Local Own-source Revenue and Balance Fund on Economic Growth: Remaining Budget Surplus, and Capital Expenditure as an Intervening Variable

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Abstract
This study aimed to determine and analyze local own-source revenue and balance funds on economic growth mediated by the remaining budget surplus and capital expenditure. The sample was taken from the reports of Local Own-Source Revenue (LOSR) realization, Balance Fund (BF) realization, Remaining Budget Surplus (RBS) realization, Capital Expenditure (CE) realization, and Gross Regional Domestic Product (GRDP) in 34 regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province for five years from 2015 to 2019. The statistical analysis tool used was path analysis with Lisrel application to test the effect of Local Own-Source Revenue (LOSR) and Balance Fund (BF) on economic growth mediated by the Remaining Budget Surplus (RBS) and Capital Expenditure (CE) as a mediation variable. This study showed that local own-source revenue, balance fund, remaining budget surplus, and capital expenditure simultaneously or partially had a positive effect on economic growth. However, the balance fund variable had a negative effect on the remaining budget surplus, while capital expenditure and remaining budget surplus were able to mediate the relationship between local own-source revenue and balance funds to economic growth.

Keywords: Local Own-Source Revenue, Balance Fund, Remaining Budget Surplus, Capital Expenditure and Economic Growth.

1. Introduction
As required by the 1945 Constitution of the Republic of Indonesia, the local government has the authority to regulate and manage government affairs according to the principle of autonomy and joint government. The purpose of giving broad autonomy to the regions is to accelerate the achievement of community welfare through improving services, empowerment, and community participation. The purpose of implementing large-scale regional autonomy today is to develop all existing economic potentials in such a way as to encourage increased economic activity in the regions, thereby improving the national economy.
The enactment of Law Number 33 of 2004 requires a financial balance between the central and local governments. The financial balance between the central and local governments is the state finance system implemented within the framework of the Unitary State, which includes the distribution of funds between the central and local governments and equity between regions proportionally, fairly, democratically, and transparently. The structured areas in local expenditure finance the implementation of general government affairs organized by an area or regency/city, consisting of mandatory choices and affairs managed in certain regions taken over by central and local governments. The expenditure of goods must be prioritized to protect and improve the community's standard of living and fulfill the regional obligations, which are realized in improving basic services, education, health, social and community services, community development, and social security systems.

There are several components to encourage the creation of conducive regional economic growth, such as local own-source revenue, balance fund, and local expenditure. The existence of the local expenditure budget is relatively small compared to private investment. Although the funds have a strategic role, the purpose of their use is to finance the development of the public infrastructure sector that can support the smooth running of the private economy for business and the implementation of community services. According to the expenditure group, local expenditure consists of direct/capital costs and indirect costs, which are the provincial government's responsibility in managing government and implementing regional development. According to the Minister of Home Affairs Regulation Number 21 of 2011 about regional financial management guidelines, expenditure directly related to the program is direct/capital expenditure. It aims to support economic growth and equitable development, encourage the development of community economic activities, and improve public services by focusing on the development of economic facilities and infrastructure and the provision of basic services.

Other funding sources for allocating expenditure on the provision of various public facilities are local revenues sourced from the Local Own-Source Revenue (LOSR) of the previous year. In accordance with Government Regulation Number 12 of 2019 and Minister of Home Affairs Regulation Number 77 of 2020, LOSR is the excess difference between the realization of budget revenue and expenditure during 1 (one) budget period. The form of using LOSR is to cover the budget deficit, fund the local government obligations whose budget is not yet available, pay interest and principal debt and/or regional bonds that exceed the available budget and precede changes to the regional budget, pay off the interest and principal debt, funding salary increases and benefits for State Civil Apparatus due to government policy. In addition, another form is to fund programs, and activities not yet available and/or funding activities whose performance targets are increased from those set in the Budget Implementation Document - Regional Work Units (BID - RWU) for the current fiscal year, which can be completed up to the deadline for completing payments in the current fiscal year.

The economic growth rate in each regency/city in North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province is very diverse, depending on the characteristics of the sectors in these regencies/cities. Thus, the economic growth of regencies/cities in North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province can be seen. The output of the number of GRDPs still occurs in the gap between regencies/cities with one. The highest economic growth in Central Sulawesi Province in 2019 was 6.68 percent, and in Gorontalo
Province was 6.40 percent. Then, the lowest economic growth was in North Sulawesi Province by 5.66 percent. However, the average economic growth rate in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province for the 2015-2019 period tends to fluctuate, which is mostly economic growth in the range of 6 percent. According to Law Number 23 of 2014 concerning local government, local own-source revenue is a source of local government revenue originating from the area itself based on the capabilities possessed, which consist of the results of local taxes and retributions, the results of managing local assets, and others legitimate local own-source revenues. The main source of funding at the regency/city level is local own-source revenue, so each regency/city can explore revenue sources in the regions. This reduces dependence on the central government so that the regions are more independent in funding development in their regions. Thus, with an increase in local own-source revenue, it is hoped to increase investment in local government's capital expenditure, which will later impact the increasingly improved quality of public services and encourage economic growth.

Generally, the development of local own-source revenue in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province has shown an increasing trend. However, there is a very significant decrease yearly, namely 1.8 trillion in 2014, 2.1 trillion in 2015, 2.3 trillion in 2016, 3.1 trillion in 2017, and 1.1 trillion in 2018. On average, local own-source revenue is experiencing a positive trend, but this needs to be balanced with the trend of capital expenditure, which is still declining in several regions in North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province.

Capital expenditure is one of the concrete steps in improving public services for local governments, namely by allocating several funds in the form of a capital expenditure budget in the regional budget to increase fixed assets. The allocation of capital expenditure in the regional budget is based on regional needs for facilities and infrastructure, both for the smooth implementation of government tasks and public facilities (Abdullah & Halim, 2006). Therefore, the local government needs to change the expenditure composition in the regional budget to increase public trust through capital investment in the form of fixed assets. So far, local expenditure allocations have been used more for employee and routine expenditures, which are less productive.

Based on the explanation of economic growth, it indicates differences in theory and practices empirically as a problem in this study. A problem is considered scientific if it has communicable characteristics and can be approached with a scientific attitude and method. This means local own-source revenue, balance fund, remaining budget surplus, and capital expenditure can theoretically increase economic growth. Therefore, the research problems are: (1) Do local own-source revenue and balance funds affect the remaining budget surplus? (2) Do local own-source revenue, balance fund, and remaining budget surplus affect the capital expenditure? (3) Do local own-source revenue, balance fund, remaining budget surplus, and capital expenditure affect economic growth?

2. Literature Review
2.1. Economic Growth (EG) Theory
Economic growth is defined as the development of activities in the economy that causes the goods and services produced by the people's prosperity to increase (Sukirno, 2011). Thus,
economic growth measures the achievement of the development of an economy from one period to another. Generally, economic growth is defined as an increase in the ability of an economy to produce goods and services. Economic growth is a very important indicator in analyzing a country's economic development occurring in a country. Economic growth shows how much economic activity will generate additional income for the community in a certain period. Economic activity is a process of using factors of production to produce output, which will produce a flow of remuneration for the factors of production owned by the community (Basri, 2010). Through economic growth, it is expected that people's income as the owner of factors of production will also increase.

2.2. Local Own-Source Revenue (LOSR) Theory
According to Halim (2013), Local Own-Source Revenue (PAD) is all local revenues originating from local-own source economics. Local own-source revenue group is separated into four income types, namely local taxes, local retribution, the results of managing local assets, and other legitimate local own-source revenues. Therefore, local own-source revenue originates from the region's original economy, so each local government can build good economic infrastructure in their respective regions to increase their income. Law No. 33 of 2004 in Article 1 stated that local own-source revenue, hereinafter referred to as PAD, is income earned by the region, which is collected based on Regional Regulations in accordance with statutory regulations. According to Halim & Kusufi (2012), the Local Own-Source Revenue (PAD) classification consists of: 1) local taxes, 2) local retribution, 3) the results of managing local assets, and 4) other legitimate regional original revenues.

2.3. Balance Fund (BF) Theory
Based on Law Number 33 of 2004 concerning the financial balance of central and local governments Article 1, a balance fund originates from state budgets allocated to regions to fund local needs in the context of implementing decentralization. The implementation of local government functions as the implementation of autonomy and decentralization can run optimally if sufficient sources of revenue support it for the regions. Local revenue sources in implementing decentralization based on Law Number 33 of 2004 Article 5 consist of local revenue and financing. Local revenue comes from the rights of the local government sourced from local own-source revenue, balance fund, and other income. In this law, the financial balance between the central and local governments is a comprehensive system in the framework of funding the implementation of the principles of decentralization, deconcentration, and co-administration. The balance fund originates from state budget revenues allocated to regions to fund local needs. The types of balance funds are classified into three types of income according to Halim & Kusufi (2013), namely:

1) Revenue-Sharing Fund
According to Law Number 33 of 2004, a revenue-sharing fund originates from the state budget allocated to regions by considering the potential of producing regions based on certain percentage figures to fund local needs in the context of implementing decentralization. The main
objective of providing revenue-sharing funds is to reduce the vertical fiscal imbalance between the central and local governments. The tax revenue-sharing fund comes from:

1) Property tax
2) Acquisition fees on land and buildings, and
3) Income tax.

Revenue-sharing fund originating from natural resources covers several sectors, namely forestry, general mining, fisheries, oil mining, natural gas mining, and geothermal mining. The forestry revenue-sharing fund from reforestation funds is used for forest and land rehabilitation. The oil and gas revenue-sharing fund is used for additional basic education budgets. The excise revenue-sharing fund is used to improve the quality of raw materials, industrial development, and the social environment, disseminate provisions in the excise sector, and combat illegal excisable goods (Law Number 33 of 2004, Article 11).

2) General Allocation Fund (GAF)

Based on Law Number 33 of 2004 concerning the financial balance between the central and local governments, which was then amended into Law Number 1 of 2022 concerning financial relations between the central and local governments, stated that the General Allocation Fund, hereinafter referred to as GAF, is part of the transfers to regions allocated to reduce disparities in financial capacity and public services between regions. Basically, the types of transfers can be divided into two categories, namely (1) unconditional grants/general purpose grants/block grants; and (2) conditional grants/categorical grants/specific purpose grants.

A general allocation fund is a “block grants” transfer fund in the category of unconditional transfers. It means that the local government has discretion when the central government provides the funds. They can freely use and allocate the transfer funds according to the priority needs of the regions without any intervention by the central government to improve community services in the framework of regional autonomy. In addition, general allocation fund is also often referred to as unconditional grants because they are a type of transfer between levels of government that are not tied to a specific spending program (Lugastoro, 2013).

GAF policy is a physical balancing instrument between regions. This is because not all regions have the same structure and fiscal capacity. GAF is part of the fiscal transfer policy from the center to the regions, which functions as fiscal equalization between regions and minimizes gaps in local fiscal or financial capabilities. Balance fund aims to reduce disparities in government funding sources between the center and regions and to reduce inter-regional government funding gaps. The three components of the balance fund constitute a transfer system of funds from the government and form a unified whole.

One of the roles of transfers from the central government is the obligation to maintain minimum service standards in each region. Regions with few resources need assistance (subsidies) in order to achieve these minimum service standards. The need for GAF for a region is determined using the fiscal gap concept approach. The need for GAF for a region is determined based on local needs (fiscal need) and local potential (fiscal capacity). In another definition, GAF is used to close gaps because local needs exceed the existing local revenue potential.
3) Special Allocation Fund (SAF)

According to Law Number 33 of 2004 Article 1 concerning the financial balance between the central and local governments, Special Allocation Fund, hereinafter referred to as SAF, are a fund sourced from the state budgets allocated to certain regions to help fund special activities, which are regional affairs and in accordance with national priorities. Meanwhile, according to Law Number 1 of 2022 concerning financial relations between the central and local governments, the Special Allocation Fund, abbreviated as SAF, is part of transfers to regions allocated to fund certain programs, activities, and/or policies that are national priorities and assist operationalization of public services, the use of which has been determined by the government. Special allocation fund is also called infrastructure fund because they are capital expenditures to finance investments in procuring or repairing physical facilities and infrastructure with a long economic life. However, in certain circumstances, a special allocation fund can also assist with the costs of operating and maintaining certain facilities and infrastructure for a limited period.

According to Halim (2013), Special Allocation Fund (SAF) is a fund originating from the state budgets allocated to certain regions to help fund special activities, which are regional affairs and in accordance with national priorities. Special needs financing requires matching funds from the general state budgets of at least 10 percent as regional commitment and responsibility in financing programs that constitute these special needs. Special allocation fund is intended to assist regions in funding the needs of community service facilities and infrastructure such as education, health, and community infrastructure services in order to accelerate regional development and achieve national priority targets.

According to Darise (2006), Special Allocation Fund (SAF) aims to help finance special activities in certain areas, which are regional affairs and in accordance with national priorities, in particular, to finance the needs for basic community service facilities and infrastructure that have not reached certain standards or to accelerate regional development. The government determines the criteria for the special allocation fund, including general, special, and technical criteria. General criteria are determined by considering the capacity of regional finances in the state budgets. Specific criteria are determined by considering laws and regulations and regional characteristics. Technical criteria are determined by the state ministries/technical departments.

2.4. Remaining Budget Surplus (RBS) Theory

Based on the Minister of Home Affairs Regulation Number 21 of 2011, which was then changed to Minister of Home Affairs Regulation Number 77 of 2020 concerning Guidelines for Regional Financial Management and Government Regulation Number 71 of 2010, stated that RBS is one part of the budget financing. RBS is the excess difference between the realization of budget revenues and expenditures during one budget period. RBS is obtained from exceeding receipts of PAD, exceeding receipt of balance fund, exceeding receipts of other legal regional revenues, exceeding receipt of financing, expenditure savings, obligations to third parties until the end of the year has not been resolved, and remaining fund for follow-up activities.

The amount of RBS continues to experience development from year to year. RBS or idle fund is necessary under certain conditions, such as to regulate the financial liquidity of local government, especially at the beginning of the year. However, too large RBS fund can be an indicator that the local government's management of public funds is not optimal for public
services. On the other hand, it cannot be denied that RBS stored in banking institutions also contributes to LOSR in the form of interest income.

A significant amount of RBS is a source of budget financing. The greater the RBS obtained last year, the greater the relaxation for the local government to prepare the state budgets so that it is expected to increase the allocation of capital expenditure to encourage services to the community. The accountability for using RBS in local government can be seen through recording it in the Statement of Budget Realization report and the Accumulated Budget Surplus change report. In the Statement of Budget Realization, last year's RBS was included in the category of receiving financing from Government Regulation Number 12 of 2019.

2.5. Capital Expenditure (CE) Theory

Capital expenditure is budget expenditure for acquiring fixed assets and other assets that benefit more than one accounting period (Halim & Kusufi, 2012). According to the Ministry of Finance of the Republic of Indonesia, Directorate General of Budget, capital expenditure is budget expenditure used in order to acquire or add fixed assets and other assets that provide benefits for more than one accounting period and exceed the minimum capitalization of fixed assets or other assets set by the government. Capital expenditure is budget expenditure for acquiring fixed assets and other assets that benefit more than one accounting period. According to Government Regulation Number 71 of 2010 concerning Government Accounting Standards, capital expenditure is a local government expenditure whose benefits exceed one fiscal year, will increase local assets or wealth, and will then add to routine expenditures such as maintenance costs in the general administration expenditure group. Capital expenditure is used to acquire local government fixed assets such as equipment, infrastructure, and other fixed assets. Buying through an auction or tender process is the way to get capital expenditure. Meanwhile, according to Statement of Government Accounting Standards Number 2, capital expenditure is budget expenditure for acquiring fixed assets and other assets that benefit more than one accounting period.

Based on Government Regulation Number 12 of 2019 concerning Regional Financial Management Article 55, capital expenditure is a budget expenditure for acquiring fixed assets and other assets that provide benefits for more than 1 (one) accounting period. The value of tangible fixed assets, as referred to in paragraph 1, which is budgeted in capital expenditure, is the purchase price/build of the asset plus all expenditure related to the procurement/construction of said asset until the asset is ready for use.

Based on the regulations above, it can be concluded that capital expenditure is a budget expenditure for acquiring tangible fixed assets with a benefit value of more than one year with a fairly material acquisition/development value. Generally, capital expenditure can be divided into five main categories, namely capital expenditure for land, equipment and machinery, buildings and structures, roads, irrigation and networks, and other fixed asset capital expenditure (Syaiful, 2006).

1. Local Own-Source Revenue (LOSR) on Remaining Budget Surplus (RBS)

According to Law Number 33 of 2004 and Government Regulation Number 12 of 2019, RBS originates from exceeding receipts of LOSR, exceeding receipts of transfer income, exceeding receipts of other legal regional revenues, exceeding receipts of financing, expenditure savings,
obligations to third parties until the end of the year have not been resolved and remaining funds due to non-achievement of performance targets and remaining funds for financing expenditures. The remaining budget surplus is an indicator that describes the efficiency of government spending because the remaining budget surplus will be formed if there is a surplus in the regional budget. At the same time, there is positive net financing, where the revenue component is greater than the expenditure component. RBS can be used to fund activities that have not been realized in the previous fiscal year or previous activities that have not been included in the regional budget (Amran et al., 2015). Studies conducted by Rani (2019) and Niode (2016) stated that local income has a positive effect on the Remaining Budget Surplus (RBS). This shows that the more regions explore the potential of their LOSR sources, the more local own-source revenue can be exceeded so that it can encourage an increase in the local RBS.

2. Local Own-Source Revenue (LOSR) on Capital Expenditure (CE)
Local own-source revenue is the main source of local income to finance all regional development. The higher the LOSR, the more flexibility the area has to program various activities as needed to provide maximum service to the community. Capital expenditure in an area is able to create new jobs for the community. It is hoped that this will continue to become a source of economic activity to support people's livelihoods, which in turn will have a multiplier effect by increasing people's income, namely increasing the flow of goods and services that can make a greater contribution to LOSR.

Increasing local own-source revenue from local taxes, local retribution, the results of managing local assets, and other legitimate local own-source revenues can be optimized if the people in the area have sufficient income so that they are able to contribute by paying taxes or retribution in accordance with the obligations fulfilled. Studies conducted by Darwanto & Yustikasari (2007) and Tuasikal (2008) found that local own-source revenue positively and significantly affects capital expenditure. This shows that local own-source revenue is a source of funds that can encourage increased capital expenditure, which can increase people's economic resources. The research findings described previously differ from Wandira's (2013) study results that local own-source revenue does not significantly affect capital expenditure.

3. Local Own-Source Revenue (LOSR) on Economic Growth (EG)
Increasing local own-source revenue from taxes, local retribution, the results of managing local assets, and other legitimate local own-source revenues can be optimized if the people in the area have sufficient income so that they are able to contribute by paying taxes or levies in accordance with the obligations fulfilled. This will lead to construct the facilities to improve people's welfare. Prosperous people will increase their consumption, stimulating increased economic growth in a region. This is supported by the study of Apriana & Suryanto (2010), Amos (2014), and Yasin (2020) that local own-source revenue has a positive and significant effect on economic growth. Tahar & Zakhiya (2011); on the contrary, found that local own-source revenue does not give a significant effect on economic growth.
4. Balance Fund (BF) on Capital Expenditure (CE)
Different regional financial capabilities will lead to financial gaps between regions, especially for the construction of facilities and infrastructure that require substantial financial support. Law Number 25 of 1999 was made and enhanced by Law Number 33 of 2004 concerning the Financial Balance between the central government and local governments to reduce this gap and support the implementation of regional autonomy.
A study conducted by Abbas et al. (2021) found that General Allocation Fund (GAF) and Special Allocation Fund (SAF) have a positive effect on capital expenditure. Prastiwi et al. (2016) found that partially the component of the balance fund, namely the general allocation fund, affects capital expenditure. Meanwhile, the special allocation and revenue-sharing funds do not affect capital expenditure. This assumes that the balance fund can encourage capital expenditure, but if we examine in more detail the components of the balance fund, only the general allocation fund tends to make a major contribution to encouraging capital expenditure.

5. Balance Fund (BF) on Local Own-Source Revenue (LOSR)
A balance fund is a fund provided by the central government to local governments to meet each region’s financial gaps in carrying out programs planned in one fiscal year. The delegation of affairs and provision of funding sources in the form of a financial balance policy is essentially aimed at providing flexibility to local governments in addressing community aspirations and regional priorities in efforts to improve welfare and general services to the people in the regions. In general, it is expected to have the widest possible impact on economic growth and development in the region. The Local Own-Source Revenues (LOSR) of the previous year are financing receipts used to cover the budget deficit if actual revenue is less than actual expenditure and fund the implementation of follow-up activities at the expense of direct expenditure. This is supported by a study conducted by Hakim & Ritoga (2014) that achieving targets that are too easy to achieve results in realizing income that exceeds the target will contribute to forming LOSR. However, this is not in line with a study result by Rangga et al. (2020) that LOSR has a very weak and insignificant relationship to determine the amount of the next year’s budget for the Sikka Regency government.

6. Local Own-Source Revenue (LOSR) on Capital Expenditure (CE)
From various literature, in summary, it shows that the existing LOSR in a certain period in an area is the surplus over the use of the budget in the previous period and will be used to cover local expenditure, which includes direct and indirect expenditure in the future so that the role of LOSR has a big effect on the composition of local expenditure in the future. This is supported by Simamora’s (2014) study that LOSR affects capital expenditure. Thus, this illustrates that the local own-source revenue is also part of the source of funds that can support capital expenditure.

7. Balance Fund (BF) on Economic Growth (EG)
According to Law Number 33 of 2004, a balance fund originates from state budgets allocated to the regions to fund local needs in implementing decentralization, including revenue-sharing funds, general allocation funds, and special allocation funds. Studies conducted by Irvan & Karmini (2016) and Chandra et al. (2017) found that balance fund has a better impact and are able to encourage economic growth. This illustrates that the balancing funds received by an
autonomous region can trigger a real increase in a region's economy. However, the results of this study are not in line with the research of Manek & Badrudin (2016), who found that balance fund does not have a significant effect on the economic growth of regencies/cities in East Nusa Tenggara Province.

8. Capital Expenditure (CE) on Economic Growth (EG)
The creation of a sustainable development sector that needs attention is the availability of budget allocations for capital expenditure prepared to build facilities and infrastructure. Capital expenditure is the main component in economic growth (Todaro, 2012), so the size of the budget allocation prepared for capital expenditure will also affect economic growth. Dewi & Suputra (2017) investigated the effect of local own-source revenue, general allocation fund, special allocation fund, and capital expenditure on economic growth and found that capital expenditure does not affect economic growth. Apriana & Suryanto (2010) conducted a research analysis of the relationship between capital expenditure, local own-source revenue, regional independence, and regional economic growth (a study in regencies and cities throughout Java-Bali). The results showed that capital expenditure had no relationship to economic growth. However, Muritala & Taiwo Abayomi (2012) conducted research in Nigeria and found a positive relationship between capital expenditure and economic growth. Yasin (2020), who conducted research in regencies/cities of East Java, found that government capital expenditure positively and significantly affected economic growth.

From the theoretical framework and previous research studies, the following hypotheses are built: (1) local own-source revenue and balance fund jointly or individually have an effect on the remaining budget surplus, (2) local own-source revenue, balance fund, and remaining budget surplus jointly or individually affect capital expenditure, (3) local own-source revenue, balancing fund, remaining budget surplus and capital expenditure jointly and individually affect economic growth.

3. Research Methods
This study employed qualitative and quantitative analysis. The qualitative analysis describes or provides an overview of the development of local own-source revenue, balance fund, remaining budget surplus, capital expenditure, and economic growth. Furthermore, quantitative research aimed to test the hypothesis to find out and analyze the effect of local own-source revenue, balance fund on the economic growth and the remaining budget surplus and capital expenditure as intervening variables.

3.1. Research Samples
The sampling technique used was saturated or census sampling. Saturated or census sampling was a sampling technique when all population members were used as samples (Sugiyono, 2012). The data sample used was panel data combined with cross-sectional data and time series data in 34 regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province in the form of the reports of Local Own-Source Revenue (LOSR) realization, Balance Fund (BF) realization, Remaining Budget Surplus (RBS) realization, Capital Expenditure (CE) realization, and Gross Regional Domestic Product (GRDP) for five years from 2015 to 2019. Therefore, the research sample for a span of five years was 170 units of observation. This study
was analytically descriptive to describe the effect of Local Own-Source Revenue (LOSR) and Balance Fund (BF) on economic growth mediated by the Remaining Budget Surplus (RBS) and Capital Expenditure (BM).

3.2. Analysis Methods
The analysis method was used to test the effect of Local Own-Source Revenue (LOSR) and Balance Fund (BF) on economic growth mediated by the Remaining Budget Surplus (RBS) and Capital Expenditure (CE). The statistical analysis tool used was path analysis with Lisrel application to test the effect of Local Own-Source Revenue (LOSR) and Balance Fund (BF) on economic growth mediated by the Remaining Budget Surplus (RBS) and Capital Expenditure (CE) as an intervening variable. Therefore, the structural equation of the path analysis model is as follows:

I. \[ Y_1 = \rho y_1 x_1 + \rho y_2 x_2 + \rho y_1 \varepsilon_1 \]
II. \[ Y_2 = \rho y_2 x_1 + \rho y_2 x_2 + \rho y_2 Y_1 + \rho y_2 \varepsilon_2 \]
III. \[ Z = \rho zx_1 + \rho zx_2 + \rho zy_1 Y_1 + \rho zy_2 Y_2 + \rho z \varepsilon_3 \]

\[ \rho \]: The path coefficient of exogenous variables to endogenous variables
\[ \gamma \]: Correlation coefficient
\[ \varepsilon \]: Variable error or the amount of unexplained variance by variables.
\[ x_1 \]: Local Own-Source Revenue
\[ x_2 \]: Balance Fund
\[ y_1 \]: Remaining Budget Surplus (RBS)
\[ y_2 \]: Capital Expenditure
\[ Z \]: Economic Growth

4. Findings and Discussion
4.1. Descriptive Analysis
The descriptive analysis of each variable is intended to provide an overview of the variables analyzed in the study. These variables include the development of local own-source revenue, balance fund, remaining budget surplus, capital expenditure, and economic growth. The number of regencies/cities in this study are 34 in North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province. The highest LOSR value is Manado City, and the lowest is East Bolaang Mongondow Regency. The highest BF is Banggai Regency, and the lowest is East Bolaang Mongondow Regency. The highest RBS value is Manado City, and the lowest is Morowali Regency. The highest CE value is Banggai Regency, and the lowest is Gorontalo City. The highest EG is Manado City, and the lowest is South Bolaang Mongondow Regency.

4.2. The analysis results of the effect of Local Own-Source Revenue (LOSR), Balance Fund (BF), Remaining Budget Surplus (RBS), and Capital Expenditure (CE) on Economic Growth (EG).
To test the effect of Local Own-Source Revenue (LOSR), Balance Fund (BF), Remaining Budget Surplus (RBS), and Capital Expenditure (BM) jointly or individually on economic growth, a path analysis of the effect of the variables were studied, both direct and indirect effects, using Lisrel ver.8 application and presented as follows:
Figure 1. Results of Hypothesis Test

Based on Figure 1, the test results can be interpreted so that they can provide the following information:

The path coefficient of Local Own-Source Revenue (LOSR) to the Remaining Budget Surplus (RBS) is 0.25, with $t$-count = $2.17 > 1.96$. This shows a positive and significant effect of the LOSR variable on RBS, so the first hypothesis is proven. It means that every increase in LOSR in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will be followed by an increase in LOSR by 25%.

The path coefficient of Balance Fund (BF) to Remaining Budget Surplus (RBS) is -0.09, with $t$-count = -0.75 <1.96. This shows a negative and insignificant effect of the BF variable on LOSR, so the second hypothesis is declared not proven. It means that every increase in balance funds will result in reduced LOSR in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province.

The path coefficient of Local Own-Source Revenue (LOSR) on Capital Expenditure (CE) is 0.25, with $t$-count = $2.49 > 1.96$. This shows a positive and significant effect of the LOSR variable on CE, so the third hypothesis is declared proven. It means that every increase in LOSR in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will increase capital expenditure by 25%.

The path coefficient of Balance Fund (BF) on Capital Expenditure (CE) is 0.25, with $t$-count = $2.47 > 1.96$. This shows a positive and significant effect of the BF variable on CE, so the fourth hypothesis is declared proven. It means that each increase in balance BF in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will increase capital expenditure by 25%.

The path coefficient of Local Own-Source Revenue (LOSR) on Capital Expenditure (CE) is 0.17, with $t$-count = $2.56 > 1.96$. This shows a positive and significant effect of the LOSR variable on CE, so the fifth hypothesis is declared proven. It means that each increase in LOSR in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will increase capital expenditure by 17%.

The path coefficient of Local Own-Source Revenue (LOSR) on Economic Growth (EG) is 0.55, with $t$-count = 8.29 > 1.96. This shows a positive and significant effect of the LOSR variable on EG, so the sixth hypothesis is declared proven. It means that every increase in LOSR in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will increase economic growth by 55%.
The path coefficient of the Balance Fund (BF) on Economic Growth (EG) is 0.25, with $t$-count = 3.76 $> 1.96$. This shows a positive and significant effect of the BF variable on EG so the seventh hypothesis is declared proven. It means that each increase in BF in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will increase economic growth by 25%.

The path coefficient of Local Own-Source Revenue (LOSR) on Economic Growth (EG) is 0.03, with $t$-count = 0.66 < 1.96. This shows a positive and insignificant effect of the LOSR variable on EG, so the eighth hypothesis is declared invalid. It means that the small LOSR cannot boost the economic growth in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province because the contribution to the increase is only 3%.

The path coefficient of Capital Expenditure (CE) on Economic Growth (EG) is 0.14, with $t$-count = 2.84 $> 1.96$. This shows a positive and significant effect of the CE variable on EG, so the ninth hypothesis is declared proven. It means that each increase in CE in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will increase economic growth by 14%.

4.3. Discussion

The results of this study indicate that, jointly, Local Own-Source Revenue (LOSR) and Balance Fund (BF) affect the Remaining Budget Surplus (RBS). However, local own-source revenue partially has a negative and insignificant effect on the remaining budget surplus. This means that exceeding the local own-source revenue in regencies/cities causes an increase in the remaining budget surplus in the area. The number of regional remaining budget surplus increases can be used to cover budget deficits if actual revenues are less than actual expenditures, capitalizing on the implementation of follow-up activities on direct expenditure expenses and capitalizing on other obligations until the end of the fiscal year has not been completed. The negative effect of the balance fund shows that the local government has effectively implemented all the programs set out in the regional budget.

In proving the first hypothesis, the findings of this study are in line with the results of research by Amran et al. (2015), Rahmawati (2015), and Aini & Ma'ruf (2020). They found that local income positively affects the remaining budget surplus. This means that exceeding local own-source revenue can encourage an increase in the remaining budget surplus of the local government. However, this finding is not in line with the study conducted by Laksmi & Hadi (2013), who found no positive correlation (no effect). The results of this study are inconsistent with Rori's et al. (2016) findings that local own-source revenue has a positive and significant correlation.

The effect of LOSR, BE, and RBS on capital expenditure shows that they jointly and partially have a positive and significant effect on capital expenditure. This means that any increase in local own-source revenue in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will be followed by increased capital expenditure. Conversely, this positive correlation of local own-source revenue comes from the ability of the region to explore its potential sources of LOSR, which is an illustration of regional fiscal independence.

A positive correlation between balance fund and capital expenditure shows that the higher the increase in the balance fund in regencies/cities of North Sulawesi Province, Central Sulawesi
Province, and Gorontalo Province, the higher the allocation for capital expenditure. On the other hand, the results of this study can be implemented if the local government is able and consistent with laws and regulations regarding the use of the balance fund. In addition, it can also meet people's expectations for the availability of good public service infrastructure, especially improving services and community welfare. However, in reality, the average allocation of capital expenditure in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province in the last five years has been 24.84% of the total local expenditure. Therefore, this amount has not been maximized to spur regional development. This does not meet the requirements mandated by the central government that the allocation of capital expenditure to regencies/cities is at least 30% of total local expenditure. The results of this study are supported by Irvan & Karmini's (2016) research that a balance fund has a positive and significant effect on capital expenditure. These findings also support the research results of Kasdy et al. (2018), Juniawan & Suryantini (2018), and Waskito et al. (2019) that balance fund has a positive and significant effect on capital expenditure. LOSR obtained by a regency/city will increase the amount of capital expenditure of that regency/city. If the capital expenditure allocation increases, then the construction of public facility infrastructure to encourage improved service and community welfare will increase. The results of this study support the studies of Bungkes et al. (2016), Nurmala et al. (2018), and Simbolon et al. (2020) that LOSR has a positive and significant effect on capital expenditure.

Empirically, this study proves that the economic growth of a region, both directly and indirectly, is influenced by the amount of local own-source revenue, balance fund, remaining budget surplus, and capital expenditure. This shows that increasing local own-source revenue in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province will increase economic growth. Local own-source revenue is the main source of expenditure in the regions. If local own-source revenue increases, the funds for regional development will also increase to finance infrastructure development, such as the construction of roads and bridges, terminals, and repair of other facilities and infrastructure. Thus, it can facilitate the distribution of goods and services, increasing economic growth. This is in line with the results of a study by Pinem et al. (2020) stating that local own-source revenue positively affects economic growth. Balance fund has a positive and significant effect on economic growth in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province. This means an increase in the balance fund obtained will increase economic growth. If economic growth increases, it will increase people's income. The community's ability to meet its needs is getting better through increased revenues. This impacts welfare in the form of people's income starting to increase.

The positive and significant relationship between the balance fund variable on economic growth in this study is in accordance with Holz-Eakin et al. in Irvan & Karmini (2016) that there is a very close relationship between transfers at the central government in the form of balance fund and capital expenditure at local government.

The greater the RBS owned by the local government, the more it will positively affect economic growth. However, RBS has a positive and insignificant effect in this study. This is because RBS is formed when an area experiences exceeding receipts of LOSR, exceeding receipts of transfer income, exceeding receipts of other legal local income, exceeding receipts of financing,
expenditure savings, obligations to third parties until the end of the year has not been resolved, and the remaining fund as a result of not achieving performance targets and remaining fund for financing expenditure. The results of this study are supported by Novandy et al. (2015), that RBS has no significant effect on economic growth in regencies/cities of Central Sulawesi. Likewise, a study conducted by Pinem et al. (2020) in North Sumatra Province showed that RBS has no significant effect on economic growth. However, it does not support Diastriana’s (2017) study that RBS positively and significantly affects economic growth. Capital expenditure positively and significantly affects economic growth in regencies/cities of North Sumatra Province, Central Sulawesi Province, and Gorontalo Province. This shows that any increase in capital expenditure in regencies/cities of North Sumatra Province, Central Sulawesi Province, and Gorontalo Province will increase economic growth. This means that the size of the increase in capital expenditure will encourage an increase in economic growth in regencies/cities of North Sumatra Province, Central Sulawesi Province, and Gorontalo Province. Capital expenditure influences economic growth because the realization of government capital expenditure is well implemented in developing public infrastructure. The government pays attention to properly managing the capital expenditure to support investment in boosting economic growth in 34 regencies/cities of North Sumatra Province, Central Sulawesi Province, and Gorontalo Province. This is in accordance with what is stated by Mardiasmo (2009) that the higher capital investment in an area is expected to be able to increase public services and also be able to increase public participation in development so that capital expenditure supports the development of regional facilities and infrastructure for the smooth distribution of regional goods and services.

5. Conclusion
Empirically, this study proves that the economic growth in regencies/cities of North Sulawesi Province, Central Sulawesi Province, and Gorontalo Province, both simultaneously and partially, is influenced by the amount of local own-source revenue, balance fund, remaining budget surplus, and capital expenditure. The results of this study indicate that local own-source revenue, balance fund, remaining budget surplus, and capital expenditure have a positive and significant effect on economic growth. However, partially, the balance fund has a negative effect on the remaining budget surplus, and the remaining budget surplus variable has a positive but insignificant effect on economic growth. Meanwhile, capital expenditure and remaining budget surplus are able to mediate the relationship between local own-source revenue and balance fund on economic growth.

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