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Flypaper Effect Analysis of General Allocation Fund and Local Own-Source Revenue on Expenditures in Kuningan Regency 2006 – 2020

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ABSTRACT

This research aims to analyze whether there is a flypaper effect of General Allocation Fund (GAF) and Local Own-Source Revenue (LOSR) on direct and indirect expenditures in Kuningan Regency in 2006 – 2020. Our research uses multiple linear regression, and we find that: (1) GAF and LOSR have positive and significant effect on both direct spending and indirect spending of regional government of Kuningan and (2) GAF has dominant effect on direct and indirect expenditures variables. We conclude that there is a flypaper effect on regional expenditures of Kuningan. It means that the Regional Government of Kuningan is still highly dependent on central government's fund transfers. This research implies that (1) the Regional Government of Kuningan is expected to maximize the exploration of its local resources gradually, (2) it is necessary to optimize the supervision conducted by the Directorate General of Taxes (DGT) on taxpayers and to explore tax revenues from them and tax objects, (3) the local government needs to have adequate control systems to ensure compliance with management policy procedures, and (4) administrative procedure simplification is also necessary to provide convenience, thereby increasing tax compliance and the percentage of local revenue.

Keywords: GAF, LOSR, Expenditures, Flypaper Effect.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis apakah terdapat flypaper effect Dana Alokasi Umum (DAU) dan Pendapatan Asli Daerah (PAD) terhadap belanja langsung dan tidak langsung Kabupaten Kuningan tahun 2006 – 2020. Metode penelitian yang digunakan regresi linier berganda. Hasil penelitian menunjukkan bahwa: (1) DAU dan PAD berpengaruh positif dan signifikan terhadap belanja langsung dan belanja tidak langsung, (2) Respon terhadap belanja langsung dan tidak langsung pembiayaan dari pemerintah pusat, dalam bentuk GAF, lebih besar dari LOR. Maka kesimpulannya adalah terdapat flypaper effect terhadap belanja daerah APBD Kuningan. Lebih lanjut,. Hal ini membuktikan bahwa Pemerintah Kabupaten Kuningan masih bergantung dana transfer dari pemerintah pusat. Penelitian ini memberikan implikasi bahwa (1) Pemda Kuningan diharapkan dapat memaksimalkan penggalian sumber daya daerahnya secara bertahap, (2) perlu mengoptimalkan pengawasan yang dilakukan oleh Direktorat Jenderal Pajak (DJP) terhadap wajib pajak dan menggali pajak pendapatan dari mereka dan objek pajak, (3) Pemda perlu memiliki sistem kontrol yang memadai untuk memastikan kepatuhan dengan prosedur kebijakan manajemen, dan (4) penyederhanaan prosedur administrasi juga diperlukan untuk memberikan kemudahan, sehingga meningkatkan kepatuhan pajak dan persentase pendapatan daerah.

Kata Kunci: *DAU, PAD, Belanja, Efek Flypaper.*

INTRODUCTION

Basically, the central government makes financing to encourage local governments to focus on optimizing the exploration of potential sources according to their authority (Korzhenevych & Langer, 2016; Kurniawan et al., 2019). However, the current problem is that local governments tend to rely more on the general allocation fund (GAF) to finance local needs without optimizing the management of their local potential (Salawali et al., 2016). If the GAF is obtained in large amounts, the local government will try to maintain the nominal portion of the GAF for the next period (Mehiriz & Marceau, 2014; Salawali et al., 2016).

The dependence of local governments on funding from the central government could potentially decrease the efforts of local government in maximizing local-own source revenue, resulting in the increasingly dominant contribution of the GAF which is then called the flypaper effect phenomenon (Purbarini & Masdjojo, 2015). The flypaper effect is an imbalance in the response of local spending to existing funding sources, that is when local government finances local spending more using funds rolled out by the central government through GAF compared to using their local-own funding (Pradana et al., 2019).

According to Regional Coordination Board (Bakorwil), West Java Province is divided into four regions. Table 1 shows the profile of each regency's LOSR in west java based on their Bakorwil regions.

Table 1. 2020's Local Own-Source Revenue (LOSR) in West Java Based on Bakorwil Region

Region	Area	Value of LOSR
I	Region and city of Bogor, City of Depok, Region and city of Sukabumi, and Region of Cianjur.	Rp7,029,588,857,243
II	Region of Purwakarta, Region of Subang, Region and city of Bekasi, Region of Karawang.	Rp7,819,344,889,179
III	Region and city of Cirebon, Region of Indramayu, Region of Majalengka, Region of Kuningan.	Rp2,500,602,104,150
IV	Region and city of Bandung, Region of Bandung Barat, City of Cimahi, Region of Sumedang, Region of Garut, Region and city if Tasikmalaya, Region of Ciamis, City of Banjar.	Rp7,647,165,914,395

Source: Ministry of Finance of Republik Indonesia (2020)

As seen from Table 1, Region III has the smallest amount of LOSR compared to another region in West Java. Among the smallest in Region III, Kuningan Regency is one of the regencies located in Region III of West Java Province which has the smallest amount of local-own source revenue (LOSR) compared to other the region and cities in the same region. The contribution of LOR in Kuningan to financing local expenditures is relatively small among regencies/cities in Region III of West Java Province. This is reflected in the Table 2 which shows comparison of LOSR to the following total local expenditures.

Table 2. Comparison of Local-Own Source Revenue (LOSR) to Total Local Expenditures among Regencies/Cities in the Region III West Java Province in 2020

Regency (R) / City (C)	Comparison of LOSR to Total Local Expenditures (%)
Cirebon (C)	28.69
Cirebon (R)	17.82
Majalengka (R)	14.98
Indramayu (R)	12.81
Kuningan (R)	12.19

Source: Provincial and Regency/City Government Financial Statistics in West Java Province in 2020

Kuningan Regency has the smallest percentage, that is 12.19 percent, compared to regencies/cities in the Region III. It shows that the management of Kuningan LOSR on has not been optimal. Then, it is the contribution of LOSR dan GAF to the local expenditures of Kuningan Regency in 2015 – 2020.

Table 3. The contribution of LOSR and GAF to Local Expenditures of Kuningan Regency, 2015 – 2020

Year	LOR (%)	GAF (%)
2015	9.8	53.1
2016	9.9	48.2
2017	10.7	48.4
2018	13.3	50.8
2019	13.3	49.8
2020	12.1	47.2
Average	11.5	49.5

Source: Directorate General of Fiscal Balance, Ministry of Finance, 2022

Table 3 shows that the role of LOSR in local expenditure of Kuningan Regency is smaller than that of GAF itself. The average contribution of LOR usage during 2015-2020 is around 11 percent, while the contribution of GAF usage is in the range of 49.5 percent. This fact shows that local expenditure financing is still dominated by dependence on financing from the central government. This is likely to later lead to indications of inefficiency in the LOSR.

The role of the GAF which is larger than LOSR in terms of financing local government spending reflects less-than-optimal government management in terms of regional finance (Bracco et al., 2015; Cyrenne & Pandey, 2015; Ekawarna, 2017). Compared to the development of GAF and local expenditure, the development of LOSR and local expenditure is much smaller. It can be seen from strong signs that the financing local expenditure is strongly influenced by the GAF, and therefore, causes these regions to be less than optimal in collecting their own revenues in financing their regional needs (Bracco et al., 2015; Salawali et al., 2016; Korzhenevych & Langer, 2016;).

One of things that is most highlighted in the implementation of fiscal decentralization in Indonesia is the fact that local governments rely more on their regional financing to the central government (Purbarini & Masdjojo, 2015; Korzhenevych & Langer, 2016). Basically, the main objective of the central government is to provide transfer funds is to increase the overall demand for local governments through increasing their spending (Pradana et al., 2019). This policy is aimed at regions that are classified as poor in the economic category so that these transfer funds are considered as a form of subsidy for the local community (Roudo & Chalil, 2016; Amalia, 2016). This can happen immediately because the balancing fund is fully held and managed by the local government (Roudo & Chalil, 2016; Ekawarna, 2017). Therefore, it is not surprising that in practice the GAF becomes the main funding to finance the daily operational needs of the region. When the GAF is rolled out in large amounts, the local government will try to keep the GAF at least in the same nominal or perhaps larger for the next period (Amalia, 2016).

The tendency of local governments to rely more on transfers of funds from the central government shows that the role of these regions in providing funding for their regional expenditures is low. This phenomenon is called the flypaper effect phenomenon. The Flypaper Effect refers to a situation in which local governments spend more money from the central government proxies through the GAF compared to funding from their own regions which is proxied through LOSR (Pradana et al., 2019). The phenomenon of the flypaper effect has a broad influence, namely that transfer funds will trigger an increase in regional spending compared to the transfer receipts themselves (Sumarsono & Rahmawati, 2017; Pevcin, 2014).

Flypaper effect has been applied to assess the local expenditures in Italy through municipal data to develop the idea of "money sticks where it hits" (Gennari & Messina, 2014). The flypaper effect according to Maimunah (Oktavia, 2014) is a change in the amount of payment for central government transfers (conditional subsidies) that stimulates regional spending more than changes in regional income that stimulate regional spending. The funds rolled out by the central government within a certain period indicate that there are parties who benefit from receiving transfers (grants) which often increase. In other words, knowing the impact of the flypaper effect on the distribution of regional spending can encourage local governments to minimize overreaction to regional spending (Sour, 2013; Sobel & Crowley, 2014; Vegh & Vuletin, 2015).

The flypaper effect arises because the bureaucracy has an advantage over the knowledge transfer of the central government. The more information these bureaucrats have, the more opportunities they must spend (Lewis, B., 2013; Panda & Nirmala, 2013; Kjaergaard, 2015).

METHODS

This research method has the aim of describing empirical phenomena based on statistical data, relationship patterns, and characteristics between the variables used (Nurdini et al., 2015). This study employs a quantitative analysis method utilizing secondary data obtained from Ministry of Finance of the Republic of Indonesia. Specifically, regression analysis is utilized to examine the relationship between variables of interest.

This research analyzed the relationship between the realization of the General Allocation Fund (GAF) and Local Own-Source Revenue (LOSR) on direct expenditure and indirect expenditure in the Kuningan Regency Regional Budget (APBD) report. The analytical methods and techniques used in this is multiple linear regression. The multiple linear regression model equation used in this study is as follows:

$$y_1 = \alpha_0 + \alpha_1 x_1 + \alpha_2 x_2 + \varepsilon_1 \qquad (1)$$

$$y_2 = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \varepsilon_2 \qquad (2)$$

where y_1 is a Government of Kuningan direct expenditure variable as a function of independent such as variable of Local Own-Source Revenue (LOSR) (x_1) and General Allocation Funds (GAF) (x_2). While the equation y_2 is Government of Kuningan indirect expenditure variable as a function of independent variables Local Own-Source Revenue (LOSR) (x_1) and General Allocation Funds (GAF) (x_2).

We perform data interpolation to provide a more detailed and accurate representation of the data. Our study interpolates yearly data into quarterly data. The formula of data interpolation which changes annually into quarterly is written as bellow:

Y_{t1} = ¼ {Yt – 4,5/12 (Yt-1)}
Y_{t2} = ¼ {Yt – 1,5/12 (Yt-1)}
Y_{t3} = ¼ {Yt + 1,5/12 (Yt-1)}
Y_{t4} = ¼ {Yt + 4,5/12 (Yt-1)}

where Y_{t1} is data in the first quarter, Y_{t2} is data in the second quarter, Y_{t3} is data in the third quarter, and Y_{t4} is data in the fourth quarter, then Y_{t1} is data in year t and Y_{t1-1} is data in the previous year.

Conceptual and Operational Definition of Variables

Hidayah & Setiyawati (2014) argue that as a form of carrying out tasks as an autonomous region, local governments in funding the implementation of their development depend on balancing funds, one of which is the General Allocation Fund (GAF) rolled out by the central government sourced from Government Budget (APBN). Law Number 23 of 2014 explains that Local Own-Source Revenue (LOSR) is the revenue obtained by local governments from the results of managing their local assets based on applicable laws and regulations.

Then, local expenditures are all local obligations that are recognized as deductions from the value of net assets in the period of the relevant fiscal year (Regulation of Minister of Home Affairs (Permendagri) Number 13 of 2006). Local expenditure includes all expenditures from the Local General Treasury Account that reduce the equity of current funds, which are regional obligations in one fiscal year which will not be repaid by the Regions (Government Regulation Number 58 of 2005 about Financial Management).

This local expenditure is divided into two parts, namely direct expenditure and indirect expenditure. Al Khoiri (2015) stated that as a form of effort to provide public services, local governments carry out an expenditure called local expenditure which consists of direct local expenditure and indirect local expenditure. Local expenditures are all expenditures allocated to finance work programs contained in the policy of Regional Apparatus Work Unit (SKPD) through the use and optimization of existing resources in order to achieve the mission of the SKPD itself (Regulation of the Minister of Home Affairs (Permendagri) Number 13 of 2006). Moreover, direct expenditures are budgeted expenditures that are directly related to the implementation of programs and activities. Direct expenditures consist of personnel expenditures (wages and honorariums), goods and services expenditures, and capital expenditures. Meanwhile, Indirect expenditures are budgeted expenditures that are not directly related to the implementation of programs and activities. These consist of personnel expenditure (salaries and allowances, representation money), interest expenditure, subsidy expenditure, grant expenditure, social assistance expenditure, profit sharing expenditure, financial aid expenditure, and unexpected expenditure.

Data Analysis

As previously explained, this research utilizes two equation models which are analyzed by multiple linear regression. Ghozali (2013) stated that the first step that must be taken is to ensure that each model is fit before estimating, namely classical assumption test that consists of normality, multicollinearity, autocorrelation, and heteroskedasticity. Thereafter, the next step is to estimate each model through the analysis of the determination coefficient (R^2) then the influence of the independent variables (X_1 and X_2) on the dependent variable Y_1 (equation 1) and on the dependent variable Y_2 (equation 2), both jointly (F) and partially (t).

Framework

Furthermore, in this research, based on literature review, the framework of thinking which describes the relationship among variables can be seen in Figure 1 below.

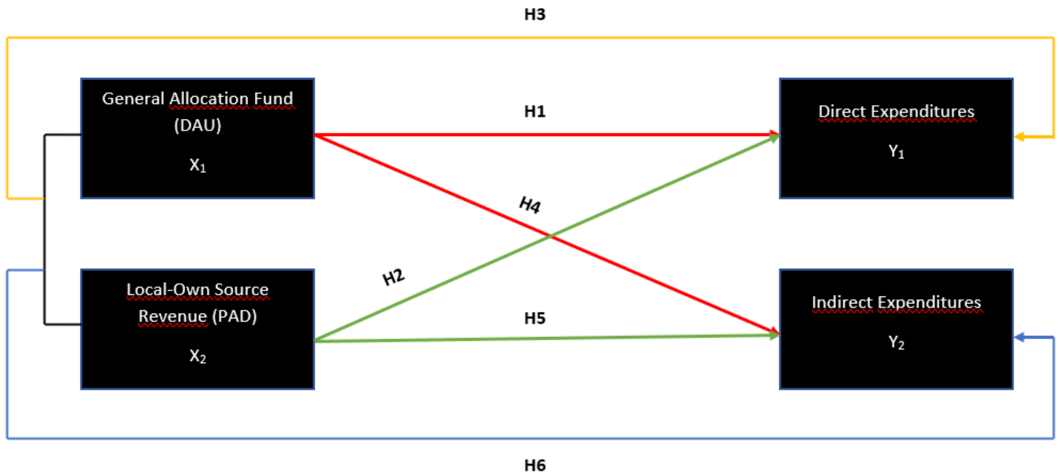

Figure 1. Framework of Thinking

The main purpose of this study is to analyze whether there is a flypaper effect phenomenon in Kuningan Regency in the period 2006 – 2020. However, the flypaper effect is not included in the variable because the flypaper effect is a phenomenon created by the relationship between the four variables above, namely when the use of the General Allocation Fund (GAF) has more influence on direct and indirect expenditures compared to the use of Local Own-Source Revenue (LOSR) itself.

Based on Figure 2 above, there are four variables in this research, namely General Allocation Funds (X_1), Local Own-Source Revenue (X_2), and Local Expenditures which are divided into two parts, namely Direct Expenditure (Y_1) and Indirect Expenditure (Y_2). This research was conducted to determine between the General Allocation Fund (GAF) as an independent variable (X_1) and Local Own-Source Revenue (LOSR) as an independent variable (X_2) in influencing Direct Expenditure (Y_1) and Indirect Expenditure (Y_2) as the dependent variable.

Feronika et al. (2017) shows that the General Allocation Fund (GAF) has a positive and significant effect on direct expenditure allocation. Sari (2015) also conducted the same research and the results stated that the General Allocation Fund (GAF) variable had a positive effect on the direct expenditure variable.

Hypothesis

The first hypothesis (H_1) assumes that General Allocation Fund (GAF) has a positive effect on Direct Expenditure. Hereafter, Sari (2015) concludes that Local Own-Source Revenue (LOSR) has a positive effect on direct expenditure. The same research was conducted by Lisa et al. (2017) that Local Own-Source Revenue

(LOSR) has a positive and significant effect on the direct expenditure component. Then, the second hypothesis (H_2) of this research is stated as follows:

The second hypothesis (H_2) assumes that Local-Own Source Revenue (LOSR) has a positive effect on Direct Expenditure. Further, Armawaddin et al. (2017) stated that it has been proven that local revenue, general allocation funds, special allocation funds, and tax revenue-sharing funds had a significant effect on local expenditures for all districts/cities in Sulawesi. Thus, the third hypothesis (H_3) of this research shows that:

The third hypothesis (H_3) assumes that General Allocation Fund (GAF) and Local Own-Source Revenue (LOSR) jointly have a positive effect on Direct Expenditure. Then, the allocation of GAF transfers that are rolled out from the central government to local governments is prioritized for regional spending needs. In practice, the local government is more confident in budgeting the regional expenditure plan with the hope that the GAF transfer to be obtained by the region will be large in nominal. This reflects that the high GAF greatly determines the value of regional spending (Pradana et al., 2019). The results of research that Sari (2015) did show that GAF has a positive influence on the indirect expenditure component. Relevant research has also been carried out by Lisa et al. (2017) which shows the results that the balancing fund variable has a positive and significant effect on the indirect expenditure component. So that the fourth hypothesis (H_4) of this research is stated as follows:

The fourth hypothesis (H_4) assumes that General Allocation Fund (GAF) has a positive effect on Indirect Expenditure. Furthermore, Lisa et al. (2017) conducted research that proved that Local Own- Source Revenue (LOSR) had a positive and significant effect on indirect spending. The same result was found through research conducted by Sari (2015) that Local Own-Source Revenue (LOSR) has a positive influence on indirect spending. Referring to those researches the fifth hypothesis is stated as follows:

The fifth hypothesis (H_5) assumes that Local Own-Source Revenue (LOSR) has a positive effect on Indirect Expenditure. Finally, Saputri & Muid (2014) concluded that Local Own-Source Revenue (LOSR) and General Allocation Fund (GAF) jointly have a significant effect on Local Expenditures. Based on the same topic, relevant research was also carried out by Linawati & Sholikhah (2019) concluded the research that joint testing shows that the LOSR and GAF variables have a significant effect on regional spending. Therefore, the sixth hypothesis should be the statement below:

The sixth hypothesis (H_6) assumes that General Allocation Fund (GAF) and Local Own-Source Revenue (LOSR) jointly have a positive effect on Indirect Expenditure. This has been studied by Saputri & Muid (2014) which show the results that LOSR and GAF jointly have a significant effect on regional spending. Research conducted by Linawati & Sholikhah (2019) also states that joint testing of the LOSR and GAF variables has a significant effect on regional spending.

RESULTS AND DISCUSSIONS

The first step of analysis is to perform a classical assumption test which consists of normality, multicollinearity, autocorrelation, and heteroskedasticity. The results can be seen in Table 4.

Table 4. Results of a Classical Assumption Test

Variable	Normality (Kolmogorov-Smirnov[1])	Multicollinearity (VIF[2])	Autocorrelation (Runs Test[3])	Heteroskedasticity (Scatterplot[4])
General Allocation Fund (X_1)	0.179 (sig 0.107)	6.888	Unstandardized Residual : asymp.sig (2-tailed) = 0.108	Model 1 (dep.variable Y_1) = points on scatterplot are scattered and random
Local Own-Source Revenue (X_2)	0.186 (sig 0.078)	6.888		
Direct Expenditure (Y_1)	0.175 (sig 0.113)	-		Model 2 (dep.variable Y_2) = points on scatterplot are scattered and random
Indirect Expenditure (Y2)	0.178 (sig 0.067)	-		
Conclusion	Passed	Passed	Passed	Passed

Note: [1] = passed, if sig > 0.05; [2] = passed, if VIF < 10; [3] = passed, if asymp.sig > 0.05; [4] = passed, if points are scattered and random

Based on the results in Table 4, the model has met a classical assumption test. The next analysis is to interpret multiple linear regression coefficients, F-statistic, t- statistic, and the R^2 value. Our hypothesis is that the phenomenon of the flypaper effect does exist in the Kuningan Regional Government. It happens when the variable of GAF is more dominant than variable LOSR in affecting the regional expenditure variable. The regression results are shown in Table 5 and Table 6.

Table 5. Results of Multiple Linear Regression Analysis (Model 1)

Model 1: Dependent Variable: Y1 (Direct Expenditure)					
Variable	Descriptions	Coefficient	Std. error	t-stat	p-value
C	Intercept	71.665	39.236	7.827	0.003
X_1	General Allocation Fund (GAF)	1.067	0.167	6.387	0.000
X_2	Local Own-Source Revenue (LOR)	0.407	0.066	6.157	0.000
Obs.	57				
R^2	0.951				
Adjusted R^2	0.949				
F-stat	521.468				
p-value (F-test)	0.000				

Adjusted R^2 value shows 0.949 which indicates that variation of the dependent variable (i.e. direct expenditure) can be explained by the variation of independent variables (i.e. the General Allocation Fund and Local Own-Source Revenue) by 94.9 percent and the remaining variation of the dependent variable is explained by other variables outside the model. It can be seen in the F statistic, which is 521.468 with a p-value of 0.000 which is close to zero. Therefore, it can be concluded that all independent variables have a jointly significant effect on the dependent variable.

Partially, General Allocation Fund and Local Own-Source Revenue variable has a significant effect on direct expenditure which can be seen in the value of t-statistic. For General Allocation Fund variable, the value of the t-statistic is 6.387 and it has a p-value of 0.000. For Local Own-Source Revenue variable, the value of the t-statistic is 6.157 and has a p-value of 0.000. Therefore, it can be arranged the equation of model 1 as follows:

$$\hat{}Y_1 = 71.665 + 1.067X_1 + 0.407X_2$$

This model means that every increase in General Allocation Funds (X_1) by IDR1 billion will cause an increase in direct expenditure (Y_1) by IDR1.067 billion or a decrease in General Allocation Funds (X_1) by IDR1 billion will cause a decrease in direct expenditure (Y_1) by IDR1.067 billion. Hence, every increase in Local Own-Source Revenue (X_2) by IDR 1 billion will cause an increase in direct expenditure (Y_1) by IDR0.407 billion or a decrease in General Allocation Funds (X_2) by IDR1 billion will cause a decrease in direct expenditure (Y_1) by IDR0.407 billion. From this result, the coefficient of the General Allocation Funds variable is greater than that of the Local Own-Source Revenue variable. In other words, it needs more money from Local-Own Source Revenue to have a greater impact on government direct expenditure. It indicates that there is a flypaper effect phenomenon on government direct expenditure in Kuningan Region.

Furthermore, the results of multiple linear regression analysis from model 2 also can be seen in Table 6 as follows.

Table 6. Results of Multiple Linear Regression Analysis (Model 2)

Model 2: Dependent Variable: Y2 (Indirect Expenditure)					
Variable	Descriptions	Coefficient	Std. error	t-stat	p-value
C	Intercept	23.224	67.175	7.346	0.031
X_1	General Allocation Fund	2.585	0.286	9.039	0.000
X_2	Local-Own Source Revenue	0.766	0.113	6.771	0.000
Obs.	57				
R^2	0.968				
Adjusted R^2	0.967				
F-stat	828.999				
p-value (F-test)	0.000				

Source: Primary Data, 2022 (processed)

The adjusted R^2 value is 0.967 which means that variation of the dependent variable (i.e., indirect expenditure) can be explained by the variation of independent variables (i.e., the General Allocation Fund and Local Own-Source Revenue) by 96.7 percent, and the rest is explained by other variables outside the model. It can be seen in the F statistic, which has a value of 828.999 with a p-value of 0.000 which is close to zero. Therefore, it can be concluded that all independent variables in model 2 have a jointly significant effect on the dependent variable.

Partially, General Allocation Fund and Local Own-Source Revenue variable has a significant effect on direct expenditure which can be seen in the value of t-statistic. For General Allocation Fund variable, the value of the t-statistic is 9.039 and its p-value is 0.000. For Local Own Source-Revenue variable, the value of the t-statistic is 6.771 and its p-value is 0.000. Therefore, it can be arranged the equation of model 2 as follows:

$$\hat{}Y_2 = 23.224 + 2.585X_1 + 0.766X_2$$

This model means that every increase in General Allocation Funds (X_1) by Rp1 billion will cause an increase in indirect expenditure (Y_2) by IDR2.585 billion or a decrease in General Allocation Fund (X_1) by IDR1 billion will cause a decrease in indirect expenditure (Y_2) by IDR2.585 billon. Then, every increase in Local Own-Source Revenue (X_2) by IDR1 billion will cause an increase in indirect expenditure (Y_2) by IDR0.766 billion or a decrease in General Allocation Fund (X_2) by IDR1 billion will cause a decrease in direct expenditure (Y_1) by IDR0.766 billion.

From this result, the coefficient of the General Allocation Fund variable has a greater value than that of the Local Own-Source Revenue variable. It has a similar result with previous model 1 that indicates that there is a flypaper effect phenomenon on government indirect expenditure in Kuningan Region.

The estimated result has shown that General Allocation Fund variable and Local Own-Source Revenue variable have significant effects on direct and indirect regional expenditure variables. However, in this case, the proportion of General Allocation Fund tends to be larger or dominant in financing both direct and indirect expenditures, compared to the proportion of Local-Own Source Revenue. These findings indicate that a flypaper effect phenomenon has occurred in both direct and indirect expenditures in Kuningan District throughout the years 2006-2020. Our result is consistent with previous studies conducted by Prakosa (2004) in Boyolali, Lambut et al., (2015) in North Sulawesi Province, and Friyani (2018) in Jambi Province, which concluded that a flypaper effect had occurred in those regions. Our result also shows that local governments still have a high dependence on transfer funds from the central government, especially funds originating from the General Allocation Fund, which is the main source of financing for both direct and indirect expenditures in the region. This study also proves that the level of autonomy of the Kuningan Government is still low because it still relies on central transfer fund.

Discussions

Based on the regression results, the General Allocation Fund has a positive and significant effect on both direct and indirect expenditures. This means that the greater the General Allocation Fund provided by the central government, the greater the expenditures made by the regional government. The General Allocation

Fund in Kuningan Regency in the period 2015 – 2020 tends to increase every year, in line with direct and indirect expenditures which also increase. Except for 2019, when the General Allocation Fund has increased, direct expenditure here has decreased. This was due to an increase in the General Allocation Fund which was used to increase indirect expenditure. This condition can be seen in the data on the amount of indirect expenditure in 2019 which increased to IDR1,796,236,424,671 compared to the previous year of IDR1,634,028,101,932. The increase in indirect expenditure was caused by an increase in employee salary costs due to an increase in the number of employees, especially due to the appointment of category II teachers.

The result is in line with research conducted by Feronika et al. (2019) which shows the result that the General Allocation Fund has a positive and significant effect on direct expenditure allocations. Relevant research has also been conducted by Sari (2015) and the results of his research state that the General Allocation Fund has a positive effect on the direct expenditure. This result is also in line with relevant research conducted by Fuad (2015) which was conducted in districts/cities in Papua Province and proved that the General Allocation Fund has a positive and significant effect on Regional Expenditures.

With similar results, Local Own-Source Revenue also has a positive effect significant effect on both direct and indirect expenditures. This result is in line with research by Lisa et al. (2017) which shows that Local Own-Source Revenue has a positive and significant effect on indirect spending, and on direct spending. Wati and Fajar (2017) also conducted relevant research in the city of Bandung and demonstrated the fact that local revenue has a significant influence on regional spending. Sari (2015) also states that Local Own-Source Revenue has a positive effect on direct spending.

Other results also show the same results, such as research by Saputri and Muid (2014) which shows the result that General Allocation Fund and Local Own-Source Revenue jointly have a positive and significant influence on direct and indirect expenditures. Likewise, Fuad (2015) through his research results also confirms the fact that General Allocation Fund and Local Own-Source Revenue have a positive and significant effect on local expenditures.

This research concludes that there is a flypaper effect phenomenon on government expenditure in Kuningan Regency, including direct and indirect, that the coefficient of the General Allocation Fund variable has a greater value than that of the Local Own-Source Revenue. The results of the study show that regional governments still have a high dependence on transfer funds from the central government, especially balancing funds, which in this case are the General Allocation Fund which is used as the main source of financing direct and indirect spending in their regions. This research also proves that the level of independence of the Kuningan District Government is still low because it still relies on central transfer funds. The results of this research support studies that have been conducted by several previous researchers, namely research by Prakosa (2004) in Boyolali, Lambut et al., (2015) in North Sulawesi Province, and Friyani (2018) in Jambi Province which stated that in the regions there has been a flypaper effect phenomenon.

CONCLUSIONS

Based on the data analysis that has been carried out and the discussion that has been described, it can be concluded that in local expenditure, which details direct and indirect expenditures in Kuningan Regency in the period 2006 – 2020, there has been a flypaper effect phenomenon. This is evidenced by the response to direct and indirect expenditures using financing from the central government which in this research is in the form of General Allocation Fund compared to financing independently through Local-Own Source Revenue. it proves that the Local Government of Kuningan Regency still relies on transfer funds from the central government, namely the funding component of the General Allocation Fund.

Our study implies that the Regional Government of Kuningan is expected to maximize the exploration of its local resources gradually to become the main source of financing for its regional expenditures. In addition, it is necessary to optimize the supervision conducted by the Directorate General of Taxes (DGT) on taxpayers who have met the requirements and to explore tax revenues from taxpayers and objects that have been recorded or registered in the DGT administration. The local government needs to have adequate control systems to ensure compliance with the established system and management policy procedures. In addition, administrative procedure simplification is also necessary to provide convenience for the public in paying taxes, thereby increasing tax compliance, and increasing the percentage of local revenue.

This study has several limitations that are expected to be developed in further relevant research. These limitations include: (1) the Balance Fund approximation in this research only uses the General Allocation Fund variable. Further research is expected to be expanded into involving Revenue Sharing Fund and Special Autonomy Fund. Also, for further research could consider some demographic and regional economic variable so that it could make clear and comprehensive in explaining the behavior public expenditure, and (2) In this research, the local expenditure variables were only broken down into direct and indirect expenditures. Further research is expected to elaborate further detail, for instance by using the components inside direct and indirect expenditures as dependent variables.

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