THE EFFECT ANALYSIS OF FISCAL DECENTRALIZATION ON GROSS REGIONAL DOMESTIC PRODUCT PER CAPITA THROUGH REGIONAL EXPENDITURES KUNINGAN IN 2004 - 2020

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ABSTRACT

In two decades, the implementation of regional autonomy in Indonesia has still not been entirely satisfactory. The phenomenon that arises from the implementation of this policy is the high level of dependence of local governments on transfer funds from the center, resulting in regions becoming less independent from the revenue side, which is reflected in the low value of original local government revenue and the high transfer funds from the center. The purposes of this study are to analyze regional financial independence and the influence of variables, namely original local government revenue, transfer funds from the center, capital expenditures, operational expenditures, and gross regional domestic product per capita Kuningan in 2004 – 2020. This research was carried out using secondary data and analyzed by the degree of fiscal decentralization and multiple linear regression. Results of the research conclude that due to the degree of fiscal decentralization, Kuningan is included in the "Very Insufficient" category with a value of 8.31 percent, which indicates that the level of regional financial independence is classified as low or "Less Independent". In addition, through multiple linear regression, original local government revenue variable does not have a significant effect on capital expenditures but has a positive effect on operational expenditures, while transfer funds from the center have a significant and positive effect on capital and operation expenditures in Kuningan. Furthermore, capital expenditures have no significant and negative effect on the gross regional domestic product per capita of Kuningan, while operational expenditures have a significant and positive effect.

Keywords: Regional Financial Independence, Original Local Government Revenue, Kuningan

1. Introduction

Regional autonomy policy is implemented in Indonesia, in line with the stipulation of UU Number 22 of 1999 concerning Regional Government. This policy is implemented by giving rights and authority to each region in Indonesia to regulate and manage their respective regional affairs. Based on Melmambessy (2022) research, the existence of regional autonomy makes regional financial management effective and on target. But in addition, concerns arise from each of these regions based on differences in potential between regions in Indonesia. The phenomenon that occurs in the implementation of regional autonomy policies in Indonesia is the high dependence of district and provincial governments on transfer funds from the center. Even Kuncoro (2004) argues that the dependence that occurs from the district government is ironic. Because as the spearhead of regional autonomy, districts have a higher level of dependence compared to provinces, which is reflected in low original local government revenue and high fund transfers from the center.

Kuningan Regency is one of the districts in West Java Province. This district is indicated to have a high dependence on transfer funds from the center. This is based on the low original local government revenue value when compared to other districts in West Java. Based on data released by Badan Pusat Statistik (BPS) Kuningan Regency, Kuningan in the 3rd area West Java Province

consisting of Cirebon Regency, Cirebon City, Indramayu Regency, and Majalengka Regency (CIAYUMAJAKUNING), the original local government revenue from the district is lowest, with an original local government revenue of IDR 337.140.401.660. So, it further indicates that Kuningan Regency is highly dependent on transfer funds from the center.

Muryawan and Sukarsa (2016) in the research, said original local government revenue is an indicator that reflects the level of financial independence of a region, where in measuring this, the amount of original local government revenue, transfer funds from the center, and loans is the key to determining whether the region concerned is independent or not. Based on data released by BPS West Java Province (2021), the proportion of original local government revenue in Kuningan Regency in the last three years, namely 2019 – 2021, is only around 10 – 12 percent, that is lower, when compared to the proportion of other components in regional revenues.

Based on this phenomenon, this study determines the formulation of the problem, namely What is the degree of fiscal decentralization of Kuningan Regency in 2004 – 2020? How will original local government revenue and transfer funds from the center affect capital and operating expenditure of Kuningan Regency in 2004 – 2020? And how will capital and operating expenditure affect the gross regional domestic product per capita of Kuningan Regency in 2004 – 2020? With the aim of analyzing the regional financial independence of Kuningan Regency in 2004 – 2020 as measured by the degree of fiscal decentralization, analyzing the effect of original local government revenue and transfer funds from the center on capital and operating expenditure of Kuningan Regency in 2004 – 2020, and analyzing the effect of capital and operating expenditure on the gross regional domestic product per capita of Kuningan Regency in 2004 – 2020.

2. Literature Review

2.1 Wagner's Law

Wagner's law was put forward by Adolf Wagner. The assumption of this law states that an increase in government spending in an economy is caused by an increase in the per capita income side of the community (Mangkoesoebroto, 1998). This shows the relationship between government spending and people's per capita income. Wagner in Mangkoesoebroto (1998) also mentioned that the existence of expenditures came from revenues obtained by the government. Thus, through increasing people's per capita income, it can support an increase in government revenue as a source of expenditure carried out.

2.2 Hypothesis Formulation

H1 = Original Local Government Revenue has a positive effect on Capital Expenditure
H2 = Original Local Government Revenue has a positive effect on Operating Expenditure
H3 = Transfer Funds from the Center has a positive effect on Capital Expenditure
H4 = Transfer Funds from the Center has a positive effect on Operating Expenditure
H5 = Original Local Government Revenue and Transfer Funds from the Center have a positive effect on Capital Expenditure
H6 = Original Local Government Revenue and Transfer Funds from the Center have a positive effect on Operating Expenditure
H7 = Capital Expenditure has a positive effect on Gross Regional Domestic Product per Capita
H8 = Operating Expenditure has a positive effect on Gross Regional Domestic Product per Capita
H9 = Capital and Operating Expenditure positively affect Gross Regional Domestic Product per Capita

3. Research Methodology

3.1 Research Design

This study uses quantitative descriptive analysis, where problem phenomena and research results are explained in the form of descriptions in accordance with secondary data from variables that are set in time series.

3.2 Data Analysis Techniques

a. Degree of Fiscal Decentralization

The degree of fiscal decentralization is an analytical model of a measurement ratio in percentage form used to compare the value of original local government revenue to total regional revenues (Melmambessy, 2022). The ratio can be formulated as follows:

$$DD_t = \frac{PAD_t}{TPD_t} \times 100\% \quad (1)$$

Information:

DD_t = Value of Degree of Fiscal Decentralization in year t
PAD_t = The Realized Value of Original Local Government Revenue in year t
TPD_t = Total Realized Value of Regional Revenue year t

To determine the level of regional financial independence, the following is a benchmark of the degree of fiscal decentralization ratio:

Table 1. Fiscal Decentralization Degree Interval Scale

Fiscal Decentralization Degree Ratio Interval Scale (%)	Regional Financial Independence
00,00 – 10,00	Very Less
10,01 – 20,00	Less
20,01 – 30,00	Sufficient
30,01 – 40,00	Medium
40,01 – 50,00	Good
> 50,00	Excellent

Source : Hanafi and Mugroho (2009)

b. Multiple Linear Regression

Multiple Linear Regression with the Ordinary Least Squares (OLS) approach can show the results of the analysis of the influence of the independent variable on the dependent variable. The equation of the multiple linear regression model of this study is as follows:

$$BM_t = \beta_0 + \beta_1 PAD_t + \beta_2 DP_t + e \quad (2)$$
$$BO_t = \beta_0 + \beta_1 PAD_t + \beta_2 DP_t + e \quad (3)$$
$$PDRB_t = \beta_0 + \beta_1 BM_t + \beta_2 BO_t + e \quad (4)$$

Information:

BM_t = Capital Expenditure of Kuningan Regency in Time Period (t) 2004 – 2020
BO_t = Kuningan Regency Operating Expenditure in Time Period (t) 2004 – 2020
$PDRB_t$ = Gross Regional Domestic Product per Capita of Kuningan Regency in the Time Period (t) 2004 – 2020
β0 = Intercept or Intersection between Regression Lines
β1 = Original Local Government Revenue Regression Coefficient
β2 = Transfer Funds from the Center Regression Coefficient

PAD_t = Original Local Government Revenue of Kuningan Regency in Time Period (t) 2004 – 2020
DP_t = Kuningan Regency Transfer Funds from the Center in Time Period (t) 2004 – 2020
e = Confounding Variables

4. Results

4.1 Regional Financial Independence of Kuningan Regency

Using the degree of fiscal decentralization to determine the level of financial independence of Kuningan Regency, the following is a recapitulation of the data taken based on the results of data processing in this study:

Table 2. The Degree of Fiscal Decentralization of Kuningan Regency in 2004 – 2020

t	Original Local Government Revenue (Million Rupiah)	Transfer Funds from the Center (Million Rupiah)	Sum Regional Revenue (Million Rupiah)	Degree of Fiscal Decentralization (%)	Information
2004	24.416	359.206	410.142	5,95	Very Less
2005	31.148	395.330	442.758	7,03	Very Less
2006	35.732	598.363	637.595	5,60	Very Less
2007	43.507	645.819	766.796	5,67	Very Less
2008	42.825	702.905	842.402	5,08	Very Less
2009	63.564	767.527	947.811	6,71	Very Less
2010	68.158	803.424	1.115.998	6,11	Very Less
2011	82.917	862.737	1.304.443	6,36	Very Less
2012	96.991	1.038.402	1.462.804	6,63	Very Less
2013	112.517	1.139.711	1.625.738	6,92	Very Less
2014	202.517	1.269.156	1.896.835	10,68	Less
2015	229.170	1.374.529	2.373.001	9,66	Very Less
2016	253.441	1.717.088	2.429.460	10,43	Less
2017	384.398	1.721.906	2.616.709	14,69	Less
2018	303.218	1.662.033	2.529.670	11,99	Less
2019	301.403	1.740.991	2.747.862	10,97	Less
2020	298.726	1.650.118	2.776.498	10,76	Less
		Average		8,31	Very Less

Source: Badan Pengelolaan Keuangan dan Aset Daerah (BPKAD) Kuningan Regency (2023) (processed)

Based on the table, the level of regional financial independence of Kuningan Regency is in the criteria of "Very Less" and "Less", where the range of percentage values ranges from 00.00 – 20.00. In the table, it can be seen that the average degree of fiscal decentralization value of Kuningan in the period 2004 – 2020 was 8.31 percent. This shows that the regional financial independence of Kuningan Regency tends to be very less.

4.2 Regional Revenue to Regional Expenditure

a. Multiple Linear Regression Analysis
(Capital Expenditure)
Normality Test

In this study, the normality test was carried out by comparing the Probability value or p-value of Jarque-Bera (JB) against the value of Alpha (α), where the α value used was 5 percent or 0.05. Based on the results of data processing, the value of Jarque-Bera (JB) is 0.256163

with a p-value of 0.879782. It shows that the value is greater than α = 0.05. Thus, research data from capital expenditure variables are normally distributed.

Classical Assumption Test

The results of the analysis by transforming the form of data into the form of LOG and D, show results that are no better than the results of the analysis using the original data, where this is related to the significance of the variables set. For this reason, through a comparison of the three results of the analysis carried out, it is determined in the capital expenditure equation using original data as a reference, with the consequence that there are symptoms of multicollinearity.

1) Multicollinearity Test

The value of the Variance Inflation Factor (VIF) is 12.15669 which indicates that in the capital expenditure equation there is a statistical multicollinearity effect between independent variables, because the VIF value is more than 10. The multicollinearity in the research results arises due to the relatively small amount of data, accompanied by the same data movement, where when there is an increase in one variable, other variables also increase so as to clarify the relationship between data (Winarno, 2015).

2) Heteroscedasticity Test

The p-value of Chi-Square to test for heteroscedasticity is 0.3039. The value is greater than α = 0.05 which indicates that there is no heteroscedasticity problem in the regression model.

3) Autocorrelation Test

Using the LM Test shows that the calculated p-value F is 0.9172. This value is greater than α = 0.05 which means there is no autocorrelation in the capital expenditure equation.

Regression Model Estimation

$$\widehat{BM}_t = -61717{,}71 - 0{,}258048\,PAD_t + 0{,}274280\,DP_t \quad (5)$$

Coefficient of Determination (R^2)

Based on the estimated results, the R^2 value in the capital expenditure equation is 0.722231. This value means that the variation in the variables contributes 72.223 percent to the variable capital expenditure, while 27.777 percent is given by other variables not specified in this equation.

Test the hypothesis

1) Test t

The t test is carried out by making hypotheses in the form of Ho and Ha that can be accepted or rejected, where with the criterion, if the $t_{count} > t_{table,}$ then Ho is rejected and Ha is accepted, and vice versa. The following are the results of the t test on the capital expenditure equation:

Table 3. Test t (α = 0.025) on Capital Expenditure Equation

Variable	t-count	t-table	p-value	Information
PAD	–0,562303	2,14479	0,5828	Insignificant
DP	2,425644	2,14479	0,0294	Significant

Source: Processed Secondary Data, 2023

Hypothesis 1. The Effect of Original Local Government Revenue on Capital Expenditure
Ho : $\beta \leq 0$: Original Local Government Revenue does not have a positive and significant effect on Capital Expenditure
Ha : $\beta > 0$: Original Local Government Revenue has a positive and significant effect on Capital Expenditure

Referring to Table 3 and based on the hypothesis that has been determined for capital expenditure, the t-count value of the PAD variable is –0.562303, while the t-table value is 2.14479 or –2.14479. This shows that $t_{count} > t_{table}$ for negative, where when the condition Ho is accepted and Ha is rejected, which means PAD does not have a positive and significant effect on capital expenditure.

Hypothesis 3. Effect of Transfer Funds from the Center on Capital Expenditure
Ho : $\beta \leq 0$: Transfer Funds from the Center does not have a positive and significant effect on Capital Expenditure
Ha : $\beta > 0$: Transfer Funds from the Center has a positive and significant effect on Capital Expenditure

Referring to Table 3 and based on the hypothesis that has been determined for capital expenditure, the t-count value of the DP variable is 2.425644, while the t-table value is 2.14479. This shows that $t_{count} > t_{table}$, where when these conditions Ho is rejected and Ha is accepted, which means DP has a positive and significant effect on capital expenditure.

2) Test F

The F test is carried out by making hypotheses in the form of Ho and Ha that can be accepted or rejected, where with the criterion if the value of $F_{count} > F_{table}$, then Ho is rejected and Ha is accepted, and vice versa. As for the results of data processing, the F-count value in the capital expenditure equation is 21.80086 while the F-table value is 3.739. This shows that $F_{count} > F_{table}$, so Ho is rejected and Ha is accepted which means that PAD and DP together have a significant effect on capital expenditure.

(Operating Expenditure)
Normality Test

In this study, the normality test was carried out by comparing the Probability value or p-value of Jarque-Bera (JB) against the value of Alpha (α), where the α value used was 5 percent or 0.05. Based on the results of data processing, the value of Jarque-Bera (JB) is 0.614174 with a p-value of 0.735586. It shows that the value is greater than $\alpha = 0.05$. Thus, the research data from the operating expenditure variable is normally distributed.

Classical Assumption Test

The results of the analysis by transforming the form of data into the form of LOG and D, show results that are no better than the results of the analysis using the original data, where this is related to the significance of the variables set. For this reason, through a comparison of the three results of the analysis carried out, it is determined in the operating expenditure equation using original data as a reference, with the consequence that there are symptoms of multicollinearity.

1) Multicollinearity Test

The value of the Variance Inflation Factor (VIF) is 12.15669 which indicates that in the operating expenditure equation there is a statistical multicollinearity effect between independent variables, because the VIF value is more than 10. The multicollinearity in

the research results arises due to the relatively small amount of data, accompanied by the same data movement, where when there is an increase in one variable, other variables also increase so as to clarify the relationship between data (Winarno, 2015).

2) Heteroscedasticity Test

The p-value of Chi-Square to test for heteroscedasticity is 0.5232. The value is greater than $\alpha = 0.05$ which indicates that there is no heteroscedasticity problem in the regression model.

3) Autocorrelation Test

Using the LM Test shows that the calculated p-value F is 0.4558. This value is greater than $\alpha = 0.05$ which means there is no autocorrelation in the operating expenditure equation.

Regression Model Estimation

$$\widehat{BO}_t = -42850{,}05 + 0{,}004784\, PAD_t + 1{,}157857\, DP_t \quad (6)$$

Coefficient of Determination (R^2)

Based on the estimated results, the value of R^2 in the operating expenditure equation of 0.976328. This value means that the variation in the variables contributes 97.632 percent to the variable operating expenditure, while 2.368 percent is given by other variables not specified in this equation.

Test the hypothesis

1) Test t

The t test is carried out by making hypotheses in the form of Ho and Ha that can be accepted or rejected, where with the criterion, if the calculated value is $t_{count} > t_{table}$, then Ho is rejected and Ha is accepted, and vice versa. The following are the results of the t test on the operating expenditure equation:

Table 4. Test t ($\alpha = 0.025$) on Operating Expenditure Equation

Variable	t-count	t-table	p-value	Information
PAD	0,007504	2,14479	0,9941	Insignificant
DP	7,371758	2,14479	0,0000	Significant

Source: Processed Secondary Data, 2023

Hypothesis 2. The Effect of Original Local Government Revenue on Operating Expenditures

Ho : $\beta \leq 0$: Original Local Government Revenue does not have a positive and significant effect on Operating Expenditure

Ha : $\beta > 0$: Original Local Government Revenue has a positive and significant effect on Operating Expenditure

Referring to Table 4 and based on the hypothesis that has been established for operating expenditure, the t-count value of the PAD variable is 0.007504, while the t-table value is 2.14479. This shows that $t_{count} < t_{table}$, which means that Ho is accepted and Ha is rejected, where in these results PAD has a positive, but not significant effect on operating expenditure.

Hypothesis 4. Effect of Transfer Funds from the Center on Operating Expenditure
Ho : $\beta \leq 0$: The Transfer Funds from the Center does not have a positive and significant effect on Operating Expenditures
Ha : $\beta > 0$: The Transfer Funds from the Center has a positive and significant effect on Operating Expenditure

Referring to Table 4 and based on the hypothesis that has been established for operating expenditure, the t-count value of the DP variable is 7.371758, while the t-table value is 2.14479. This shows that $t_{count} > t_{tabel}$, where when the condition Ho is rejected and Ha is accepted, which means DP has a positive and significant effect on operating expenditure.

2) Uji F

The F test is carried out by making hypotheses in the form of Ho and Ha that can be accepted or rejected, where with the criterion if the value of $F_{count} > F_{table}$, then Ho is rejected and Ha is accepted, and vice versa. As for the results of data processing, the F-count value in the operating expenditure equation is 330.9591 while the F-table value is 3.739. This shows that $F_{count} > F_{table}$, so Ho is rejected and Ha is accepted which means that PAD and DP together have a significant effect on operating expenditure.

4.3 Regional Expenditure on Gross Regional Domestic Product per Capita

a. Multiple Linear Regression Analysis

Normality Test

In this study, the normality test was carried out by comparing the Probability value or p-value of Jarque-Bera (JB) against the value of Alpha (α), where the α value used was 5 percent or 0.05. Based on the results of data processing, the value of Jarque-Bera (JB) is 0.641484 with a p-value of 0.725610. It shows that the value is greater than $\alpha = 0.05$. Thus, the research data of the gross regional domestic product per capita variable are normally distributed.

Classical Assumption Test

The results of the analysis by transforming the form of data into the form of LOG and D, show that the results are no better than the results of the analysis using the original data, where this is related to the significance of the variables set. For this reason, through a comparison of the three results of the analysis carried out, it is determined in the gross regional domestic product per capita equation using original data as a reference, with the consequence that there are symptoms of autocorrelation.

1) Multicollinearity Test

The value of the Variance Inflation Factor (VIF) of 4.832204 indicates that the gross regional domestic product per capita equation does not have a statistical multicollinearity effect between independent variables, because the VIF value is less than 10.

2) Heteroscedasticity Test

The p-value of Chi-Square to test for heteroscedasticity is 0.0888. The value is greater than $\alpha = 0.05$ which indicates that there is no heteroscedasticity problem in the regression model.

3) Autocorrelation Test

Using the LM Test shows that the calculated p-value F is 0.0391. This value is smaller than $\alpha = 0.05$ which means that there is an autocorrelation in the gross regional domestic product per capita equation. The occurrence of autocorrelation in the results of

the study was caused by spurious regression, where an equation has a high value of F count, R^2, and t, while the value of D-W is low (Winarno, 2015).

Regression Model Estimation

$$\widehat{PDRB_t} = 4{,}749945 - 4{,}14\,BM_t + 5{,}67\,BO_t \quad (7)$$

Coefficient of Determination (R^2)

Based on the estimated results, the value of R^2 in the gross regional domestic product per capita equation of 0.971707. This value means that the variation in the variables contributes 97.17 percent to the variable gross regional domestic product per capita, while 2.83 percent is given by other variables not specified in this equation.

Test the hypothesis

1) Test t

The t test is carried out by making hypotheses in the form of Ho and Ha that can be accepted or rejected, where with the criterion, if the value of $t_{count} > t_{table}$, then Ho is rejected and Ha is accepted, and vice versa. The following are the results of the t-test on the gross regional domestic product per capita equation:

Table 5. Test t ($\alpha = 0.025$) on the Gross Regional Domestic Product Per Capita Equation

Variable	t-count	t-table	*p-value*	Information
BM	–1,888808	2,14479	0,0798	Insignificant
BO	12,33067	2,14479	0,0000	Significant

Sumber: Data Sekunder yang Diolah, 2023

Hypothesis 7. The Effect of Capital Expenditure on Gross Regional Domestic Product Per Capita

Ho : $\beta \leq 0$: Capital Expenditure does not have a positive and significant effect on Gross Regional Domestic Product per Capita

Ha : $\beta > 0$: Capital Expenditure has a positive and significant effect on Gross Regional Domestic Product per Capita

Referring to Table 5 and based on the hypothesis that has been established for gross regional domestic product per capita, the t-count value of the BM variable is –1.888808, while the t-table value is 2.14479 or –2.14479. This shows that $t_{count} > t_{table}$ for negative, when the condition then Ho is accepted and Ha is rejected, which means BM has no positive and significant effect on gross regional domestic product per capita.

Hypothesis 8. The Effect of Operating Expenditure on Gross Regional Domestic Product Per Capita

Ho : $\beta \leq 0$: Operating Expenditure does not have a positive and significant effect on Gross Regional Domestic Product per Capita

Ha : $\beta > 0$: Operating Expenditure has a positive and significant effect on Gross Regional Domestic Product per Capita

Referring to Table 5 and based on the hypothesis that has been established for gross regional domestic product per capita, the t-count value of the BO variable is 12.33067, while the t-table value is 2.14479. This shows that $t_{count} > t_{table}$, where when these conditions Ho is rejected and Ha is accepted, which means that BO has a positive and significant effect on gross regional domestic product per capita.

2) Test F

The F test is carried out by making hypotheses in the form of Ho and Ha that can be accepted or rejected, where with the criterion if the value of $F_{count} > F_{table}$, then Ho is rejected and Ha is accepted, and vice versa. As for the results of data processing, the F-count value in the gross regional domestic product per capita equation is 275.7528 while the F-table value is 3.739. This shows that $F_{count} = F_{table}$, so Ho is rejected and Ha is accepted which means BM and BO together have a significant effect on gross regional domestic product per capita.

5. Discussion

5.1 Regional Financial Independence of Kabupaten Kuningan

The Degree of Fiscal Decentralization analysis reflects the value and percentage of original local government revenue in total regional revenues (Muryawan &; Sukarsa, 2016). Thus, based on the data in the table through the degree of fiscal decentralization, the Kuningan Regency which on average is in the "Very Less" category as well as the low proportion of original local government revenue and the high proportion of transfer funds for the center in the realization of regional revenues in 2004 – 2020, show that the regional financial independence of Kuningan Regency is in a low position or in other words "Less Independent". This means proving that Kuningan Regency has a high dependence on transfer funds from the center to carry out government activities, development, and services to the community.

5.2 Regional Revenue to Regional Expenditure

Based on the Wagner Law clearly stated, government expenditure comes from the revenue obtained (Mangkoesoebroto, 1998). The higher the revenue obtained, the more guaranteed the fulfillment of the expenses to be made, and vice versa. In accordance with that, the assumption of this study explains that there is a positive relationship between regional income and regional expenditure, where an increase in the income side will be responded to by an increase in the expenditure side of the region.

However, based on the results of data processing, it shows that the transfer funds from the center is a component of regional revenue that is influential in capital and operating expenditure of Kuningan Regency, because the value of the transfer funds from the center in each year is the highest compared to others. In terms of the influence of original local government revenue variables on capital and operating expenditure, the conclusions obtained reject the established hypothesis. This happens because the original local government revenue value of Kuningan Regency has the lowest proportion, so that original local government revenue has not been able to contribute fully to capital expenditure and operations. In addition, the insignificant and negative influence of original local government revenue indicates that its value cannot be used as a benchmark to determine the amount of capital expenditure and operations. This can be proven through receipts to the original local government revenue component of Kuningan Regency that has not reached the target in certain periods. The results of this contradictory analysis are also marked by an increase in the original local government revenue side, but not responded by an increase in the regional expenditure side, and vice versa. According to the discussion above, it also further strengthens that Kuningan Regency in a period of 17 years, namely 2004 – 2020 has a high dependence on transfer funds from the center s or transfer funds from the center.

5.3 Regional Expenditure on Gross Domestic Regional Bruto per Capita

Based on the Wagner Law, gross domestic regional bruto per capita income has a correlation with government spending. The law states that an increase in people's per capita income will result in an increase in government expenditure (Mangkoesoebroto, 1998). Thus, the assumption of this study explains, regional spending and gross regional domestic product per capita have a positive relationship, where when there is an increase, it will increase the other side, and vice versa. However, based on the results of data processing, the conclusions obtained reject the hypothesis that has been set, especially from the effect of capital expenditure on gross regional domestic product per capita of Kuningan Regency. While operating expenditures have a significant and positive effect which indicates that they are in accordance with the established theories and hypotheses. The insignificant effect of capital expenditure on gross regional domestic product per capita can occur due to the low value of capital expenditure allocation and also conflicting conditions, where when there is a reduction in capital expenditure allocation in a certain period, it results in an increase in the gross regional domestic product per capita side. On the one hand, capital expenditure is key in supporting the welfare of local communities, because it is related to the provision of public services and the development of sectors that support people's income in the long run.

Based on this, according to the data on the allocation of capital expenditure of Kuningan Regency is relatively low, when compared to the allocation of operating expenditure. In addition, in certain periods, when capital expenditure has been reduced in regional budget allocations, the value of gross regional domestic product per capita continues to increase from year to year. However, the rejection of the established hypothesis does not mean that it is completely influential. However, it indicates that the utilization of public and sectoral facilities in Kuningan Regency is getting optimal from year to year, so that income or gross regional domestic product per capita has increased, it's just that the benefits arising from capital expenditure do not arise directly or require a long time with a long period of time. In addition, the significant and positive influence of operating expenditure shows that operating expenditure contributes to supporting the gross regional domestic product per capita of Kuningan Regency, namely through employee spending and social assistance spending. With this expenditure, the Kuningan Regency government supports an increase in people's income, so that the necessities of life and welfare can be guaranteed.

6. Conclusion

In accordance with the results of data processing and literature studies, this study can provide the following conclusions: (1) The Degree of Fiscal Decentralization of Kuningan Regency in 2004 – 2020 was on average in the "Very Less" category with a value of 8.31 percent. This means that the regional financial independence of Kuningan Regency is low or "Less Independent". (2) original local government revenue does not have a significant and negative effect on capital expenditure, while it is positive for operating expenditure. The transfer funds from the center have a significant and positive effect on capital and operating expenditure. (3) Capital expenditure does not have a significant and negative effect on gross domestic regional bruto per capita. Operating Expenditure has a significant and positive effect on gross domestic regional bruto per capita.

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