Antecedents of Regional Financial Independence: A Moderating Effect of Capital Expenditure at Local Government Level in Indonesia

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Abstract: This study aims to examine regional tax, general allocation fund, special allocation fund, and capital expenditure as a mediating on regional financial independence. Regency/City in West Java Province was used as a sample in this study. The purposive sampling method was used in this study to select a sample of 27 districts/cities in West Java Province from 2016 to 2019. Hypotheses in this study were tested using Structural Equation Model using Smart PLS 3.0 software. This study results in Regional Tax, General Allocation Fund, and Special Allocation Fund have a significant effect on regional financial independence, while capital expenditure is not able to mediate the effect of regional tax, general allocation fund, and special allocation fund on regional financial independence. For Local Governments, it is expected to optimize local taxes through the improvement of adequate public services. Then, given that the composition of general allocation funds and special allocation funds is quite dominant, the funds should be optimized for the development sectors so that their use can be efficient which will encourage economic growth and indirectly increase regional financial independence.

Keywords: Regional Tax, General Allocation Fund, Special Allocation Fund, Capital Expenditure, Regional Financial Independence.

1. Introduction

The state of government in Indonesia has tended to be dynamic since the reforms in 1998. Since then, various new developments have emerged in the pattern of government in Indonesia, one of which is regional autonomy. Regional autonomy gives power to autonomous regions to be able to manage their own government activities provided they follow the provisions of legislation (Pelealu, 2013). As long as it does not conflict with national goals, the granting of regional autonomy must be in line with the responsibility for the management of resources owned by the region in order to encourage regional development. Regional financial independence is the power to carry out regional activities independently without dependence on others. To realize regional financial independence, regional income received by a region must be above the minimum regional income of 25% of total regional income (Yuliyanti et al. 2019). Regional financial independence is said to be high if the independence ratio is above 75%, while if the ratio is 50% to 75%, low if the ratio is between 25% to 50% and is said to be very low if the independence ratio is below 25%. In Indonesia, it was found that the percentage of regional financial independence is still below 25% (Yuliyanti et al., 2019). This means that there are still many local governments in Indonesia that still depend on the central government in the development of their regions. This is evidenced by the still large amount of funds that the central government transfers compared to the revenue that the region generates itself that the local government uses to build its region (Ariani & Putri, 2016).
Figure 1: Financial Independence Ratio of West Java Region

Related to regional financial independence in Indonesia, data from the Indonesian Forum's National Secretariat (Seknas FITRA), which generated the Regional Budget Analysis Report (AAD) in 70 districts/cities from 2014 to 2016, in the districts/cities in West Java Province there are 7 districts/Cities whose financial independence ratio is rated very low range from 7%-15%. Then, using statistics from the Republic of Indonesia's Central Statistics Agency (BPS), the degree of independence of West Java Province from 2016 to 2019 can be said to be moderate. Although the category of financial independence is said to be moderate, the value of the fluctuating independence ratio tends to decline. The independence ratio in 2016 is the highest ratio at 62%, while in 2019 it is only 57%. Local tax is one that can realize local financial independence. The high local taxes obtained will have an impact on the high level of regional financial independence, which means that local governments do not depend on the central government (Novalistia, 2016). According to Ermawati and Aswar (2020) found that regional financial independence is influenced by regional taxes in line with the results by Suratno and Mulyadi (2020), Novalistia (2016), Novitasari and Novitasari (2019), and Nggilu, Sabijono, and Tirayoh (2016). It can be interpreted that the level of regional financial independence will increase if the regional taxes received are high. In addition to local taxes, general allocation funds are also able to affect the level of financial independence of a region.

Based on Ariani and Putri (2016), General Allocation Funds (GAF) is a tool in overcoming financial shortcomings between regions and can be used as a source of regional funding. But the reality is that local government is inseparable from the central government, which is reflected in its high dependence on GAF. This is supported by Tahar and Zakhiya (2011) and Ariani and Putri (2016) who found that regional financial independence is negatively and significantly affected by GAF. It can be interpreted that financial independence will decrease if GAF increases. This is because GAF’s revenue tends to be maintained as opposed to trying to increase its own regional revenue. Special Allocation Fund (SAF) is also a factor that can affect the level of regional financial independence. According to Ermawati and Aswar (2020), SAF is a form of regional receipt derived from central government funds to help certain regions fund basic infrastructure that is a national priority. As with the general allocation fund, SAF should only support regional development, so that the local government's dependence on the central government will be reduced. The results of Tjahjono and Oktavianti (2017) show that SAF has a negative effect on the level of regional financial independence. This indicates that regional financial independence will be said to be low if the SAF is relatively high. In contrast to the results of Ermawati and Aswar (2020) that regional financial independence is not significantly affected by SAF.

Regional financial independence is further assumed as the intervening variable is capital expenditure. According to Ariani and Putri (2016) regional financial independence is proven to be influenced by capital expenditure. This is because the higher the receipt of capital expenditure will provide income for local governments to be able to increase local income. If that happens then the local government will be more independent. These results are not the same as Suratno and Mulyadi (2020), and Ermawati and Aswar (2020) who demonstrated that capital expenditure has no substantial impact on regional financial independence.
This research contributes to the literature related to regional tax, GAF, SAF, intervening such as capital expenditure, and regional financial independence. Nggilu et al. (2016) uses the regional tax and regional levy but does not consider GAF, SAF and capital expenditure. Then in the study, Ermaawati and Aswar (2020) use regional tax, tax revenue share, SAF and capital expenditure but do not consider the general allocation fund. This study adds a general allocation fund according to the recommendations of Suratno and Mulyadi (2020) and there is a mediating that is capital expenditure. Furthermore, the purpose of this study is to examine the influence of regional taxes, general allocation funds, special allocation funds, and capital expenditure as mediating regional financial independence.

2. Literature Review and Hypotheses Development

Agency Theory: The relationship of the principal to the agent is described in agency theory. The principle's contract with the agent, in which the principal delegated decision-making authority to the agent, is known as agency theory (Jensen & Meckling, 1976). According to Raharjo (2007) agency theory focuses on the principal and the agent where the principal delegates responsible decision making to the agent. In this study, agency theory is very important in describing the relationship between principals represented by the central government and agents represented by local governments. The central government transfers funds and delegates authority to local governments to take care of their own regions with the aim those local governments can provide maximum services and welfare to the public. There will be agency problems if local governments fail to handle the help offered by the federal government to the federal government’s harm.

Stakeholder Theory: Stakeholder theory states that groups or individuals can be influenced or influenced in achieving the goals of an organization or group (Freeman & McVea, 2001). According to Novalistia (2016), stakeholder theory is a person, community or society that has a relationship with a public sector organization. The government as a holder of power must be mindful of aspects of the public interest as a stakeholder. Ermaawati and Aswar (2020) state that stakeholder theory discusses that local governments should use and utilize all the wealth they have for the benefit of society because society gives local taxes to the government so that reciprocity can be established to create balance in government. In previous research, many studies have discussed regional taxes in influencing the level of regional financial independence. Focusing on local taxes, Novalistia (2016) studied the relationship between local taxes and the level of local financial independence that results.

When local taxes earned by local governments increase can show that the higher the region is able to, receive revenue and the region is no longer dependent on the central government. The results show that the higher the regional tax received will increase the level of regional financial independence. Ariani and Putri (2016) analyzed the effect of public allocation funds on regional financial independence resulting in transfer grants having a negative impact on taxation efforts that ultimately lower regional income resulting in regional independence will be lower. This study found that public allocation funds had a significant negative effect on regional financial independence. Furthermore, Tjahjono and Oktavianti (2017) look at the special allocation funds for regional financial independence and find that receiving more SAF reduces regional financial independence, and vice versa. Special allocation funds have a considerable detrimental impact on regional financial independence, according to the findings.

Hypothesis and Conceptual Framework: The following is the formulation of the hypothesis in this study which is based on elements that are expected to affect the level of regional financial independence:

Regional Taxes and Regional Financial Independence: Regional taxes are part of the PAD. Taxes are coercive levies made by the government. The general expenditure of a region is financed by the local government using local taxes (Novalistia, 2016). Local taxes can show an increase in the ability of a region in providing facilities to the community and high participation from the community can help local governments carry out regional development. This is in line with the stakeholder theory; it is assumed that the increasing local tax received by the local government as the incumbent should be able to provide welfare for the community as a stakeholder. Ermaawati and Aswar (2020), Suratno and Mulyadi (2020) and Novitasari and Novitasari (2019) resulted in regional financial independence influenced by regional taxes. H1: Regional taxes have a significant relationship with regional financial independence.
**General Allocation Funds and Regional Financial Independence**: The central government provides funds to local governments known as general allocation funds. GAF is given so that each region has the same financial equity. The level of regional financial independence will be affected by the amount of general allocation money collected by local governments. This is consistent with the agency hypothesis, which holds that if local government service to the public welfare is low but the central government has handed over a large GAF, there will be agency problems. A previous study conducted by Tahar and Zakhia (2011) and Ariani and Putri (2016) found that regional financial independence was significantly negatively affected by GAF.

**H2**: General allocation funds have a significant relationship with regional financial independence.

**Special Allocation Funds and Regional Financial Independence**: The Special Allocation Fund also comes from the balancing fund received by the regions and the provision of special allocation funds has the same purpose as the GAF, namely for equity between regions. The financial independence of the region is said to be low if the SAF received by the region is higher. The agency theory assumes that central officials transmit resources to regions by providing local officials with the responsibility of managing their regions so that public service is maximized and residents are prosperous. Special allocation funds have a major detrimental impact on regional financial independence, according to Tjahjono and Oktavianti (2017) and Marizka (2013).

**H3**: Special allocation funds have a significant effect on regional financial independence.

**Capital Expenditure Mediates the Influence of Regional Taxes on Regional Financial Independence**: Large capital expenditures will be funded by districts with high local government revenue. Local revenue in the form of taxes, according to Sumarmi (2015), might affect local government budgets. This is in accordance with stakeholder theory, the higher the capital expenditure on the provision of facilities related to community services as a stakeholder, then the community will participate in providing funds that will be used as local revenue in the form of taxes.

**H4**: Regional taxes, which are mediated by capital expenditure, have a big impact on regional financial independence.

**Capital Expenditure Mediates the Relationship between General Allocation Funds and Regional Financial Independence**: According to Sumarmi (2015), there is a strong link between the transfers granted and regional expenditure. The general allocation fund is utilized to finance capital expenditures in this situation. If the GAF allocated to the local government is high, capital spending will very certainly be high as well. High capital expenditure is expected to boost the region’s financial independence. The statement is supported by the agency theory which assumes that the central government allocates general allocation funds to regions so that capital expenditure increases so that regions can improve services to the public. Harianto and Adi (2007) found that GAF affects capital expenditure. This demonstrates how the amount of capital spending is influenced by the general allocation fund. Ariani and Putri (2016) show that regional financial independence is significantly affected by capital expenditure.

**H5**: The financial independence of regions is significantly influenced by general allocation funds mediated by capital expenditure.

**Capital Expenditure Mediates the Relationship between Special Allocation Funds and Regional Financial Independence**: The Special Allocation Fund is a fund that the central government provides to local governments SAF has the function to be able to fund special activities in accordance with national priorities. In order to finance regional expenditures, local governments must manage these funds as best they can. The more optimal the utilization of specific allocation funds and in accordance with the target will grow the quality of facilities for the people that are realized in capital expenditure. This is consistent with the agency theory; it is assumed that central officials allocate SAF to the region so that capital expenditure increases so that the region can improve services to the public. Pelealu (2013) discovered that a specific allocation fund has a favorable and considerable impact on capital expenditures.

**H6**: Capital expenditure mediated by special allocation funds has a substantial impact on regional financial independence.
Figure 2: Research Framework

3. Research Methodology

The district/city in West Java Province that was inspected by the Financial Inspection Agency of the Republic of Indonesia from 2016 to 2019 is the subject of this study (BPK RI). A total of 27 districts/cities in West Java were chosen for this investigation. Purposive sampling approaches were used to obtain samples from the entire population of this study based on criteria established. The following are the criteria employed in this sampling process:

a) The Financial Examining Agency (BPK) has audited the report on the financial data of the district/city government in the Province of West Java in the budget year 2016 - 2019.

b) Publish a complete Budget Realization Report (LRA) from 2016 - 2019. Furthermore, data for this study was gathered through publication on connected agencies’ official websites and electronic communication channels. The data collected is the Regional Government Financial Report (LKPD) contained in the Inspection Results Report (LHP) BPK. In this study, each variable has its own measure, which was derived from earlier research. Table 1 demonstrates the variable measurement method.

Table 1: Measurement of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Financial Independence</td>
<td>Regional financial independence is measured by the total original revenue of the region divided by central government assistance and loans.</td>
<td>Ermawati and Aswar (2020)</td>
</tr>
<tr>
<td>Regional Tax</td>
<td>Total regional taxes divided by total regional revenue.</td>
<td>Novitasari and Novitasari (2019)</td>
</tr>
<tr>
<td>General Allocation Fund</td>
<td>The total general allocation fund divided by the total regional revenue.</td>
<td>Marizka (2013)</td>
</tr>
<tr>
<td>Specific Allocation Fund</td>
<td>The total special allocation fund divided by the total regional revenue.</td>
<td>Marizka (2013)</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>Capital expenditure is measured by capital expenditure divided by regional expenditure</td>
<td>Darwis (2015)</td>
</tr>
</tbody>
</table>

4. Results and Discussion

The study’s population is from the Regency/City of West Java Province. Samples were selected using purposive sampling techniques. Table 2 shows the final sample of this study.
Table 2: Final Sample of the Study

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regency/City in West Java Province</td>
<td>27</td>
</tr>
<tr>
<td>Regency/City of West Java Province does not publish the Report of Examination Results on the Financial Report of the Local Government</td>
<td>(0)</td>
</tr>
<tr>
<td>Number of Districts/Cities sampled</td>
<td>27</td>
</tr>
<tr>
<td>Number of years of study</td>
<td>4</td>
</tr>
<tr>
<td>The total number of samples during the study year</td>
<td>108</td>
</tr>
</tbody>
</table>

The researcher performed data analysis utilizing the Structural Equation Model (SEM) with Smart PLS version 3.0 application after filtering the study population data as indicated in table 2. Table 3 shows data descriptive statistics.

Table 3: Statistical Descriptive Analysis

<table>
<thead>
<tr>
<th>Criteria</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Financial Independence (RFI)</td>
<td>108</td>
<td>0.0721</td>
<td>0.0721</td>
<td>0.339866</td>
<td>0.2267573</td>
</tr>
<tr>
<td>Regional Tax (RT)</td>
<td>108</td>
<td>0.0119</td>
<td>0.3793</td>
<td>0.115402</td>
<td>0.1049577</td>
</tr>
<tr>
<td>General Allocation Fund (GAF)</td>
<td>108</td>
<td>0.2141</td>
<td>0.5891</td>
<td>0.394723</td>
<td>0.0748196</td>
</tr>
<tr>
<td>Specific Allocation Fund (SAF)</td>
<td>108</td>
<td>0.0494</td>
<td>0.1781</td>
<td>0.120329</td>
<td>0.0357869</td>
</tr>
<tr>
<td>Capital Expenditure (CE)</td>
<td>108</td>
<td>0.1056</td>
<td>0.3967</td>
<td>0.209634</td>
<td>0.0582258</td>
</tr>
</tbody>
</table>

According to Table 3, the regional financial independence level has a maximum score of 0.0721 and the lowest score of 0.0721, with the regional financial independence level's standard deviation being lower than the average regional financial independence level score. The largest regional tax score is 0.3793, the lowest is 0.0119, and the regional tax standard deviation is lower than the average regional tax score. The general allocation fund has a maximum score of 0.5891, a minimum score of 0.2141, and a standard deviation that is lower than that of the average general allocation fund. The special allocation fund has a maximum score of 0.1781, a minimum score of 0.0494, and a standard deviation that is lower than the average score of the special allocation fund. The capital expenditure score ranges from 0.3967 to 0.1056 with a standard deviation lower than the average capital expenditure score.

Table 4: PLS Path Algorithm and Bootstrapping

<table>
<thead>
<tr>
<th>Description</th>
<th>Path Coefficient</th>
<th>T Values</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>RT -&gt; RFI</td>
<td>0.621</td>
<td>6.981</td>
<td>0.000</td>
</tr>
<tr>
<td>GAF -&gt; RFI</td>
<td>-0.190</td>
<td>3.000</td>
<td>0.003</td>
</tr>
<tr>
<td>SAF -&gt; RFI</td>
<td>-0.199</td>
<td>3.102</td>
<td>0.002</td>
</tr>
<tr>
<td>RT*CE -&gt; RFI</td>
<td>0.006</td>
<td>0.413</td>
<td>0.680</td>
</tr>
<tr>
<td>GAF*CE -&gt; RFI</td>
<td>0.002</td>
<td>0.154</td>
<td>0.878</td>
</tr>
<tr>
<td>SAF*CE -&gt; RFI</td>
<td>0.008</td>
<td>0.863</td>
<td>0.388</td>
</tr>
</tbody>
</table>

The test results in Table 4 indicate that the regional tax route coefficient is 0.621 and positive when it comes to regional financial independence. This shows that regional taxes have a 0.621 beneficial impact on regional financial independence. With a significance threshold of less than 0.05, regional taxes have a calculated t value of 6.981, which is higher than the table t value of 1.983. As a result, it can be concluded that the study's first hypothesis is correct. The results of this study stated that regional taxes have a significant influence on regional financial independence. Regional tax is a levy imposed by each local government with the applicable law (Kadafi & Putra, 2013). According to Novalistia (2016) if the local tax obtained by the local government is increasing can indicate that the higher the region is able to receive income and the region is no longer dependent on the central government. If the local tax received is higher then it can show an increase in the ability of a region in providing facilities to the community and high community participation can help local governments carry out regional development. Regional financial independence will increase as more and more people are aware of paying taxes. The results of this study are also in line with several previous studies.
such as Suratno and Mulyadi (2020), Ernawati and Aswar (2020), Novitasari and Novitasari (2019), Novalista (2016) and Nggili et al. (2016) which resulted in Regional taxes have a significant impact on regional financial independence. These findings, however, contradict those of Kadafi and Putra (2013), who showed that regional taxes have little effect on regional financial independence. The general allocation fund path coefficient to regional financial independence is negative at -0.190.

This demonstrates that the general allocation fund has a -0.190-negative impact on regional financial independence. With a significance level of less than 0.05, the general allocation fund has a calculated t value of 3,000, which is higher than the table t value of 1,983. As a result, it can be argued that the study's second hypothesis is correct. According to the findings of this study, general allocation funds have a substantial impact on regional financial independence. According to Prakosa (2004), GAF is a fund that has the function to equalize inter-regional finance that comes from the state budget. The central government provides funds to local governments known as general allocation funds. GAF is given so that each region has the same financial equity. The higher the GAF obtained by the local government will affect the level of regional financial independence. If the general allocation fund given to the local government decreases it will result in increased financial independence of the region because the region is no longer dependent on the funds provided but by maximizing the original revenue of the region in carrying out its government activities. Higher public allocation funds will increase dependence on the central government and decrease regional financial independence. This study's findings are consistent with those of Ariani and Putri (2016), Tahar and Zakhia (2011), and Naganathan and Sivagnam (2000), who found that GAF has a significant impact on regional financial independence. For regional financial independence, the special allocation fund path coefficient is -0.199, which is negative. This demonstrates that the special allocation fund has a -0.199-negative impact on regional financial independence. With a significance threshold of less than 0.05, the special allocation fund has a calculated t value of 3,102, which is higher than the table t value of 1,983. As a result, it can be argued that the study's third hypothesis is accepted.

Suratno and Mulyadi (2020) SAF is assistance that comes from the state budget and the receipt is given to areas that have certain criteria that have a purpose to help meet all special activities in accordance with national priorities. The financial independence of the region is said to be low if the SAF received by the region is higher. The region's financial independence will rise as the SAF supplied lowers. The increase in regional financial independence will be influenced by the nominal amount of special allocation funds supplied. This study's findings are consistent with Marizka's (2013) finding that SAF has a major impact on regional financial independence. The capital expenditure path coefficient, which mediates the impact of regional taxes on regional financial independence, has a positive value of 0.006 and is positive. With a significance level better than 0.05, capital expenditure mediating the influence of regional taxes on regional financial independence has a calculated t value of 0.413, which is smaller than a table t value of 1.983. As a result, the fourth hypothesis is rejected. The results of this study stated that capital expenditure cannot mediate the influence of local taxes on regional financial independence. Districts with high PADs will fund large capital expenditures. Sumarmi (2015) states that local government budgets can be influenced by local revenue in the form of taxes. The results of this study show that capital expenditure cannot mediate the influence of regional taxes on financial independence. As a result of the regional tax's inability to realize capital expenditure due to a lack of accessible money, the realization of the regional tax can still be stated to be poor.

Furthermore, the average absorption of capital expenditure is still 20.96 percent of the total budgeted capital expenditure, as shown in the table of descriptive statistics. The findings of this study are consistent with Suratno and Mulyadi (2020) which found that capital spending does not improve the influence of regional taxes on regional financial independence. The capital expenditure path coefficient, which mediates the influence of general allocation funds on regional financial independence, has a positive value of 0.002. With a significance level better than 0.05, capital expenditure mediating the influence of public allocation funds on regional financial independence has a calculated t value of 0.154, which is less than the table t value of 1.983. As a result, the fifth hypothesis of this study is rejected. The results of this study stated that capital expenditure cannot mediate the influence of public allocation funds on regional financial independence. Sumarmi (2015) states that there is a close relationship between the transfers provided with regional expenditure. In this case, GAF is used as capital expenditure financing.
If the GAF given to the local government is high, then it can be ensured that capital expenditure will also be high. With the high capital expenditure, it is expected to increase the financial independence of the region. The results of this study show that capital expenditure cannot mediate the influence of public allocation funds on regional financial independence. This indicates that the utilization of GAF in capital expenditure has not been able to be used effectively by local governments to produce useful outputs for the benefit of the people. In addition, if viewed from the table of descriptive statistics that show the absorption of capital expenditure shows that the average is still 20.96% of the total budgeted capital expenditure. The capital expenditure path coefficient, which mediates the influence of special allocation funds on regional financial independence, has a positive value of 0.008. With a significance level better than 0.05, capital expenditure mediating the effect of special allocation funds on regional financial independence has a calculated t value of 0.863, which is less than the table t value of 1.983. According to the findings of this study, capital expenditures are unable to mitigate the impact of special allocation funds on regional financial independence.

The federal government distributes funding to local governments through special allocation funds. SAF has the ability to support unique projects based on national interests. To support regional expenditures, local governments must be able to handle funds as efficiently as feasible. The more optimal utilization of SAF and in accordance with the target will increase the quality of the public which is realized through capital expenditure. The results of this study show that capital expenditure cannot mediate the influence of special allocation funds on regional financial independence. This indicates that the utilization of SAF in capital expenditure has not been able to be used effectively and efficiently by local governments to produce useful outputs for the benefit of the people. In addition, if viewed from the table of descriptive statistics that show the absorption of capital expenditure shows that the average is still 20.96% of the total budgeted capital expenditure. The findings of this study are consistent with Suratno and Mulyadi (2020), which found that capital expenditure, does not improve SAF’s influence on regional financial independence.

5. Conclusion and Recommendations

This study aims to examine regional tax, general allocation funds, special allocation funds, and capital expenditure as intervening on regional financial independence. Regional taxes, general allocation funds, and special allocation funds all have a substantial impact on regional financial independence, according to the findings of this study. While capital expenditure cannot mediate the influence of local taxes, general allocation funds, and special allocation funds on regional financial independence. There are some limitations experienced by researchers. This study is only on the Regency/City in West Java Province so it has not been able to represent all Regency/City in Indonesia. Then there are some areas of the examination report that are presented in scanned form so that it is not easy to read which results in having to check the Notes on the Financial Statements first to be able to see the budget realization report used. The findings of this study are expected for local governments, especially districts/cities in West Java Province to be able to optimize local taxes through the improvement of adequate public services. Then, given that the composition of the number of GAF and SAF is quite dominant, the funds should be optimized for the development sectors so that their use can be efficient which will encourage economic growth and indirectly able to increase regional financial independence. Further expected to use other variables that are able to affect the financial independence of the region such as other legitimate income, regional loans, and investments so on. Then, further study needs to expand the sampling, for example, all districts/cities in Java so that the research results are more valid and can be generalized.

References

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