Antecedents and Consequences of Capital Expenditure Allocation

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by Nanda Widaninggar

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Research Article

Antecedent and Consequence of Capital Expenditure Allocation

Nanda Widaninggar.[1], Hadri Kusuma.[2], Murti Sumarni.[3], Muhaimin Dimyati.[4]

[1]Lecturer in the Department of Accounting STIE Mandala Jember Jl. 118-120 Sumatra Jember Indonesia.
[2]Professor at the School of Accounting Islamic University of Indonesia Condongcatur Depok Sleman Yogyakarta 552833 Indonesia.
[3]Associate Professor at the Department of Management Faculty of Economics University of PGRI Yogyakarta Sonosewu Street Special Region of Yogyakarta, Indonesia.
[4]Associate Professor at the Department of Management STIE Mandala Jember Jl. 118-120 Sumatra Jember Indonesia.

*Corresponding Author
Nanda Widaninggar

Abstract: Research aim: The aim of this research was to analyze and to test the impact of Local Governments financial performance, by proxy of Fiscal Space Ratio to the Capital Expenditure Allocation, with Accountability as a moderating variable. This research Also Analyzed and tested the impact of Capital Expenditure on the Economic Growth. **Design/Methodology/Approach:** By the population of all of the Local Governments in Indonesia, and was executed by Structural Equation Modeling (SEM) method, this research was done by making a lag period of the Financial and Budget Year of 2008 to 2012. **Research findings:** The result showed that the Capital Expenditure Allocation was influenced by Fiscal Space Ratio, but the Accountability could not be a moderating variable between Fiscal Space Allocation Ratio and Capital Expenditure. Besides, the Economic Growth was influenced by the the Capital Expenditure Allocation, and this result was consistent with the prediction of all 3 (three) year. **Theoretical contribution/ Originality:** The vast literature on Fiscal Space Ratio and Accountability impact of dealing with the government's investment decision making of Capital Expenditure Allocation had not been well-researched in Indonesia. **Practitioner/ Policy implication:** This research was expected to give a contribution to the Local Government budgeting in their decision making. **Research Limitation/ Implications:** This study only found the result in a quantitative way and to find the real condition in making a decision in Local Government budgeting, a qualitative method is better.

Keywords: Fiscal Space Ratio, Capital Expenditure Allocation, Accountability, Economic Growth.

1. INTRODUCTION

Performance-based management is a part of the reform of *the New Public Management* (NPM), which pushed for their pressure on public sector organizations to continually improve their performance. In the government concept of results-oriented, performance-based management and performance measurement are two things that are related and have a very large force (Osborne and Gaebler, 1992). Accountability performance can be achieved when the public sector organizations have a performance management and the measurement of good performance. Through the issue of NPM, the public sector and then become like the private sector, and eventually developed the concept of *corporate governance* (Halligan, 2001), with key elements: 1) accountability, 2) transparency, 3) fight against corruption, 4) participation, *stakeholder*5) legal framework and Law, 6) linkage between democracy and

elements *good governance* (Akbar, et.al, 2012). One of the key elements that are very important and the main focus of society in terms of the financial performance of the public sector is accountability.

In Government Regulation Law No. 71 in 2010, Local Governments are required to prepare their financial statements by Government Accounting Standards (GAP) which is the implementation of the provisions of Law No. 17 in 2003, Law No. 1 of 2004 and Law No. 32 of 2004 on State Finance. Under the same Law, it is stated also that the Local Government Finance Report to be audited by the Indonesian Supreme Audit Institution (BPK), which will then be given an opinion on the audit result. However, developments over the decade regional autonomy were started in 2004, forgetting showed significant improvements to the accountability of Local Governments through the opinion of Local Government

financial statements. According to the BPK a press release on June 23, 2008, the Local Government Finance Report (LKPD) in 2004 to 2007, remains generally poor. LKPD percentage who received an Unqualified Opinion (WTP) and Modified Unqualified Opinion (WDP) actually decreased, although in the period thereafter, around the year 2008 and 2009 further improvements sought by almost all local authorities to have the Unqualified Opinion. In 2004, some 7 percent of Local Governments obtain WTP opinion, then 5 percent in the next year, and 1 percent in 2006 and 2007. Based on IHPS I BPK-RI in 2013, in 2008, some 13 opinion given LKPD WTP by the BPK of about 485 LKPD, or about 3 percent of all Local Governments. Then, still based on the same source, coupled with *a release* the BPK on December 17, 2010, for the fiscal year 2009 totaling 15 LKPD get WTP opinion of a number of Local Government 504 or about 3 percent of the total. It can be seen that the number of LKPD getting WTP opinion, is insignificant compared to the total number of Local Government. In democratic governance, such as Indonesia, the relationship between government and society can be described as an agency relationship. With state accountability ratings through opinion LKPD audit results are still very far from expectations, then raises the classic problem in the agency relationship between the society as a principal with the Local Government as an agent, the presence of asymmetric information. The public will doubt the performance accountability report was presented by the Local Government because it is considered unreasonable or even *a Disclaimer* by the authorities to assess.

Kadmasasmita (2011) says that one of the principles of state audits is the accounting system and the system of the state's ability to ensure that public spending is done in a manner consistent with the legislation in force, in the sense that, in addition, to be in accordance with GAP, also have to be audited by BPK for public accountability. This is in line with research conducted by Anondo (2004) in Zeyn (2011), that the report of local financial and performance accountability report regional head positive and significant impact on public accountability of Local Government, and the adoption of IPSAS positive effect on public accountability of government. Therefore, it is very clear that the performance assessment is supported by the high degree of accountability of the results of financial audit of Local Government will encourage the creation of awareness of accountability in the Local Government entities, and will have an impact on financial performance increased in periods subsequent years, Wang and Gianakis (1999) stated that performance measurement is accountability itself. Besides Hildebrand (2007) revealed that the purpose of performance measurement is to deliver the performance and accountability of the organization. So in other words, 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. It is also in line with what is expressed by Wijaya and Akbar (2013), which states that in any research on performance measurement, variable pressure of accountability should always be used, because of the research results, it appears that the use of *Performance Measurement System* with the role of operational activities affected significantly by information and external pressure, which is an obligation to submit financial statements and reports of Local Government performance for their regulation, as the legislative communications, and because of pressure from the public to the accountability of Local Governments.

2. Literature Review and Hypothesis Development
2.1. *Performance Measurement, Accountability, Capital Expenditure Allocation and Economic Growth*

In this research, performance measurement used is the ratio of fiscal space. Fiscal space available when the government can increase expenditure without threatening fiscal solvency (World Bank, 2006). Based on the research Hidayat and Maski (2013), the effect arising between ratios measuring performance as measured against the Capital Expenditure (CAPEX) Allocations, the biggest influence is shown by the variable ratio of fiscal space. Research conducted by Sularso and Restianto (2011) calculate financial ratios to analyze the impact on CAPEX, with the result that the strongest influence on the effectiveness of CAPEX is the ratio of PAD. It is against Hidayat research and Maski (2013) because the PAD effectiveness ratio would indicate the smallest influence. Researchers focused this study on the use of the ratio of fiscal space and the emergence of new variables, namely public accountability.

Expenditure in the public sector relating to budgeting, which indicates the amount of money that has been spent during the fiscal year (Mahmudi, 2010). Government Accounting Standard No. 2 Budget Realization Report defines as a CAPEX budget expenditures for the acquisition of fixed assets and other assets that benefit more than one accounting period. The regional autonomy policy makes the preparation of the budget structure, in particular, the process of allocating expenditure to be something very crucial. Although the resources and potential of each region in Indonesia is not the same, the pattern shown in the process of allocating expenditure composition tends to be the same, which is still the dominant portion of personnel expenditure compared with CAPEX. This should not happen given productive spending will boost growth economics. According to Directorate-General of Regional Fiscal Balance (DJPK)-Ministry of Finance report (2013), the ratio of capital spending to total local expenditure reflects the portion of local expenditure had been spent on Capital Spending. CAPEX realization will have a *multiplier effect* in moving the local

economy, thus providing a significant impact on regional economic growth, which of course together with the influence of the private sector, households, and abroad.

CAPEX allocation used in this study is the next period (year) of CAPEX budget (2010), for the performance of the previous financial statements (2009). This is because budgeting decisions are always based on the previous year's financial statements, and not in the same year.

Economic growth is closely related to social welfare. According to Sriningsih (2009), fiscal decentralization will improve social welfare when there is a significant increase in receipts *(revenue)* as well as on expenditure (CAPEX) in the financial area. Economic growth will surely occur when there is an increase in the allocation of the CAPEX budget (Badruddin, 2011).

In this study, the data rate of GDP growth will be taken from the Central Bureau of Statistics (BPS) for the years 2011, 2012 and 2013, given an assessment of growth basically cannot be done in just a span of one (1) year later on the CAPEX Allocation. According to investigators, in concept, performance measurement will have a stronger influence on the CAPEX Allocations when there are elements that strengthen accountability, which is often referred to as a moderating the relationship equation, the published financial reports audited by BPK.

2.2. Hypotheses Development and Theoretical Framework

In this study, the test will be performed only on one variable measuring the financial performance of the ratio of fiscal space. Tests were also done in all Regency/City in Indonesia. Based on the concept of the financial management area and the results of previous studies, then proposed the first alternative hypothesis:

Ha$_1$: The financial performance of Local Governments have a positive effect on the Capital Expenditure

All research mentioned earlier, nothing that involves an element of accountability, which in essence is the true face of the financial performance of (Hildebrand, 2007). Researchers have not been able to find previous studies that use accountability as aspects related to the assessment of financial performance, in addition to those made by Akbar, et.al. (2012). Accountability used by Akbar et.al. (2012) is an internal accountability, relating to personal work with Local Government and external accountability with regard to the requirements of the legislation, which in this case is shown through the delivery LAKIP. Audited LKPD which have an effect on public accountability. As the

research conducted Zeyn (2011). Model/new variables asked by the researcher is the addition of variable accountability. Hypothesis second alternative proposed is:

Ha$_2$: The financial performance of Local Governments have a positive effect on capital expenditure with accountability as the moderating variable

Research conducted by Hidayat and Maski (2013) have not been incorporating elements of economic growth, while the research results illustrate that CAPEX is expenditure government that is both productive and boost economic growth, so it is expected to improve the welfare of people in the area. The implications of the above description are that the better accountability of Local Government is expected to be able to encourage local CAPEX decisions. CAPEX on Local Government is also affected by financial performance. With the budgetary allocation decisions, the previous period will give effect also on the level of prosperity of a region which is indicated by one of the indicators of economic growth next year. It is therefore proposed a third alternative hypothesis to test the effect of CAPEX on economic growth:

Ha$_3$: Allocation of Local Government capital expenditure has a positive influence on the economic growth

3. METHODOLOGY
3.1. Data and Model Research

The unit of analysis in this research is the organization of Local Governments throughout Indonesia, with a population study in 2008 amounted to 485 Local Governments, and in 2009 amounted to 504 Local Governments, according to the data IHPS I-BPK 2013. The method used on the population sampling is *purposive sampling*. The data collected was secondary data from the budget documents, reports on the realization of the budget, and Local Government financial statements obtained from sites Direktorat Jenderal Perimbangan Keuangan Daerah through www.depkeu.djpk.go.id and GDP data obtained from the Central Statistics Agency (BPS). The Model in this study are as follows:
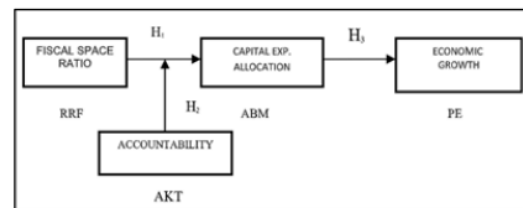

Figure 1. Research Model

3.2. Operational Variable Definition of Research

Operationally, variable definitions are described in the following table:

Table 1: Operational Definitions

Variable	Concept Variable	Dimention	Indicator
Fiscal Space Ratio (RRF)	Fiscal Space Ratio is a concept to determine the Local Government flexibility on the availability of sufficient space in the government's budget to provide certain resources in order to achieve an objective without endangering the continuity of the financial position of the government (DJPK, 2013, Heller, 2005)	General Revenue Appropriated Revenue (Earnmarked) Expenditure which is binding as personnel expenditure and interest expenditure Fiscal Space Ratio previous year (t-1) is obtained from: (Total of Revenue - Special Allocation Fund - Special Autonomy Fund / Adjustment - Emergency Fund - Grants - Employee Expenditure – Interest Expenditure) / Total Revenue of Region (DJPK, 2013)	The higher of the ratio of fiscal space, the higher the flexibility which is owned by the Local Government to allocate spending on activities that become priority areas such as infrastructure development
Capital Expenditure Allocation (ABM)	Capital Expenditure Allocation is an expenditure budget for the acquisition of fixed assets and other assets that benefit more than one accounting period (Statement of GAP No. 2 Budget Realization Report, 2010)	Allocation of Capital Expenditure in this research is the nominal in budget document in the following year (t) based on the measurement of the Fiscal Space Ratio (t-1) Allocation of Capital Expenditure obtained from: Capital Expenditure / Total Expenditure	The higher allocation of capital expenditure based on the financial performance of the previous year showed an increase in the capability and focus of Local Governments in managing the financial area to the allocation of the posts that are productive
Variable	**Variable Concept**	**Dimentions**	**Indicator**
Accountability (AKT)	Accountability is a form of responsibility of resource management and policy implementation is entrusted to entities reporting in achieving the goals set by periodic (Statement of GAP Conceptual Framework, 2010) Financial accountability related to the avoidance of misuse of public funds, so that the public sector is required to prepare financial statements that mainly addressed to external parties (Mardiaso, 2002)	1. Local Government Financial Statement to be prepared in accordance with GAP 2. Local Government Financial Statements audited by BPK (Under Regulation PP No. 71 In 2010, as the implementation of Law No. 32 of 2004 on State Finance 3. Opinion issued by the BPK On variable AKT is imposed scale with the categories: Code 5 for Unqualified Opinion Code 4 for Modified Unqualified Opinion Code 3 for Qualified Opinion Code 2 for Adverse Opinion Code 1 for Disclaimer Opinion	Accountability of Local Governments through opinions obtained from the BPK will strengthen the influence of Local Government performance as indicated by the flexibility which is owned by the Local Government to allocate spending on activities that become priority areas such as infrastructure development Akuntabilitas pemerintah daerah melalui opini yang diperoleh dari BPK akan memperkuat pengaruh antara kinerja pemerintah daerah yang ditunjukkan dengan fleksibilitas yang dimiliki oleh pemerintah daerah untuk mengalokasikan belanjanya pada kegiatan-kegiatan yang menjadi prioritas daerah seperti pembangunan infrastruktur
Economic Growth (PE)	Economic growth is the development of activities in the economy that led to the goods and services produced by society increase and prosperity of society increases (Sularso and Restianto 2011)	Economic growth of regions can also be interpreted as an increase in *Gross Domestic Product* (GDP), the Gross Domestic Product (GDP) (Arsyad, 2004) GDP growth rate (growth) from year to year obtained from: $(PDRB_t - PDRB_{t-1}) / PDRB_{t-1}$	Regional Economic Growth affected by Capital Expenditure Allocation by the previous year, due to an increase in local assets, infrastructure, facilities, and the infrastructure will serve as *leverage* regional economic growth

3.3. Data Analysis Techniques and Hypothesis Testing

The form of influence among variables in this study requires an analytical tool capability in explaining these effects, using *Structural Equation Modeling* (SEM), the program *Analysis of Moment Structures* (AMOS). The first and second hypothesis testing, use a *Moderate Regression Analysis* (MRA) with the following formula:

$$ABM_t = \alpha + \beta_1 RRF_{t-1} + \beta_2 RRF_{t-1}.AKT_{t-1} + \beta_3 AKT_{t-1} + \mu \ldots\ldots (1)$$

Description:

ABM_t	: Capital Expenditure Allocation
α	: Intercept
$\beta_1, \beta_2, \beta_3$	: Regression Coefficients

RRF$_{t-1}$	: Ratio of Fiscal Space
AKT$_{t-1}$	: Accountability
μ	: Standard error

On testing the third hypothesis, used a simple linear regression with the following formula:

$$PE_{t+1,2,3} = \alpha + \beta_4 ABM_t + \mu \ldots\ldots\ldots (2)$$

Description:

PE$_{t+1,2,3}$	: Economic Growth
α	: Intercept
β$_4$	: Regression Coefficients
ABM$_t$	: Capital Expenditure Allocation
μ	: Standard error

4. Analysis and Findings
4.1. Descriptive statistics

With the issuance of Government Regulation No. 71 the Year 2010 concerning the Government Accounting Standards, local authorities are required to prepare financial statements based on these standards. After LKPD is completed, a process that must be passed for the establishment of public accountability is to be audited by the BPK. Furthermore, LKPD prepared not only to meet the obligations of local authority alone but as the main source of information on the financial performance area. In assessing financial performance, frequently used an analytical technique of financial ratios, to facilitate users of LKPD information in understanding the meaning of those statements. Here is a comparison table for statistically descriptively on the research variables.

Table 2: Comparison of Fiscal Space Variable Descriptive Statistics, Capital Expenditure Allocation and Economic Growth Regency/City Government in Indonesia Based LKPD Publications in 2008 and 2009

Variable	218 Publication of LKPD in 2018		Variable	337 Publication of LKPD in 2009	
	Amount	Ratio		Amount	Ratio
Fiscal Space 2008			**Fiscal space 2009**		
Mean	282,695,501,697.95	0.42	Mean	237,806,526,758.84	0.38
Minimum	26,229,640,103.00	0.17	Minimum	10,887,399,305.31	0.01
Maximum	3,276,010,595,234..32	0.80	Maximum	2,150,278,777,417.06	0.85
Std Deviation	301,816,135,055.60	0.13	Std Deviation	201,321,773,458.61	0.12
Capital Expenditure Allocation in 2009			**Capital Expenditure Allocation in 2010**		
Mean	203,226,444,954.13	0.28	Mean	143,635,054,583.95	0.21
Minimum	51,813,000,000.00	0.09	Minimum	28,973,961,400.00	0.04
Maximum	2,453,565,000,000.00	0.66	Maximum	1,835,494,703,647.13	0.50
Std Deviation	219,171,057,906.77	0.11	Std Deviation	157,372,752,468.41	0.10
Economic Growth in 2010			**Economic Growth in 2011**		
Mean	7,932,266,055.05	0.15	Mean	7,923,575,667.66	0.14
Minimum	298,000,000.00	0.08	Minimum	210,000,000.00	0.07
Maximum	95,764,000,000.00	0.30	Maximum	104,866,000,000.00	0.45
Std Deviation	13,432,059,641.87	0.04	Std Deviation	13,121,967,905.84	0.04
Economic Growth in 2011			**Economic growth in 2012**		
Mean	9,103,848,623.85	0.14	Mean	8,976,465,875.37	0.13
Minimum	370,000,000.00	0.07	Minimum	291,000,000.00	0.06
Maximum	104,866,000,000.00	0.45	Maximum	114,310,000,000.00	0.39
Std Deviation	15,384,049,922.21	0.04	Std Deviation	14,904,429,818.06	0.04
Economic Growth in 2012					
Mean	10,325,288,990.83	0.13			
Minimum	453,000,000.00	0.06			
Maximum	114,310,000,000.00	0.26			
Std Deviation	17,476,165,293.38	0.03			

As described in the previous section, in the accounting system of government in Indonesia, there are no regulations that ensure any ratios that can be used as a benchmark to assess performance, as was the case in the private sector. Therefore, researchers set fiscal space ratio as the sole benchmark performance

appraisals selected on the basis of the results of previous studies, conducted by Hidayat and Maski (2013), which states that the RRF has the closest correlation when associated with CAPEX. Besides

LRA is a part of LKPD, as the main source of fiscal space determining the numbers in this study. Based on the data summary, the LRA at 218 Regency/City in 2008 showed an average of Rp 282,695,501,697.95 fiscal space (ratio 0.42). Regency with the highest fiscal space are Kutai, in amount of Rp 3.276.010.595.234,32 (ratio 0.78). However, the ratio, the highest fiscal space that is equal to 0.80 are the property of Siak. While the regency with the lowest fiscal space is Kotamobagu City, which is Rp

26,229,640,103, (ratio 0.19). However, the ratio, the regency with the lowest fiscal space that is equal to 0.17 are Gorontalo regency. Standard deviation is a measure of the distribution of the data. The calculation result data show a low number of standard deviations, which was Rp 301,816,135,055.60 with a ratio of 0.13 (under 0.5), which showed that the distribution of fiscal space data can be said to be evenly distributed among the Regency/City in Indonesia.

Local Government fiscal space can still be said to be very limited, even to this day, because most of the budget is used for routine expenditures, especially personnel expenditures. When it should have to dominate the CAPEX budget allocation, due to its role as a regional economic stimulus. This is what should be encouraged, in addition, to continuously improve the efficiency and effectiveness of the use of the budget, so that fiscal space can always be created, even increasing the ratio.

The level of regional dependency on a transfer of funds also often hinder the creation of fiscal space, as well as the inability of the region to generate his own income, which is mostly dominated by local tax sector. On the other hand, Local Governments with revenue from the mining and oil and gas sector have always had a high fiscal space, for their Sharing Fund from the Central Government, according to the rules applicable legislation. This is in line with the 2008 publication of data LKPD previously described.

The highest RRF is owned Siak, which is 0.80, which is basically the difference with other regency close to this ratio will be in the nominal difference that is not too significant, such as the Kutai which have RRF 0.78. But the most important is the similarity characteristics LKPD both, among others:

Transfers Income from the Central Government on account Tax Sharing and Sharing of Natural Resources, is the highest among the regency in Indonesia, while most other regency, especially the RRF its lowest, is the main income of the General Allocation Fund.

fiscal space is a concept for measuring the flexibility of the government on the budget (DJPK, 2013, and Heller, 2005).

Separated Expenditure of Regional Wealth Income, which is a cash deposit in the area on the profit contribution region-owned company, is very high, thus causing local revenue is also high,

Percentage of personnel expenditures are in around 25 per cent of total expenditure and the budget both are not burdened with expenditure which is binding.

On the other hand, Gorontalo Regency with the lowest RRF, 0.17, and 0.19 Kotamobagu City with RRF, has the same characteristics as well LKPD, among others:

High dependence on Central Government transfers accounts General Allocation Fund. This indicates that the Local Government has not optimized tax collection of its tax base,

Personnel expenditures ratio stood at more than 50 percent of total spending, even Kotamobagu regency has a ratio of personnel expenditures by 65 percent.

Meanwhile, 337 Regency/City governments in 2009, showed an average of Rp 237,806,526,758.84 fiscal space (ratio 0.38). Regency with the highest fiscal space are Kutai, Rp 2.150.278.777.417,06 (ratio 0.67). When compared with the previous fiscal space, there is a decrease in the ratio reached 11 percent. This figure exceeds the national decline in the ratio is equal to 4 percent. Fiscal space highest ratio increased when compared to the highest rate in 2008, which amounted to 0.85, which is RRF Tana Tidung. While the regency with the lowest fiscal space in the North Aceh regency, which is Rp 10,887,399,305.31 (ratio 0.01), decreased when compared to 2008. In the calculation of this time, the regency with the lowest fiscal space in the ratio, which amounted to 0, 01, equal to the nominal calculations, Aceh Utara Regency. Standard deviation showed a very low, in the ratio is lower compared to 2008, amounting to 0.12 or Rp 201,321,773,458.61, showed that the distribution of fiscal space data can also be said to be evenly distributed among the Regency/City in Indonesia.

The highest RRF is owned by Tana Tidung, 0.85, while nominally still the same as in 2008, namely Kutai which have RRF 0.67 with the highest nominal of Rp 2.150.278.777.417.06. This showed their similarity in case of LKPD characteristics:

Transfers Income from the Central Government on account Sharing of Natural Resources, is the highest among the regency in Indonesia, while

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most other regency, especially the RRF its lows, its main income is from the General Allocation Fund,

Percentage of personnel expenditures in the range of 25 percent of total expenditure and the budget both are not burdened with expenditure which is binding.

On the other hand, Aceh Utara Regency with a low RRF 0.01, the LKPD characteristics include:
High dependence on Central Government transfers accounts General Allocation Fund. Despite the Tax Sharing and Sharing of Natural Resources, but the figures are still higher percentage DAU. This indicates that the Local Government has not optimized tax collection of its tax base,

Personnel expenditures ratio stood at more than 50 percent of total spending, which is 53 percent.

Allocation Variable CAPEX in the Fiscal Year 2009 showed an average of Rp 203,226,444,954.13 (ratio 0.28). The highest ABM located in Kutai, Rp 2.453.565.000.000,00, but the highest ratio, at 0.66 is the property of South Bangka Regency. CAPEX high ratio is closely related to the Local Government budget flexibility, which is reflected in the ratio of Fiscal Space. The high ratio also shows that Local Governments are able and focus on managing the financial area, for the allocation of posts that are productive. Lowest ABM located in Bangli regency in nominal of Rp 51,813,000,000.00 (ratio 0.11). But on the ratio, the lowest ABM is in Sukabumi, with a ratio of 0.09. This is also reflected when further analysis is performed on the value of RRF Sukabumi a low of 0.34, as a result of the value of personnel expenditures, which reached 57 percent of total spending and RRF Bangli regency were also just 0.34. Standard deviation value indicates a low ratio, which is 0.11 or Rp 219,171,057,906.77, which means the ABM data distribution can be said to be evenly distributed among the Regency/City in Indonesia.

Allocation Variable CAPEX in the Fiscal Year 2010 showed an average of Rp 143,635,054,583.95 (ratio 0.21). The highest ABM located in Kutai, Rp 1.835.494.703.647.13, showed a lower percentage when compared with 2009, with a decline of about 12 percent. This is also reflected when further analysis is performed on the value of RRF Kutai is quite high, 0.67. However, the ratio of the highest ABM, of 0.50 is owned Central Mamberamo. CAPEX high ratio is closely related to the Local Government budget flexibility, which is reflected in the ratio of Fiscal Space. The high ratio also shows that Local Governments are able and focus on managing the financial area, for the allocation of posts that are productive. In addition, in 2009 the regency personnel expenditures stood at only 14 percent of total spending, the largest ratio used for CAPEX Operating Expenditure later.

Lowest ABM located in Mojokerto, in amount of Rp 28,973,961,400.00 (ratio 0.04), reflected when further analysis is performed on the value of RRF Mojokerto a low of 0.27, as a result of the value of personnel expenditures, which reached 72 percent of total spending. Standard deviation value indicates a low ratio, which is 0.10 or Rp 157,372,752,468.41, which means the ABM data distribution can be said to be evenly distributed among the Regency/City in Indonesia.

Variable accountability in this study was drawn from the auditor's opinion on LKPD examination are summarized in the Summary of Results of Examination Semester I-2013 BPK-RI. Against that opinion is divided into five (5), the scaling within the broad range of 1-5, as described in the Operational Definition of Variables. The calculation of this variable descriptive statistics indicate standard deviation scores were very high at 0.95, and when moderation becomes 0.48. The figure shows a very high value, which means the data distribution Accountability can be said to be uneven among Regency/City in Indonesia.

LKPD percentage who received an unqualified opinion (WTP) is still very minimal, but as a number of Regency/City, has increased from 2008 to 2009, a total of 2 (two) LKPD, as shown in the following table.

Table 3: LKPD Opinion In 2008-2012

LKPD (Year)	OPINION								TOTAL
	WTP	Per Cent	WDP	Per Cent	TW	Per Cent	TMP	Per Cent	
2008	13	3	323	67	31	6	118	24	485
2009	15	3	330	65	48	10	111	22	504
2010	34	7	341	65	26	5	121	23	522
2011	67	13	349	67	8	1	100	19	524
2012	113	27	267	64	4	1	31	8	415

Source: (IHPS I in 2013, BPK-RI)

LKPD with WTP opinion is increasing from year to year, but for 2008 and 2009 there was no increase. The different conditions in each Regency/City, especially the Human Resources factor constraint LKPD the difficulty of achieving high quality, especially the WTP opinion, which is basically a form

of public accountability. When connected with variable RRF and ABM, turns Regency/City with WTP opinion has not shown a positive relationship with the high RRF or ABM. Vice versa, the bad quality of the opinions, not necessarily indicate a low RRF and ABM, can be seen in Table 4.

Table 4: Summary of Highest and Lowest Values and Their Opinion of Top LKPD Fiscal Space Ratio, Expenditure Allocation of Capital and Economic Growth In Regency/City in Indonesia

Specification	RRF			ABM			PE	
	Nominal	Ratio	Opinion	Nominal	Ratio	Opinion	Ratio	Opinion
Top RRF Data Fiscal Year 2008								
Kutai	3,276,010,595,234.32	0.78	TMP					
Siak	1,775,190,386,900.00	0.80	WDP					
Top ABM Data for Fiscal Year 2009								
Kutai	3,276,010,595,234.32	0.78	TMP	2,453,565,000,000.00	0.50	TMP		
South Bangka Regency				344,280,000,000.00	0.66	WDP		
Lowest RRF Data Fiscal Year 2008								
Kotamobagu Regency	26,229,640,103.00	0.19	WDP					
Gorontalo Regency	76,817,982,949.35	0.17	WDP					
Lowest ABM Data for Fiscal Year 2009								
Bangli				51,813,000,000.00	0.11	WDP		
Sukabumi Regency				114,953,000,000.00	0.09	WDP		
Top RRF Data Fiscal Year 2009								
Kutai	2,150,278,777,417.06	0.67	TMP					
Tana Tidung	400,686,403,402.25	0.85	TW					
Top ABM Data for Fiscal Year 2010								
Kutai				1,835,494,703,647.13	0.38	TMP		
Mamberamo Central				183,581,589,028.00	0.50	TMP		
Lowest RRF Data Fiscal Year 2009								
North Aceh Regency	10,887,399,305.31	0.01	TMP					
Lowest ABM Data for Fiscal Year 2010								
Mojokerto				28,973,961,400.00	0.04	WDP		
Top PE Data for Fiscal Year 2010								
Kutai							0.30	TMP
The lowest PE Data FY 2010								
Sukabumi Regency							0.08	WDP
Top PE Data for Fiscal Year 2011								
Kutai							0.45	TMP
The lowest PE Data for Fiscal Year 2011								
Kepulauan Yapen Regency							0.07	TMP
Top PE Data for Fiscal Year 2012								
Mamberamo Central							0.39	TMP
The lowest PE Data for Fiscal Year 2012								
Luwu Timur							0.06	WDP

Kutai indicates that it is always obtained highest RRF among Regency/City, or Siak in 2008 and Tana Tidung in 2009 had the highest RRF. Ironically, the BPK opinion on LKPD Kutai in 2008 and 2009 is Disclaimer (TMP). While Siak acquires Modified Unqualified Opinion (WDP) and Tana Tidung acquire Adverse Opinion (TW). Gorontalo Regency and Kotamobagu City had the lowest RRF in 2008, getting WDP, not different from the Siak Regency while the RRF was the highest. Only one regency that is linear in terms of RRF with opinions obtained, the Aceh Utara Regency, which has the lowest RRF in 2009 and the worst opinion quality, Disclaimer.

From the ABM, the same phenomenon also occurs with the regency that have the highest ratio of ABM such as Kutai and Mamberamo Tengah, was getting opinions very far from expectations, the TMP. The regency that its ABM lowest ratio, such as Sukabumi, Bangli Regency, and Mojokerto actually get

a better opinion, that WDP, equal in value to the South Bangka regency which, together with the ABM Kutai has the highest ratio in 2008.

According to Article 16 (1) of Law No. 15 2004 stated that the criterion of reasonableness financial information presented in the financial statements is:

Compliance with Government Accounting Standards,

Adequate disclosure,

Compliance with environmental legislation,

The effectiveness of Internal Control System.

Under the Law, the opinions TMP obtained Kutai which have RRF is highest, which is extreme same quality with the Aceh Utara Regency which has RRF's low, and Mamberamo Central, which has a ratio of ABM highest, indicates that:

Examining unable to obtain proof of inspection adequate as the basis for their opinions, and most probably the examiner concluded that the impact of misstatements that are not detected in LKPD,

Examiner concludes that there can be formulated an opinion on the LKPD for their potential interactions and cumulative impacts that may occur in LKPD, although the acquisition of sufficient evidence examination,

Inspector difficult examination for accounting systems are not implemented transparently and openly,

There are policies that created the regency itself as the basis of non-tax revenue collection, with its own funds deposited and spent directly without clicking follow the procedures and rules that have been established by the Ministry of Finance of the Republic of Indonesia,

Many accounts/estimate/budget is not supported by books, records, and proof of the transaction. Although such records exist, inspectors often have difficulty searching the document flow, meaning that irregularities against GAP and regulations,

There are weaknesses in the Internal Control System.

Ideally, such LKPD should not be accepted by Parliament, given the county government as an agent of society as well as Parliament, cannot achieve maximum quality on its LKPD accountability. But often legislators cannot afford and do not want to act like a principal to his agent. In fact, it can be said that very strong political elements that are in this region. LKPD poor quality is also driven by a lack of commitment and motivation factors of head and civilian apparatus of the state in performing their duties and obligations. Table showing the Regency/City obtain WTP opinion, along with the ratio of RRF and ABM ratio achieved in the next budget year, can be seen in Table 5.

Table 5: Comparison of Variable Data Unqualified Opinion, Fiscal Space Ratio, and Capital Expenditure Allocation Ratio

Unqualified of LKPD	Fiscal Space Ratio	Average Regency/City	Capital Expenditure Allocation Ratio	Average Regency/City
In 2008				
Langsa City	0,30	0,42	0,19	0,28
Pidie Jaya Regency	0,40	0,42	0,28	0,28
Padang Pariaman Regency	0,26	0,42	0,20	0,28
Pariaman City	0,49	0,42	0,33	0.28
Pekanbaru City	0.39	0.42	0.22	0.28
MukomukoRegency	0,36	0,42	0,42	0,28
Tangerang City	0,47	0,42	0,24	0,28
In 2009				
Banda Aceh City	0,33	0,38	0,07	0,21
Sabang City	0,28	0,38	0,16	0,21
LangsaCity	0.21	0.38	0.18	0.21
Nagan RayaRegency	0.41	0.38	0.19	0.21
Tanah Datar Regency	0,20	0,38	0,09	0,21.
Sungai Penuh Regency	0.46	0.38	0.26	0.21
Mukomuko Regency	0,30	0,38	0,24	0,21
Tangerang City	0,49	0,38	0,22	0.21.
GorontaloRegency	0.24	0.38	0.21	0.21

The table shows that the highest quality opinions do not necessarily indicate the quality of

budget management, which is reflected in the achievement of performance as measured by the fiscal

space, and does not affect budget decisions, particularly the CAPEX Allocation. Some Regency/City that received WTP opinion even had RRF below the average of Regency/City throughout Indonesia as Langsa, Pidie Jaya, Padang Pariaman Regency, Pekanbaru, Mukomuko, Banda Aceh, Kota Sabang, Langsa Regency Nagan Raya, Tanah Datar and Gorontalo Regency. Overall, the Regency/City with the WTP opinion has a ratio of ABM very far from expectations, below the average of Regency/City throughout Indonesia, even the city of Banda Aceh had ABM ratio of only 0.07 and Tanah Datar only by 0.09 only. In this case, it means that the quality of public accountability does not give effect to the quality of decision making budgeting, though accountability has become an issue that is inherent in every measurement of financial performance, and even the publication of the financial statements itself is actually an initial attempt and obligation to obtain public accountability, with the word another public trust.

The dependency of Local Governments are very high for the Central Government, has not been able to make the region tries to be more accountable, because the budget is a political policy cannot be applied. The Central Government can not give punishment through budget against areas LKPD's opinion less or even not qualified. Even some regions have thought that they do not want to change the degree of dependence on the center, in order to attempt to optimize revenues of own resources need not be pursued, given the DAU transfer value is highly dependent on the level of each Regency/City.

The analysis should then proceed with connecting the CAPEX allocation decisions to the Economic Growth. The average rate of PE Regency/City in Indonesia in 2010, 2011, and 2012 respectively is 0.15; 0.14; and 0.13. Regency with the highest rate of PE in 2010 and 2011 is Kutai, amounting to 0.30 and 0.45. While in 2012 the rate of the highest PE owned by Mamberamo Tengah, amounting to 0.39. This is in line with the results of the two regency ABM ratio calculation of the highest among Regency/City in Indonesia. Besides the concept that the presence of a large CAPEX allocation, which means an increase in local assets, infrastructure, facilities, and infrastructure, will be able to act as a *leverage* rate of PE area. When linked with accountability LKPD, of course, it back out of line, because, as was explained earlier that LKPD opinion obtained Mamberamo Kutai Regency and Central in 2008 and 2009 TMP/*Disclaimer*. Therefore, it does not look the linear relationship between accountability LKPD with PE. This is contrary to the opinion that since the year 2013 have been expressed by

members of the BPK in *the release,* the main official news as in the day of Friday, February 28, 2014, which is accessible through the site www.bpk.go.id, that there is a positive correlation between WTP opinion with economic success.

The rate of the lowest PE in 2010, 2011, and 2012 is on, respectively, Sukabumi with a ratio of 0.08, KepulauanYapen regency with a ratio of 0.07, and Luwu Timur with a ratio of 0.06. Sukabumi ratio is related with its ABM ratio is at its lowest position in 2009 among Regency/City throughout Indonesia. As for the Kepulauan Yapen Regency and Luwu Timur, although the ratio of its ABM, not the lowest, but is under the average of all Regency/City, 0.20 and 0.25. When linked with the quality of LKPD opinion, it can be seen that only Kepulauan Yapen Regency which has a linearity relationship between low PE with the quality of the opinion was obtained, Disclaimer. As for the two other regency there is no relationship between the quality of poor accountability with a low PE because both have WDP. The rate of this PE standard deviation in the data in 2010, 2011, and 2012 respectively by 0.04; 0.04; and 0.03. This indicates that the economic growth data distribution can be said to be evenly distributed among the Regency/City in Indonesia.

4.2. *Quantitative Analysis Of Conformity Testing Structural Equation Modeling Using Goodness of Fit Index Standard*

The model test aims to measure the degree of fitness between the hypothesized model with the data presented. According to Ferdinand (2002), the SEM analysis, there is no single statistical tests measurement or hypotheses tested of the model, so there is eight (8) standard Goodness of Fit Index, namely Chi-Square Probability Level, RMSEA, GFI, AGFI, CMIN, TLI, and CFI. In this study, testing the hypothesis using software, AMOS and was conducted by examining the impact on PE 1 (one) year, two (2) years and three (3) years after CAPEX budget is allocated. The steps that must be passed before the step of evaluation criteria Goodness of Fit Index is the development of a theoretical model, the development of flowcharts, flow charts and conversion into a structural equation model and measurement.

The conversion of the flowchart in Figure 1 into the equation structural and measurement model can be seen in Figure 2 for the prediction of PE 1 (one) year, Figure 3 for the prediction of PE 2 (two) years, and Figure 4 for the prediction of PE 3 (three) years following this. This image also shows the results of SEM analysis of the antecedents of CAPEX Allocation.
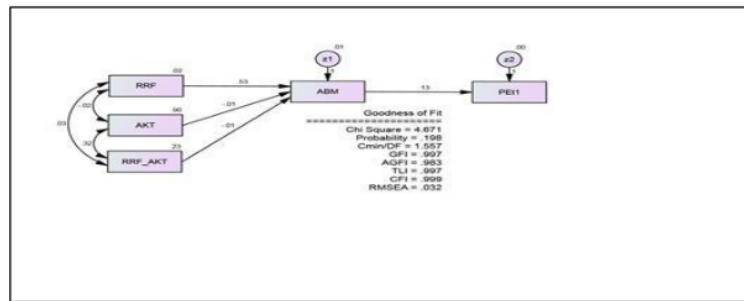
Figure 2: Structural Equation, Model Measurement and Testing Results Goodness of Fit Prediction 1 (One) Year

The figure shows the results of testing the conformity of the models for the prediction of one (1) year. Based on the literature related to the SEM were analyzed using software, AMOS researchers have yet to find a statement that requires the fulfillment of the eight indices to decide that a model fit or acceptable, so that when it has fulfilled more than half of the index alone, the researchers assumed that the model is acceptable. To determine the suitability index and the cut-off value can be seen in the following table.

Table 6: Test Results Goodness of Fit Index Prediction 1 (One) Year

The Goodness of Fit Index	Cut-off Value	Test Result	Description
X^2-Chi-Square	Expected Low	4.671	Less Good
Significance Probability	P≥0.05	0.198	Good
RMSEA	P≤0.08	0.032	Good
GFI	P≥0.90	0.997	Good
AGFI	P≥0.90	0.983	Good
CMIN / DF	P≤2.00 or 3.00	1.557	Good
TLI	P≥0.95	0.997	Good
CFI	P≥0.95	0.999	Good

From the results of conformance testing, SEM models can be concluded that structural equation modeling and measurement can be accepted because it has met the criteria of 88 percent index testing standards. The criteria that do not meet the cut-off value in this test is X^2-Chi-Square, because its value is somewhat high, at 4.671, despite level Probability Significance was good. This means that there is little difference, which is not significant between matrix covariance predictions with observed data. However, often on a large sample size, more than 200, while in the prediction of one (1) year total sample of 555, there is a tendency Chi-Square to reject the models (Browne and Curdeck, 1993), and the index RMSEA role as size model try to correct tendency Chi-Square. the See the fulfillment of RMSEA index, then this model is assumed to fit with the data presented.

Flowcharts conversion into the structural equation and measurement model predictions PE 2 (two) years can be seen in Figure 3 below.
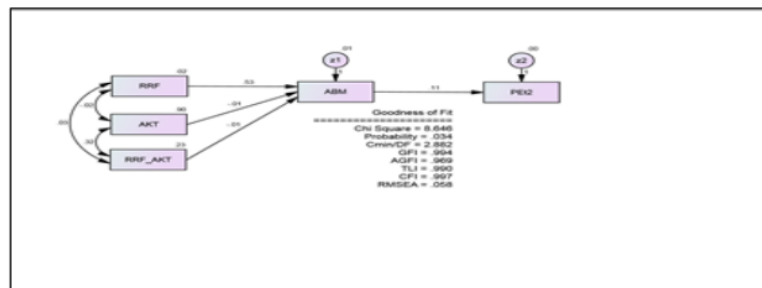

Figure 3: Structural Equation, Model Measurement and Testing Results Goodness of Fit Prediction 2 (Two) Years

The figure shows the results of testing on the suitability of the model for the prediction of 2 (two) years once the results of the SEM analysis of the antecedents of CAPEX Allocation. To determine the suitability index and the cut-off value on the structural equation model predictions of 2 (two) years can be seen in the following table.

Table 7: Test Result Goodness of Fit Index Prediction 2 (Two) Years

The Goodness of Fit Index	Cut-off Value	Test Result	Description
X^2-Chi-Square	Expected Low	8.646	Not Good
Probability Significance	P≥0.05	0.034	Not Good
RMSEA	P≤0.08	0.058	Good
GFI	P≥0.90	0.994	Good
AGFI	P≥0.90	0.969	Good
CMIN / DF	P≤2.00 or 3.00	2.882	Good
TLI	P≥0.95	0.990	Good
CFI	P≥0.95	0.997	Good

From the test results, SEM fitness model above it can be concluded that the structural equation model and measurement can be accepted because it has met the criteria of 75 percent index testing standards. The criteria that do not meet the cut-off value in this test is X^2-Chi-Square and Significance Probability. Index X^2- Chi-Square are not met due to the extremely high value, 8.646, followed by insignificant level, Probability Significance, 0.034. This means that there is a significant difference between matrix covariance predictions with observed data.

As mentioned previously, researchers still assume this model fit the data presented due to see the fulfillment of the index RMSEA, as the size of the models that attempt to rectify the tendency of refusal Chi-Square on large samples (Browne and Curdeck, 1993), which is the the number of research samples in this prediction of 2 (two) this year is 555.

Flowcharts conversion into the structural equation and measurement model predictions PE 3 (three) years can be seen in Figure 4 below.
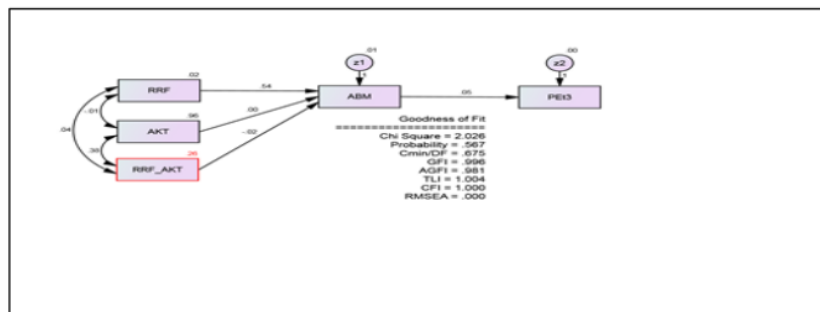

Figure 4: Structural Equation, Model Measurement and Testing Results Goodness of Fit Prediction 3 (Three) Year

The figure shows the results of testing the conformity of the models for the prediction of 3 (three) years once the results of the SEM analysis of the antecedents of CAPEX Allocation. To determine the suitability index and the cut-off value on the structural equation model predictions of 3 (three) years can be seen in the following table.

Table 8: Test Results Goodness of Fit Index Prediction 3 (Three) Years

Goodness of Fit Index	Cut-off Value	Test Result	Description
X^2-Chi-Square	Expected Low	2.026	Good
Significance Probability	P≥0.05	0.567	Good
RMSEA	P≤0.08	0.000	Good
GFI	P≥0.90	0.996	Good
AGFI	P≥0.90	0.981	Good
CMIN / DF	P≤2.00 or 3.00	0.675	Good
TLI	P≥0.95	1.004	Good
CFI	P≥0.95	1.000	Good

From the test results, SEM fitness model above it can be concluded that structural equation modeling and measurement can be accepted because it has met the standard criteria of 100 percent testing of the index, meaning that the equation model hypothesized by the data presented can be said to fit.

Based on the limitations of the sample requirements, then briefly, the number of samples in this study were 218 Regency/City in 2008, 337 Regency/City in 2009. The descriptive statistical picture can be seen in Table 2. The data show that the distribution of the data fiscal space can be said to be evenly distributed among the Regency/City in Indonesia. The level of regional dependency on the

transfer of funds often hinder the creation of fiscal space, as well as the inability of the region to generate his own income, which is mostly dominated by local tax sector. On the other hand, Local Governments with revenue from the mining and oil and gas sector have always had a high fiscal space, for their Sharing Fund from the Central Government, according to the rules applicable legislation.

Statistical data variables Fiscal Space Ratio, Expenditure Allocation of Capital and Economic Growth can be seen in Table 3. Calculation of accountability variables descriptive statistics indicate standard deviation scores were very high at 0.95, and when moderation becomes 0.48. The figure shows a very high value, which means it can be said accountability data distribution is uneven among Regency/City in Indonesia. The different conditions in each Regency/City, especially the Human Resources factor constraint LKPD the difficulty of achieving high quality, especially the WTP opinion, which is basically a form of public accountability. When connected with a variable RRF and ABM, turns Regency/City with WTP opinion has not shown a positive relationship with the high RRF or ABM. Vice versa, the bad quality of the opinion, not necessarily indicate a low RRF and ABM. Recapitulation Regency/City with a value of RRF, ABM, along with the highest and lowest PE opinions obtained are presented in Table 4. The analysis linking the allocation decisions of the Economic Growth and CAPEX in relation to accountability showed no linear relationship between accountability LKPD with PE. This is contrary to the opinion that since the year 2013 have been expressed by members of the BPK in the *release,* the main official news as in the day of Friday, February 28, 2014, which is accessible through the site www.BPK.go.id, that there is a positive correlation between WTP opinion with economic success.

4.3. Hypothesis Testing Hypothesis Testing and Interpretation of Results

From the test results of SEM predictions fitness model 1 (one), 2 (two), and 3 (three) years, it can be concluded that structural equation modeling and measurement can be accepted because it has met the index criteria testing standards. The next step is testing the regression weight/loading factor. This test is performed the same as the t-test of the regression weight/loading factor/coefficient. In this study, to determine the pattern of the four variables relationship research has tested three hypotheses. Testing the hypothesis with path analysis is based on the processing results of the research model. Results of testing the prediction of 1 (one) year, two (2) years and three (3) years are as follows:

Table 9: Results of Hypothesis Testing Through Value Estimation Regression Weights and p-value prediction of PE 1 (One) Year

Construct Relationships	Beta	p-value	Description
$ABM_t \longleftarrow RRF_{t-1}$	0.533	0.000	H_{a1} supported
$ABM_t \longleftarrow AKT_{t-1}$	-0.010	0.388	H_{a2} not supported
$ABM_t \longleftarrow RRF_{t-1}\_AKT_{t-1}$	-0.012	0.673	H_{a2} not supported
$PE_{t+1} \longleftarrow ABM_t$	0.130	0.000	H_{a3} supported

Table 10: Results of hypothesis Testing Through Estimated Value Regression Weights and p-value prediction of PE 2 (Two) Years

Construct Relationships	Beta	p-value	Estimate
$ABM_t \longleftarrow RRF_{t-1}$	0.533	0.000	H_{a1} supported
$ABM_t \longleftarrow AKT_{t-1}$	-0.010	0.388	H_{a2} not supported
$ABM_t \longleftarrow RRF_{t-1}\_AKT_{t-1}$	- 0.012	0.673	H_{a2} not supported
$PE_{t+2} \longleftarrow ABM_t$	0,105	0,000	H_{a3} supported

Research hypothesis testing prediction in one (1) year and 2 (two) years, the sample data used, together with the number 555, for a variable RRF_{t-1}, ABM_t, dan AKT_{t-1}. Differences exist only in the PE_{t+1} variable, because the first year is used for the prediction rate of the GDP in 2011 and for the second year used prediction rate of the GDP in 2012. The table shows that the path between Fiscal Space Allocation Ratio CAPEX has coefficient β 0.533 with p-Value 0,000, which means that financial performance is represented by the ratio of Fiscal Space significant effect on the CAPEX Allocation next year. The results support the hypothesis first proposed the alternative. The results showed that the path between the AKT_{t-1} with ABM has a coefficient of β -0.010 with a p-value of 0.388. While the path between RRF_{t-1} with ABM_t moderated by AKT_{t-1} has the coefficient of β -0.012 with a p-value of 0.673. This shows that the statistically variable RRF_{t-1} moderated by the variable AKT_{t-1} did not affect the ABM_t thus the second proposed alternative hypothesis cannot be supported by the results of this study. While the path between ABM_t and PE_{t+1} shows the coefficient of β 0.130 with a p-value of 0.000. This shows that the statistically variable ABM_t significantly affect PE_{t+1}. While the path between ABM_t and PE_{t+2} shows the coefficient β 0,105 with a p-value of 0.000. This shows that the statistically variable ABM_t significantly affect PE_{t+2}. Thus the proposed third alternative hypothesis could be supported by the results of this study. Results of testing the hypothesis of the study for the prediction of 3 (years old), not much different from the results of the previous testing, can be seen in the following table:

Table 10: Results of Hypothesis Testing through Value Estimation Regression Weights and p-value prediction PE 3 (Three) Years

Construct Relationships	Beta	p-value	Description
ABM_t <--- RRF_{t-1}	0.540	0.000	H_{a1} supported
ABM_t <--- AKT_{t-1}	0.003	0.887	H_{a2} not supported
ABM_t <--- RRF_{t-1}_AKT_{t-1}	-0.024	0.622	H_{a2} not supported
PE_{t+3} <--- ABM_t	0,045	0.022	H_{a3} supported

Research hypothesis testing prediction in three (3) years used 218 sample because only LKPD and opinions of year 2008 that can be used. Variable PE_{t+3} using the data rate of the GDP in 2010, 2011, and 2012. From the Table shows that the paths between Fiscal Space and CAPEX Allocation Ratio have a coefficient β 0.540 with p-value 0.000, which means that financial performance is represented by the ratio of space fiscal significant effect on Capital Expenditure Allocation of next year. The results support the hypothesis first proposed the alternative. The results showed that the path between the AKT_{t-1} with ABM_t has a coefficient β of 0.003 with p-value 0.887. While the path between RRF_{t-1} with ABM_t moderated by AKT_{t-1} has the coefficient of β -0.024 with p-value 0.622. This shows that the statistically variable RRF_{t-1} moderated by the variable AKT_{t-1} did not affect the ABM_t. Thus the second proposed alternative hypothesis cannot be supported by the results of this study. The path between ABM_t and PE_{t+3} shows the coefficient of β 0.045 with p-value of 0.022. This shows that the statistically variable ABM_t significantly affect PE_{t+3}. Thus the proposed third alternative hypothesis is supported by the results of this study.

7. DISCUSSION

With proven the hypothesis that financial performance is directly related to the CAPEX Allocation in next year, then this indicates that budgeting decisions of CAPEX on the budget of Regency/City next year, affected by the financial performance areas, particularly Ratio Fiscal Space, due to the flexibility of local finances is closely related to the measurement of this ratio. The first alternative hypothesis testing results conducted on the third prediction shows consistent results, and the alternative hypothesis was accepted. However, in testing the prediction of 3 (three) years showed a significance level greater than the predicted one (1) year and 2 (two) years. This means the CAPEX budget decisions making are very influential when lag tested further and further away from the fiscal year was conducted. In this study, a new proposed variable relation to research about the performance, which is accountability. However, the results showed that this variable was not shown to moderate the relationship between the financial performance of the CAPEX budget decisions next year. This means that the relationship between the financial performance of the CAPEX Allocation is not reinforced by the lack of accountability LKPD Regency/City in Indonesia. By this means the second alternative hypothesis is not accepted.

The third alternative hypothesis testing results show that the Capital Expenditure Allocation significant effect on economic growth, for the whole prediction of 1 (one) year, two (2) years and three (3) years. These findings indicate that economic growth is also determined by the allocation of budgeted CAPEX by Local Governments. Results of testing the third alternative hypothesis made the prediction of three years shows consistent results, it means the third alternative hypothesis was accepted, but on testing the prediction of 1 (one) year showed a significance level of the highest compared with the predictions of two (2) years and three (3) years even the prediction of 3 (three) years, the significance level was quite low. This means the CAPEX budget decisions are very influential when *lag* tested closer to the year when the budget is decided.

6. CONCLUSION, IMPLICATION, AND LIMITATION

From the research conducted, it can be concluded that the financial performance as reflected in the ratio of Fiscal Space influence on Capital Expenditure Allocation decisions next year. In the majority of regency / cities with a high RRF value, generating ABM is also high due to budget more flexible to encourage investment. However, accountability is represented by the acquisition of LKPD opinion the Regency/City is not found moderating the relationship between RRF with ABM. Accountability is still not a strong variable in influencing budgeting decision because it is still just a fulfillment of the requirements of the legislation. Regency/City with RRF and good ABM LKPD do not necessarily have a qualified opinion and vice versa. Commitment and efforts of regional leaders and local civil officials about the importance of improving the quality of public accountability for the realization LKPD still not strong and evenly distributed among the regency / cities throughout Indonesia.

Economic growth proved to be influenced by the Capital Expenditure Allocation of the previous fiscal year. However, this is not related to the quality LKPD opinion. ABM positive influence on the PE means that the function of the budget as *leverage* the region's economy has been running. When compared with the PE 2 (two) years and three (3) years, the highest level of significance there in PE 1 (one) year, assuming stable economic conditions. Regency/City with high PE rates are mostly due to high ABM, which is certainly supported by high RRF too. The biggest constraint on many studies in finance is the *proxy* in the measurement of variables. With the not supported second alternative hypothesis, it is likely to be due to an imprecise measurement of accountability variables. It would be more appropriate to use an *index*, such as a

good governance index. In addition, the underlying theoretical basis of accountability as a moderator of RRF variables to ABM is also less strong, because the theory that states the relationship between accountability of ABM itself has not been found. Further research can be done by connecting these research variables with a *Trust Theory* as a measure of accountability. In addition, these variables can also be linked to other moderation variables, such as the targets of each Regency/City contained in the Government Work Plan (RKP) as well as the Medium Term Development Plan (RPJM) as well as the Long Term Development Plan (RPJP).

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