of opinions one of which will be issued by the BPK on the audit results.

In this study, in accordance with previous studies, the performance measurement used is the ratio of fiscal space only, because based on research [16], the effect arising between ratios of performance measurement measured against the allocation of capital expenditure, influence the largest is indicated by the variable fiscal space ratio [6]. Research conducted by [17] calculates financial ratios to be analyzed for their effects on capital expenditure, with the results of the strongest influence on capital expenditure is the ratio of effectiveness of PAD. This is contrary to research [16], because the effectiveness ratio of PAD actually shows the smallest effect. The researcher focuses this research on the use of the fiscal space ratio and on the emergence of new variables, namely public accountability.

[13] declared that spending in the public sector is related to budgeting, which shows the amount of money that has been spent during one fiscal year. Statement of Government Accounting Standards (PSAP) No. 2 The Budget Realization Report defines capital expenditure as a budget expenditure for the acquisition of fixed assets and other assets that benefit more than one accounting period. Regional autonomy makes the planned of the budget structure, especially the process of allocating spending into something very important to support the development of the region. In most Indonesian region showed that process of allocating expenditure composition tends to be the same, which is still more dominant in the portion of employee expenditure compared to capital expenditure, and the impact is that productivity of spending cannot push the economic growth.

Based on national data according to DJPK-Ministry of Finance, in the 2013 Budget Year, the composition of regional government expenditure was still dominated by personnel expenditure, which amounted to 41.9% of the total regional expenditure of Rp. 707,083 trillion. Capital expenditure is allocated 24.8%, and goods and services expenditure is 20.9%. In fact, in some districts/cities the percentage of employee expenditure reaches 80% of the total budget. So the cost of 80% is spent to manage activities which only 20% of the total budget. Of course this is

not in line with the spirit of fiscal decentralization which always encourages local governments to be independent and able to manage regional finances wisely. According to the report [18], the ratio of capital expenditure to total regional expenditure reflects the portion of regional expenditure spent to finance capital expenditure. The realization of capital expenditure will have a multiplier effect in moving the run of the regional economy, thus providing a significant influence on regional economic growth.

The condition of the proportion of budget use in Situbondo Regency based on the percentage analysis of the Proportion of Expenditures for Meeting the Needs of the Government Apparatus of the Situbondo Regency in 2010-2015 relatively decreased from year to year, respectively 65.99; 61.02; 61.64; 56.26; 53.90; 47.48, it means that the quality of regional expenditure realization in Situbondo has increased, which is to focus on capital expenditure for the development of Situbondo Regency. This can be proven through the Realization of Situbondo Expenditures Expenditures and Financing in 2010-2015, namely an increase in the average growth of 3.41% [9].

Economic growth is closely related to social welfare. According to [19], fiscal decentralization will be able to improve social welfare when there is a significant increase in revenue as well as expenditure in regional finances. In other words, increased local government revenue will increase capital expenditure, economic growth, and ultimately social welfare. However, it needs to be understood further that economic growth will certainly occur when there is an increase in the allocation of capital expenditure in the Regional Budget [20]. Arsyad(2004) said that economic growth can also be interpreted as an increase in Gross Domestic Product (GDP) or Gross National Product (GNP), namely the Gross Regional Domestic Product (GRDP) regardless of whether the increase is greater or smaller than the rate of population growth or whether or not changes in economic structure. In a previous study, GRDP growth rate data was taken from the Central Bureau of Statistics (BPS), using lag, bearing in mind that a growth assessment basically cannot be done only within a period of 1 (one) year later from the allocation of capital expenditure.

According to [6] in concept, performance measurement will be even stronger influence on capital expenditure allocation when there is an element of accountability that reinforces it, which is often referred to as a driving variable in an equation relationship, i.e. published financial statements have been audited by BPK.

b. Prior Research Review

In the study of [6] the test was carried out on only one variable measuring regional financial performance, namely the ratio of fiscal space. Most of the research that has been disclosed previously, nothing involves an element of accountability, which is essentially the true face of regional financial performance [22]. Recommendations for using accountability variables in each study regarding performance measurement were disclosed by [1] in their research because external pressure variables in terms of regulations for fulfilling accountability were among the most powerful variables in influencing the use of PMS. Researchers have not been able to find previous studies that use accountability as a related aspect in evaluating financial performance, other than those conducted by [4]. Since previous research used the internal accountability that is

slightly different from the real conditions in the regional government, there has never been an effect or follow-up from the presentation of LAKIP by each Regional Work Unit (SKPD). On the other hand, it is precisely the auditing LKPD that has an effect on public accountability.

The implication of the explanation above is that the better the accountability of the local government, it is hoped that it will be able to drive regional capital expenditure decisions. The allocation of capital expenditure to local governments is also influenced by whether or not the local financial performance. This is in line with findings which state that economic growth that has been occurring has been determined by regional development spending factors. Thus there is a link between regional capital expenditure on regional economic growth. By measuring financial performance that leads to the realization of public accountability, making local governments become democratic governments, and more importantly, assessing the financial performance of local governments will not mean anything if it is not connected with the decision to allocate financial budgeting in the next period. With the budget allocation decision in the previous period, it will also have an effect on the level of prosperity of a region, which is indicated by one of the indicators of economic growth the following year.

3. Research Methods

a. Research Stages

This research will be done through qualitative methods, with the approach of Thematic Content Analysis (TCA). Qualitative research methods according to Bogdan and Taylor in [23] is a research procedure that produces descriptive data that is the word written or spoken word of people and behaviors that can be observed.

The researcher is the main instrument that conducts the research process directly, in the Situbondo District Government, using secondary data from APBD documents, APBD realization reports, and local government financial reports obtained from the website of the Directorate General of Regional Fiscal Balance through www.depkeu.djpk.go.id as well as GRDP data obtained from the Central Statistics Agency (BPS). The importance of qualitative analysis in this study is to obtain proof of the results of quantitative empirical testing, which is done through the submission of a questionnaire containing open-ended questions. This study uses a form of qualitative research conducted on an object and condition it as it is. According to [14], the qualitative research of case studies leads to a detailed and in-depth description of the condition portrait of what actually happened in the field of study.

Direct observation or observation to community agents, namely members of the Regional Representative Council, especially the Budget Board, as well as agents from the DPRD or executive, namely at least Echelon IV who is responsible for the budget preparation process.

b. Qualitative Research Subjects

The subjects in this study were taken to the depth of the study qualitatively. Researchers took samples of the district, namely Situbondo. This research was qualitatively determine the sample according to the certain criteria or criterion-based selection [14]. While according to Maxwell in

[14] there are four objectives of the sample selection purposively, namely (1) Because of the uniqueness or representativeness of the setting, individuals, or activities, (2) For the sake of heterogeneity in the population, (3) To study cases who are critical of (confront) existing theories, (4) Look for comparisons to enlighten the reasons for differences between settings, events, or individuals.

In this study, a weld an electoral district is that the District Situbondo in the last year has increased the quality of LKPD opinion and valuation report of 2016, according to the IHPS I-BPK RI of 2017.

c. Data Collection Techniques

Qualitative research was characterized by the people as a means of collecting data, or in other words the researchers is the main instrument of research, the collection of data obtained from primary and secondary data with the following explanation:

1) Primary data

Primary data is data collected or obtained directly by researchers from sources or objects to be studied. Techniques used in collecting primary data in this study include:

a. Participant observation

According to [23], "Participatory techniques of data collection is done by observing directly and with the focus or research problems", called by observation or participant observation. [23] correctly defines participatory observation as research characterized by social interactions that take a considerable amount of time between researchers and subjects in the subject environment, during which the data in the form of field notes are systematically collected.

In this study, observations were made on regional governments as executors of executive functions, namely at least echelon IV officials, members of DPRD as executors of legislative functions, especially those who sit in the Budget Agency. Observation of officials at least echelon IV is done to get depth of information about the financial performance of the region as well as opinions obtained from the BPK audit results and how to allocate the budget to capital expenditure, which of course is done jointly with members of the DPRD. Observations to Board of Budgeting also done in order to obtain information concerning the determination of capital expenditure is based on the financial statements of the previous year.

b. Deep interview

According to Ahmadi and Narbuko in [24] "interview is a question and answer process in research that takes place verbally in which two or more people face to face listen directly to information or information". Broadly speaking, the interview is divided into two, namely interviews structured and unstructured interviews are often called in-depth interviews. This section is a very important part to obtain real evidence that occurs in the field regarding the results of empirical evidence.

2) Secondary data

Secondary data is data that can not directly provide information and as supporting information for researchers. Secondary sources were collected from APBD documents, APBD realization reports, and local government financial reports downloaded from the website of the Directorate General of Regional Fiscal Balance through www.depkeu.djk.go.id as well as GRDP data obtained from the Central Statistics Agency (BPS). Secondary sources include library books and other sources of information. Based on these secondary sources, relevant data and information can be obtained to find out the current condition (existing system). Techniques used in secondary data collection in this study include:

a. Documentation

Documentation is one of the secondary data collection techniques used to supplement primary data in order to provide a more accurate analysis.

b. Literature study

This data collection technique is used to obtain secondary data related to the research problem. This technique is obtained by studying and understanding reading material related to the problem that will be discussed in research which includes books and other literature studies.

3) Informant Withdrawal Technique

Qualitative research is not intended to make generalizations from the results of his research, but the most important is the information he gets. Research subjects who will become informants in the study determined intentionally, or in other words the technique of determining the informant is by purposive method chosen in accordance with the problems and objectives in the study. According to Rahardjo in [25], the criterion to determine informants are as follows: (1) The subject that had long been intensively "integrated" with the activity or "field of activity" the ease in the target/researchers' attention, (2) Subject still engaged active or full in the environment or activities that become the target/attention of researchers, (3) Subjects that have enough time/opportunity to be asked for information, (4) Subjects in providing information do not tend to be "processed" or "packed" first, (5) Subjects previously classified as "foreign" with researchers.

4) Data analysis

Data analysis used in this research used Thematic Content Analysis (TCA). According to Braun and Clark (2006) TCA is a method for identifying, analyzing, and reporting pattern (theme) of data. According to Aronson (1994) analysis focused on identification of themes and patterns, using open questions and semi-structured interviews. Interviews are recorded and transferred in a transcript. The results of the transcript are put together, then connected according to the theme or problem in the study. The last step is to interpret the data presented in descriptive form [26].

1. Results And Discussion

a. General Policy and Concept of Development of Situbondo Regency

Medium Term Development Plan (RPJMD) Kabupaten Situbondo Year 2016 to 2021 is required to be done by the regional government in accordance with Act No. 25 of 2004 concerning the

National Development Planning System. The most important thing in preparing a budget is the harmony between policies and planning with the budgeting that has been made between the Government and the Regional Government.

Situbondo public policy revealed in the program's development. Situbondo Regency RPJMD general financial/budget policy 2016-2021 is directed in 3 (three) main functions, namely the allocation function, distribution function, and stabilization function, with the following explanation:

- a. The allocation function is budgeting for development activities that are not possible to be carried out by the public/private sector because they are public services such as handling basic infrastructure and providing infrastructure,
- b. The distribution function, namely budgeting, is directed towards equitable distribution of social justice, and reducing inequality, which includes handling poverty issues, developing underdeveloped areas, and others,
- c. The stabilization function, which is budgeting, is directed at promoting economic growth, expanding employment, and increasing public income as well as security and order stability.

So that general policies can be used as guidelines in determining appropriate priority programs, it is facilitated by determining general policy themes per year, which are prepared to facilitate the district government in implementing the strategies that have been designed. A strategic issue has been weighted so that an enrichment of the external environmental analysis is obtained for the planning process. Based on the results of the weighting [9], the strategic issues of Situbondo Regency Development in 2016-2020 are Improving the Quality of Human Resources, Strengthening Economic Growth, Enhancing the Quality of Basic Infrastructure, Strengthening Good Government Governance, Strengthening Environmental Conservation, and Enhancing Local Wisdom. Then a Situbondo Patent Patent Public Policy Theme was designed per year, consisting of:

1. Strengthening the quality of basic infrastructure and supporting infrastructure for regional growth, is the theme of the general policy of the Government of the Situbondodi Regency in the second year (2017),
2. Strengthening the quality of human resources and regional competitiveness, is the theme of the general policy of the Government of Situbondo Regency in the third year (2018),
3. Consolidation of strategic areas and food independence are the theme of the general policy of the Government of Situbondo Regency in the fourth year (2019),
4. Strengthening bureaucratic reforms and improving public services are the general policy themes of the Situbondo District Government in the fifth year (2020),
5. The embodiment of Situbondo that is Madani, Independent, and More Faithful, Prosperous, and Fair, is the general policy theme of the Situbondo Regency Government in the sixth year (2021), which is a year of transition.

The implementation of the general policy is carried out through the concept of priority programs. General policies must be implemented and can be used as guidelines in determining appropriate priority programs, so based on the [9], general policies are made in 4 (four) perspectives according to the strategy, namely:

1. Policy from a community/service perspective,

2. Policy from the perspective of internal processes,
3. Policy from an institutional perspective,
4. Policy from a financial perspective.

Thus the translation of programs from the Government can always be synchronous and can be carried out well through the Regional Government according to its priorities.

b. Overview of Regional Financial Management and Funding Framework

Based on Permendagri No. 33 of 2017 concerning Guidelines for the Preparation of the Regional Budget for the 2018 Budget Year there must be synchronization between the Regional Government Policy and the Government Policy. Preparation of the Government Work Plan implemented using a thematic approach, holistic, integrative, and Spatial and budget policy based on “money follows the program” by way of ensuring that the program is only really useful allocated. Therefore the provincial government and district/city government must support the achievement of national development priorities according to the potential and conditions of each region because the success of national development is closely related to synchronizing the policies of the provincial government with the government and between the district/city government with the government and the provincial government, this is stated in the Local Government Work Plan (RKPD).

The synchronization of local government policies with the government is further outlined in the draft APBD General Policy (KUA) and the Provisional Budget Priority and Ceiling (PPAS) draft that was mutually agreed between the Regional Government and the Regional People's Representative Council (DPRD). In line with the foregoing, the implementation of regional government functions will be optimal if the implementation of government affairs is followed by providing sufficient revenue sources to the regions by referring to the laws and regulations, namely “the money follows function”.

The Funding Framework is illustrated through regional development priorities, based on Minister of Home Affairs Regulation No. 54 of 2010 concerning Implementation of Government Regulation No. 8 of 2008 concerning Stages, Procedures, Preparation, Control and Evaluation of the Implementation of Regional Development Plans, the total funds allocated for the indicative ceiling available are then allocated to various programs/activities in the order of priority. Program/activity priorities are separated into Priority I, Priority II, and Priority III, where Priority I gets first priority before Priority II. Priority III receives budget allocation after Priority I and II have their funding needs met.

Priority I is a regional development program with a theme or a special program (dedicated) Regional Head as mandated in the RPJMN and the mandate/national policy that must be implemented by the region in the planned year, including for education priority 20% (twenty percent). Whereas Priority II is a priority program at the SKPD level which is an elaboration of analysis per business. A Priority II relates to SKPD's flagship programs/activities that have the most extensive impact on each community segmentation served in accordance with the priority issues faced in relation to basic services and SKPD tasks and functions including institutional capacity building related to it. Priority III is a priority intended for the allocation of office operational expenditure (routine) and indirect expenditures. The allocation of funds in

Priority III must pay attention to (prioritize) the fulfillment of funds in Priorities I and II in advance to show the correct priority order.

c. The Process of Preparing the Regional Revenue and Expenditure Budget

Regional development planning is regulated in Law No. 25 of 2004 concerning the National Development Planning System. These laws regulate the planning stages ranging from Long Term Development Plan to Medium Term Development Plan of Government, Strategic Plan of the Local Government Unit (Renstra of SKPD), Work Plan Local Government (RKPD), and the Work Plan Local Government Unit (Renja SKPD). Regional financial management is carried out through an integrated system in the series of Regional Revenue and Expenditure Budget cycles whose implementation starts from Planning, Implementation, Supervision/Inspection, to accountability for the implementation of the APBD which is determined based on the applicable laws and regulations.

The RPJMD is a unified whole of development management within the government, especially in carrying out the Development Agenda as stated in various planning documents.

d. Interview and Observation Results

Interviews were conducted with 4 (four) informants separately and on different days in several days in September and October 2017. The research format did not require names and titles to be identified in the identification of the results of the structured interview. Researchers have interviewed 1 (one) Echelon IV official of the Situbondo Regency Regional Secretariat which will then be referred to as Informant 1, then 1 (one) Echelon IV official of the Situbondo Regency Regional Development Planning Agency which will then be referred to as Informant 2. Besides that The researcher also conducted interviews with 1 (one) Echelon II official from the Situbondo Regency Secretariat, hereinafter referred to as Informant 3, and 1 (one) member of the Situbondo Regency People's Representative Council who is a member of the Budget Agency, hereinafter referred to as Informant 4.

1) Financial Performance themes associated with Capital Expenditure Allocation

The budget policy is a general reference of the Development Work Plan and is part of the operational planning of the budget and the allocation of resources, meanwhile the regional financial policy is directed at the policy of program preparation and the indication of activities on the management of regional revenue and expenditure effectively and efficiently [9]. [6] stated that financial performance influences the capital expenditure allocation. At the time researchers asked questions about financial performance and representation of financial ratios through ratios Fiscal Space and its influence in the determination of capital budgeting decisions in accordance with the research of [6], the results are as follows:

.....Financial Performance is very important to know to measure the performance of local governments in terms of financial aspects. Financial performance can also be used to determine the level of accountability of regional governments. As a person who is included in budget planning I have never confirmed or even just connected the financial performance of the previous year with the budgeting decision.....

(Informant 1)

.....Financial performance needs to be measured to find out how the Regional Government's financial management is. However, the budget compilers are actually not too focused on the results of the ratio calculation, what is more important is whether priority programs are expected to be able to run, and then do the budgeting.....

(Informant 2)

..... Many changes have taken place especially since the new government. Now this is not the same as expected in an earlier, if the first “program follows money”, but today “money follows the program”, so SKPD which is able to run a program that supports 9 Development Agenda Priority (NAWACITA) Situbondo, then SKPD that will more be given a budget. The Financial Performance Ratio is rarely used as a basis for budgeting decision making. However, the measurement is very important to do to look at the performance of local governments from the financial side.....

(Informant 3)

.....Financial performance in previous years must be related to budgeting decisions in the years that follow. I think the Fiscal Space Ratio represents for financial ratios. Related to the implementation of the program, in fact, often there is an unsynchronization between the government and district/city government, and the often happens is the inability of local governments, especially in terms of Human Resources in translating government programs. Finally the budget decisions that have been made into not just the execution, often far from harapan. Financial performance measurement is very important to determine how the local finance is managed by an agent of Parliament, whose meaning is the people, but when preparing the budget does not base at the ratios that you just said. The important point is the ability to carry out the program.....

(Informant 4)

When researchers ask about changes in the logic of budgeting, as Informant 3 said, from “the program follows money” to “money follows the program”, Informant 4 response is as follows:

.....Regarding the change into “money follows program”, in my opinion it is only normative and only on a theoretical level. In fact remains back to is there a budget available for the program te rsebut and agreement among SKPD, Tim Budget and Budget Committee, instead often also still occur pe rgeseran, Pengu shortages of, or increase in the budget of the program if necessary. Then again returning to the SKPD's ability to translate priority programs.....

(Informant 4)

2) Accountability Theme

Accountability is a form of accountability for the management of resources and implementation of policies d i entrusted to entities reporting in achieving the goals set periodically. [13]. Financial accountability is related to the avoidance of misuse of public funds, so the public sector is required to make financial reports that are primarily intended for external parties [5]. According to [6] that accountability has a strong pressure so that the effect on the

budget decisions, particularly capital spending, in this case as a motivating factor. But the results of these studies stated that accountability does not influence, either strengthen or weaken the relationship between the variables of performance finance with capital expenditure allocation. Accountability is still not a strong variable in influencing budgeting decisions because it is still only a fulfillment of statutory requirements. Accountability is proxied through LKPD opinion. Researchers confirm the results to the informant, with the following results:

.....Public's public accountability is often *proxied* through LKPD audit results which are known from the opinion level of BPK. In addition, it was also obtained from the results of the LAKIP assessment. In this year the Situbondo Regency achieved an Unqualified Opinion for LKPD and a CC assessment for LAKIP. However, for me, accountability is only sufficient as public accountability, when I plan a program I will not see the level of LKPD opinion from BPK.....(Informant 1)

.....Government must be carried out accountably. Opini's BPK and LAKIP assessment are a form of public accountability. Secondly it is very important to be a good gauge of performance, will but usually not used as the basis for determining budgetary policy.....(Informant 2)

.....Accountability means public trust. The Unqualified Opinion and LAKIP assessment do not affect the capital expenditure budgeting decision, and good financial performance is not necessarily also good accountability, it is proven that during the last five years Situbondo District has been in good performance in terms of financial ratio calculation and analysis, but our LKPD opinion has only been shows the highest level, namely Unqualified Opinion in 2016.....(Informant 3)

.....Accountability through Unqualified Opinion then LAKIP the assessment of compliance with the implementation of standar. For me there are more important, namely how the composition of spending levels or the proportion of expenditure in fulfillment of expenditures aparatur. If the routine expenditure for the benefit of the apparatus is still more than 50% of the total expenditure, this is when some improvement is needed to recover this such problem. I also sheds light on the side of their own capital expenditure, personnel expenditure is often still contained. This is so funny. In addition, I think the actual leakage rate is still quite high, possibly up to 20%. Well, this is the right of the people, it shouldn't be 80% enjoyed by the people through capital expenditure, of course it's 100%.....(Informant 4)

When asked about who is most responsible for accountability, the answer is as follows:

.....Of course the Regent and the Regional Secretary together, the Regent because they are related to political responsibilities while the Regional Secretary is related to technical responsibilities. It is very important to know the public that the Unqualified Opinion does not indicate that the LKPD is free from corruption because the BPK in the audit checks compliance with established standards, namely Government Accounting Standards... (Informant 4)

3) The theme of Capital Expenditure Allocation is associated with Economic Growth

Economic growth is the development of activities in the economy which causes the goods and services produced by the community to multiply and the prosperity of the community to increase [17]. According [6] economic growth was proven to be affected by the Capital Expenditure Allocation of the previous fiscal year. However, this is not related to the quality of LKPD opinions, because many districts/cities in Indonesia have Unqualified Opinions but the Fiscal Space Ratio and Capital Expenditure Allocation numbers are low. The positive effect of the Capital Expenditure Allocation on Economic Growth means that the budget function as a regional economic leverage has been running.

One of the factors influencing Situbondo Regency in controlling poverty level is the government's ability to control economic growth in various situations so that there is no significant deterioration, despite a slowdown in growth with the following details (LKPD Regent Situbondo End of Fiscal Year 2016 Book II) :

Table 1: Economic Growth

<i>Year</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Situbondo Regency	6.35	5,28	5.9	5.02	4.79
The province	6.44	6.64	6.08	5.86	5.44
National	5,38	5.43	6.31	5.53	5,18

Source: Book II of LKPD Regent Situbondo End of Fiscal Year 2016

Economic growth that showed a slowdown was strongly influenced by high levels of prices after the crisis resulting in production in several economic sectors experiencing stagnation and a slow increase in production. This was caused by high price levels on production costs felt by the lower middle-scale economic units. But the economic growth of Situbondo Regency is still above the average national economic growth, although it is still below the provincial economic growth.

The researcher asked the informants about the influence of capital expenditure allocation on economic growth and the following is the response of the informants:

.....I believe it is very influential because with the existence of significant capital expenditure, the contribution of the government in providing facilities to the community both through infrastructure development and in the form of capital assistance, will be even greater. This will encourage economic growth..... (Informant 1)

.....Capital expenditure includes accounts that are expected to increase from year to year, which shows more efficient management of regional finances, because it is not focused on governance and management of government apparatuses that are earmarked. The financial structure of the area is ultimately more focused on the implementation of regional development, to create public welfare as a result of their economic growth..... (Informant 2)

.....It's definitely very influential. The realization of capital expenditure will have a multiplier effect in driving the regional economy, thus providing a significant influence on regional economic growth. When public facilities are provided in good condition and sufficient, the economy will move and eventually experience growth..... (Informant 3)

.....Yes, that's right, capital expenditure is very influential on economic growth. It becomes a kind of *leverage* or has a *multiplier effect*. It would be even better when in the Capital Expenditure Budgeting there was no longer an Apparatus Expenditure element such as the committee's honorarium, so that the overall nominal benefits could be received by the community..... (Informant 4)

2. Conclusions, Limitations, And Suggestions

a. Conclusion

From the results of the interview it can be concluded the following are:

1. According to [6] Financial performance reflected in the Fiscal Space Ratio influences the decision for the allocation of capital expenditure the following year. In the majority of districts/cities with high Fiscal Space values, it also produces a high Capital Expenditure Allocation because the budget is more flexible to encourage investment in assets, infrastructure, and other productive expenditure budgets. However, these results contradict the results of the interviews of all informants. The Informants stated, the conclusion was that the previous year's Financial Performance must be related to budgeting decisions in the years that followed, and the Fiscal Space Ratio was already representative of financial ratios, but the Financial Performance Ratio was very rarely used as a basis for budgeting decision making. However, the measurement is very important to do to look at the performance of local governments from the financial side.
2. Accountability is not proven as a driving factor in the relationship between the Fiscal Space Ratio and the Capital Expenditure Allocation [6]. This is in line with the qualitative testing of this study that indeed accountability is only sufficient as public accountability, when planning for a LKPD opinion level program from BPK is not used as a reference,
3. Economic Growth was proven to be influenced by the Capital Expenditure Allocation of the previous fiscal year. However, this is not related to the quality of LKPD opinion. This is in line with the results of this study that Capital Expenditure includes accounts that are expected to increase from year to year, which shows more efficient management of regional finances, because it is not focused on the governance and management of government officials that are earmarked. The regional financial structure is ultimately more focused on the implementation of regional development, to create people's welfare as a result of economic growth.

b. Limitations

The results of quantitative research are expected to continue to benefit the development of science. However, it will give a new picture if it is carried out qualitatively deepening as was

done in this study, although the results are different confirmations on several aspects. This research was conducted only in Situbondo District, with 4 (four) informants. It is possible that the information extracted was less broad in scope, and could not possibly represent all districts/cities in Indonesia.

c. Suggestion

Continuing research to find the best accountability index, also to connect it with Theory of Belief as a measure of accountability, as well as the target of the Regency/City.

Reference

- R. Wijaya, A.H.C dan Akbar, " Factors Influencing the Use of Performance Measurement Systems: Evidence from Indonesian Public Sectors.," 7th Asia Pasific Interdiscip. Res. Account. Conf. www.apira2013.org, 2013.
- T. Osborne, D. dan Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector*. New York: Penguins Book, 1992.
- J. Halligan, " Political Management in the Australian States," *Public Money Manag.*, vol. 21, no. 1, p. 9, 2001.
- R. Akbar, *Performance Measurement and Accountability in Indonesian Local Government*, no. July. 2011.
- Mardiasmo, "Perwujudan Transparansi dan Akuntabilitas Publik Melalui Akuntansi Sektor Publik: Suatu Sarana Good Governance. *Jurnal Akuntansi Pemerintah*, 2(1), 1–17.," 2006.
- Widaninggar, " Antecedents and Consequences of Capital Expenditure Allocation," *East African Sch. J. Econ. Business, Manag.*, vol. 2, no. 4, pp. 209–223, 2019.
- H. A. Azis, "Peran Akuntan Optimal, Rakyat Sejahtera," *Majalah Akuntan Indonesia*, pp. 32–33, 2015.
- A. H. C. Wijaya, "Factors Influencing the Use of Performance Measurement System: Evidences from Indonesian Public Sectors."
- P. K. Situbondo, "Rencana Pembangunan Jangka Menengah Daerah (RPJMD) Kabupaten Situbondo Tahun 2016-2021.," 2016.
- Moch.Nazir, *Metode Penelitian*. Jakarta: Salemba Empat, 2003.
- J. W. Richard, Scott and Meyer, *Institutional Environments and Organizations: Structural Complexity and Individualism*. Sage Publications, 1994.
- R. Hyndman, N. dan Anderson, " The Use Of Performance Information In External Reporting And Internal Planning: A Study Of Executive Agencies.," 1997.
- Mahmudi, *Manajemen Keuangan Daerah*. Jakarta: Penerbit Erlangga., 2010.

- C. Alwasilah, Pokoknya Kualitatif. Jakarta: Pustaka Jaya, 2002.
- W. Bank, "Fiscal Policy for Growth And Development: An Interim Report," 2006.
- G. Hidayat, M.F. dan Maski, "Analisis Pengaruh Kinerja Keuangan Daerah Terhadap Alokasi Belanja Modal (Studi pada Kabupaten dan Kota di Jawa Timur)," J. Ilm. Mhs. FEB, vol. 1, no. 2, 2013.
- Y. E. Sularso, H. dan Restianto, "Pengaruh Kinerja Keuangan Terhadap Alokasi Belanja Modal dan Pertumbuhan Ekonomi Kabupaten/Kota di Jawa Tengah," Media Ris. Akunt., vol. 1, no. 2, 2011.
- D. J. P. K.-K. K. R. Indonesia, "Direktorat Jenderal Perimbangan Keuangan-Kementerian Keuangan Republik Indonesia. 2013. Deskripsi dan Analisis APBD 2013.," 2013.
- M. Sriningsih, S. dan Yasin, "Dampak Dana Alokasi Umum (DAU) Terhadap Pemerataan Fiskal Kabupaten/Kota di Nusa Tenggara Barat," Majalah Ekonomi, XIX(2), pp. 148–162, 2009.
- R. Badrudin, "Effect of Fiscal Decentralization on Capital Expenditure, Growth, and Welfare," Econ. J. Emerg. Mark., vol. 3, no. 3, pp. 221–223, 2011.
- L. Arsyad, Ekonomi Pembangunan. Yogyakarta: Penerbit STIE YKPN, 2004.
- R. Hildebrand, "Measuring and Managing Performance in Local Government: A Literature Review," Local Gov. Inst. Work. Pap. Ser. <http://publicadmin.uvic.ca/lgi/index.htm>, 2007.
- F. Accountability, "DEVELOPMENTS IN PUBLIC SECTOR PERFORMANCE MEASUREMENT : A PROJECT ON PRODUCING RETURN ON INVESTMENT METRICS FOR LAW ENFORCEMENT," vol. 27, no. November, pp. 458–480, 2011.
- G. Kanji, "Performance Measurement and Business Excellence : The Reinforcing Link for the Public Sector," vol. 18, no. March, pp. 49–56, 2007.
- B. Akbar, R., Pilcher, R., dan Perrin, "Performance Measurement and Accountability: A Nation-Wide Survey of Local Government in Indonesia," Pacific Account. Rev., vol. 24, no. 3, pp. 262–291, 2012.
- J. W. Cresswell, Research Design Pendekatan Kualitatif, Kuantitatif, dan Mixed, Edisi Ketu. Yogyakarta: Pustaka Pelajar, 2010.