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The Effect of Capital and Personnel Expenditures on the Level of Regional Financial Autonomy in Yogyakarta

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ABSTRACT

Yogyakarta has high spending on capital and personnel expenditures, with the regional financial dependency rate remaining high. This study investigates the impact of capital and personnel expenditures on Yogyakarta's level of regional financial autonomy. This study utilized a quantitative method and analyzed data from all regencies and cities in Yogyakarta between 2015 and 2022. A total of 40 observations were based on a purposive sampling approach and examined using linear regression. The findings indicate that both variables have a significant negative impact on the level of regional financial autonomy. The study results can guide future financial management strategies for the regional government. In addition, this study contributes to the understanding of regional financial autonomy characteristics, particularly in Yogyakarta.

Keywords: public sector accounting; regional finance; regional financial management

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INTRODUCTION

Law No. 9/2015 junto (jo.) Law No. 23/2014, concerning regional government, defines regional autonomy as the rights, authority, and obligations of autonomous regions to manage and regulate their own government affairs, including the interests of local communities, under statutory regulations (Rangkasa, 2017). Based on the principle of autonomy, regional governments have the authority to manage and regulate all government activities that are not part of the affairs or authority of the central government (Bunga, 2020).

To realize regional financial autonomy, regional governments need to explore regional potential to maximize and generate income (Wahyuni & Ardini, 2018). A region's ability to explore its potential can be measured by how much Regional Original Income (Indonesian: *Pendapatan Asli Daerah*, abbreviated PAD) is obtained (Rinaldi, 2013). Thus, broad autonomy requires regions to improve their competitiveness (Fauzi, 2019). The financial capacity of a region reflects the level of regional autonomy. High original regional income indicates a high level of regional financial autonomy. This condition characterizes the success of regional autonomy (Darwis, 2015). Regional financial autonomy is not only measured by the amount of original regional income but also by how each region manages its income to fund regional activities. This variety of activities can be seen in regional expenditure which is included in the Regional Revenue and Expenditure Budget (Indonesian: *Anggaran Pendapatan, dan Belanja Daerah*, abbreviated APBD) (Ariani & Putri, 2016). Based on regulations Government Number 12 of 2019 concerning Regional Financial Management, regional spending is all recognized government obligations as a deduction from the value of net assets in the fiscal year (JDIH BPK RI, 2023). One type of financial autonomy is the ability of local governments to realize expenditure using collected original regional income without fully relying on transfer income from the central government (Wahyuni & Ardini, 2018).

Operational expenditure is the largest regional expenditure. Most of the operational expenditure is personnel expenditure which is also a component of direct regional expenditure. Employee spending is spending to appreciate all employees who have carried out their obligations to the government (Sefira & Budiwitjaksono, 2022). The average employee expenditure is multiple capital expenditure consisting of six accounts (Rinaldi, 2014). Restricted regional expenditure is mandatory regional government expenditure, including personnel expenditure, interest, and subsidies (Fanggidae, 2020). Besides that, spending on education and health is also mandatory. The distinction between mandatory and restricted spending lies in their usage. Mandatory expenditure is used to finance public facilities and infrastructure. If the amount of discretionary spending is quite significant, the fiscal space of regional governments will decrease. This situation hampers regional development stemming from capital expenditure (Fanggidae, 2020).

According to Darwis (2015), having less spending on capital than personnel spending is a main concern, including allowances for Civil Servants (Indonesian: *Pegawai Negeri Sipil*, abbreviated PNS) and State Civil Apparatus (Indonesian: *Aparatus Sipil Negara*, abbreviated ASN). If personnel expenditure is higher than capital expenditure, the regional government will have a small fund allocation for developing, maintaining, and improving public facilities (Fitriyani & Suwarno, 2021). This is the phenomenon of shrinking fiscal space. This condition occurs in all districts and cities in the Special Region of Yogyakarta Province.

The Yogyakarta government has developed a regional financial policy focus, mainly in the form of a regional fiscal study (Indonesian: *Kajian Fiskal Regional*, abbreviated KFR). The Special Region of Yogyakarta (Indonesian: *Daerah Istimewa Yogyakarta*, abbreviated DIY) Provincial Government is working on achieving appropriate spending on development targets and regional challenges by paying attention to the regional economy and fiscal matters. This involves analyzing leading sectors such as the processing industry, accommodation provision, and food and beverage services, as well as assessing regional potential in the construction sector. Additionally, they are aiming to harmonize central and regional spending (DJPK Kementerian Keuangan, 2023). Through these policies, it is hoped that the contribution to DIY Gross Regional Domestic Product or GRDP (Indonesian: *Produk Domestik Regional Bruto*, abbreviated PDRB) will increase and, therefore, the support from transfer to regions and villages (Indonesian: *Transfer ke Daerah dan Desa*, abbreviated TKDD) will be decreased. Four districts and one city in DIY Province will have GRDP and 19 growth levels following an exploration of the potential of each region. Each region will have different ways of allocating regional spending to improve regional management (Putra, 2013). However, in terms of Regional Revenue and Expenditure Budgets implementation (Indonesian: *Anggaran Pendapatan dan Belanja Daerah*, abbreviated APBD), the DIY Provincial Government's income at the end of 2022 is still dominated by TKDD, at around 66.77% (DJPK Kementerian Keuangan, 2023).

Data from the Yogyakarta Provincial Government's Revenue and Expenditure Budget Realization Report (APBD) in Table 1 shows that the allocation of personnel expenditure tends to be higher than capital expenditure.

Table 1. Realization of capital expenditure and personnel expenditure of Yogyakarta Special Government to total regional expenditure

Years	Capital Expenditure	Personnel Expenditure	Total Expenditure (Rp)
2017	25%	34%	2,475,425,098,581.60
2018	25%	33%	2,645,620,835,788.74
2019	23%	34%	2,588,966,940,365.85
2020	22%	36%	2,502,870,809,638.94
2021	12%	28%	2,216,380,281,472.39
2022	13%	29%	2,309,546,429,919.38

Source: ppidjogjaprov.go.id

Data series of APBD, APBD realization, and balance sheet in 2021-2022 by the Directorate General of Fiscal Balance of the Ministry of Finance (Indonesian: *Direktorat Jenderal Perimbangan Keuangan*, abbreviated DJPK) show that the Special Region of Yogyakarta (DIY) has the second-largest ratio of personnel expenditure to total regional expenditure in 2021 in Java after DKI Jakarta, as shown in Table 2. The ratio of personnel expenditure in DIY increased from 28.6% in 2021 to 29.4% in 2022. This rise makes DIY the highest ranked for the ratio of personnel expenditure because DKI Jakarta experienced a decrease in personnel expenditure (DJPK Kementerian Keuangan, 2022).

Table 2. Personnel expenditure ratio between provinces on Java Island

Province	2021	2022	Increase (decrease)
DKI Jakarta	30,0%	27,3%	(2,7%)
DI Yogyakarta	28,6%	29,4%	0,8%
Jawa Timur	24,5%	23,4%	(1,1%)
Jawa Tengah	22,5%	24,6%	2,1%
Banten	11,8%	19,5%	7,7%
Jawa Barat	15,4%	20,4%	5%

Source: djpkkemenkeu.go.id

The highest ratio of personnel expenditure on the island of Java indicates that districts and cities in DIY Province have a large realization of personnel expenditure. Besides that, expenditure for development or realization of district and city capital expenditure in DIY has an insignificant ratio compared to personnel expenditure. This is proven by the APBD data series, APBD realization, and balance sheet by the DJPK Ministry of Finance as shown in Table 3.

Table 1. Ratio of capital and regency expenditures and city personnel expenditures in DIY Province in 2022 to total regional expenditures

Regency/Cities	Capital Expenditures	Personnel Expenditures
Bantul	9,76%	37,55%
Gunungkidul	13,42%	41,18%
Kulonprogo	9,54%	43,92%
Sleman	15,34%	35,79%
Yogyakarta	14,42%	39,60%

Source: djpkkemenkeu.go.id

Table 3 shows that capital expenditure has a very low ratio, below 20%, while personnel expenditure has a ratio above 30%. Although the personnel expenditure does not exceed 50%, local governments are expected to carry out development through capital expenditure. However, the realization of district and city capital expenditure in DIY is relatively low. Additionally, with the implementation of tax harmonization (Indonesian: *Undang-undang Hubungan Keuangan antara Pemerintah Pusat dan Pemerintah Daerah*, abbreviated UU HKPD), it is hoped that regions will allocate 40% of the budget for capital expenditure.

According to DJPK, the Ministry of Finance, in 2022, the composition of DIY district and city regional income for Original Regional Income is at 16.05% to 38.72% and Transfer Funds to Regions is 52.69% to 75.04% (Suryani, 2022). This percentage shows that the average regional dependence in the DIY region is still high. This can also be seen from the trend in the ratio of regional financial autonomy in district and city governments in DIY Province. The average financial autonomy ratio for each regional government in the 2017-2021 period is PAD of 23.98% and 63.34% is transfer funds (Suryani, 2022). The details of the average regional financial autonomy ratio of the DIY Regional Government are shown in Table 4 below.

Table 4. Average regional financial autonomy in regency/cities of Yogyakarta Special Region Province from 2017 to 2021 from the composition of central transfer funds

Regency/Cities	Average Ratio
Yogyakarta	52,28%
Sleman	54,59%
Bantul	65,44%
Kulonprogo	69,40%
Gunungkidul	75,01%

Source: djpkkemenkeu.go.id

The data on the financial performance of Regency/City Regional Governments in DIY Province from 2017 to 2021 show that Bantul, Kulonprogo, and Gunungkidul regional Governments have a level of autonomy below 25%, which means very low. The following is the ratio for regional financial autonomy in districts and cities in DIY in 2022.

Table 5. Regional financial autonomy ratio

Regency/Cities	Ratio
Bantul	31,57%
Gunungkidul	18,78%
Kulomprogo	25,35%
Sleman	54,73%
Yogyakarta	62,31%

Source: Processed data (2024)

The data on the financial autonomy ratio calculated from Original Regional Income compared to central or provincial government transfers and loans, three districts in DIY province are still below 32%. This is a consultative relationship pattern which means low regional financial capacity (Mahsun, 2006). Dependence on transfer income indicates that regional PAD collection is not optimal. Regional Original Income (Indonesian: *Pendapatan Asli Daerah*, abbreviated PAD) is the result of the realization of expenditure used for public purposes or services, so the allocation of expenditure composition for routine expenditure which is relatively less productive needs to be reduced (Fatimah et al., 2020).

This research was conducted to prove whether there is an influence of capital expenditure and personnel expenditure on the level of regional financial autonomy of district and city governments in D.I. Yogyakarta Province in 2015-2022. Previous research in the districts and cities of West Sumatra Province has proven a negative influence of capital and personnel expenditure on the level of regional financial autonomy. This research is expected to contribute technically and academically. The Yogyakarta regional government can evaluate the composition of capital expenditure and personnel expenditure to increase regional financial autonomy. At an academic level, this research can strengthen the results of empirical studies on the influence of capital expenditure and personnel expenditure on regional financial autonomy.

Theoretical Framework and Hypothesis Development

Stewardship theory

This research uses stewardship theory. Stewardship Theory defines a successful organization as an organization that can demonstrate the optimization of the utility of the principal and management groups. Maximizing the utility will maximize the interests of an individual in the organizational group (Jefri, 2018). This theory states that the level of existence of regional or city government as an organization or public service institution is trusted to carry out its duties and functions appropriately for the public interest to achieve maximum community welfare (Oktavianus Pasaloran, 2001). If the government as a steward can achieve its goals, then the people as principals will feel satisfied and have more confidence in the government's performance. Regional governments with a high level of regional financial autonomy are regional governments that can fund their government activities independently (Anton, 2010).

The influence of capital expenditures on the level of financial autonomy of regency and city governments in the Special Region of Yogyakarta Province

Capital expenditure is the realization of the budget for the acquisition of fixed assets and other assets that have a useful life of more than 12 months or one accounting period and are used for government activities. (Halim & Kusufi, 2012). Following the Stewardship Theory, local governments are required to manage capital expenditure optimally and on target so that the level of service to the public is of higher quality (Ernawati & Riharjo, 2017). To manage capital expenditure optimally, strong cooperation between local governments as stewards and the community is needed to achieve community satisfaction.

Rivandi and Anggraini (2022) found that a large PAD indicates that the region is financially independent and can prepare a more optimal capital expenditure budget. However, if the increase in capital expenditure is not accompanied by an increase in PAD, it could result in the regional government's inability to fund capital expenditure. As a result, regional governments will always depend on the central government to fund capital expenditure.

Research by Darwis (2015) found that capital expenditure had a significant and negative influence on the level of regional financial autonomy of district and city governments in West Sumatra. This means that increasing capital expenditure will reduce the level of regional financial autonomy. If the remaining budget from PAD which is used for mandatory expenditure and restricted expenditure cannot be used to fund capital expenditure, then capital expenditure will be financed with general allocation funds, one of which is transfers from the central government. Research by Imawan and Agus, (2014) shows the same findings, that capital expenditure had a negative effect on regional financial autonomy. Based on the explanation above, a hypothesis is formulated:

H1. Capital Expenditures have a negative effect on the Level of Regional Financial Autonomy

The influence of personnel expenditures on the level of financial autonomy of regency and city governments in the Special Region of Yogyakarta Province

According to Darise (2007), employee expenditure is expenditure for imbalances and corrections, namely in the form of basic salary, allowances, and other income handed over to Civil Servants (PNS) as reciprocity for obligations that have been carried out. Included in personnel expenditure is work related to capital formation as determined by law. Appropriately and optimally selected employee expenditure will improve the quality of regional apparatus performance. Regional officials as managers and executors of functions will receive payments in the form of salaries and allowances. Therefore, regional officials are required to be responsible for managing resources to provide optimal services to the community. If the performance of regional officials as administrators is well supported by a good governance system, then regional financial autonomy will be achieved.

According to Darwis (2015), employee spending can influence the level of regional financial autonomy, both positively and negatively. A positive influence occurs when employee spending can support the productivity of regional apparatus performance. Meanwhile, a negative influence occurs if personnel expenditure is greater than the capital expenditure used to develop and implement public services. Excessive personnel spending will affect regional spending and burden financial stability, thereby hampering regional development. Darwis's statement (2015) is proven by the results of his research that spending on district and city government employees in West Sumatra Province has a negative influence on the level of regional financial autonomy. Research by Wahyuni and Ardini (2018) regarding the Influence of PAD, Capital Expenditures, and Personnel Expenditures on the Level of Regional Financial Autonomy shows that personnel spending has a negative influence on the level of regional financial autonomy. Regional financial stability in East Java is influenced by a significant increase in personnel spending. From the explanation above, a hypothesis is formulated:

H2. Personnel Expenditures have a negative effect on the Level of Regional Financial Autonomy

RESEARCH METHOD

Research Plan

This research used descriptive quantitative research methods. The type of data used was secondary data obtained from the publication of Regional Regulations on Accountability for the Realization of District and City Regional Government APBDs in the Special Region of Yogyakarta

Province (DIY) in 2015-2022. The data source was obtained from the Legal Documentation and Information Network (Indoensian: *Jaringan Dokumentasi dan Informasi Hukum*, abbreviated JDIH) and Officer of Information and Documentation Management (Indonesian: *Pejabat Pengelola Informasi dan Dokumentasi*, abbreviated PPID) portals regarding Regional Regulations regarding Accountability for the Realization of Regional Revenue and Expenditure Budgets (APBD) of Regency and City Governments in D.I Yogyakarta for 2015-2022. Documentation technique was used to collect the data. The population was District and City Governments in DIY Province. The sampling technique was carried out using a purposive sampling approach to determine samples from the population that met the criteria.

Definition of Variable and Measurement

The variables used in this research consist of two independent variables (X), one dependent variable (Y), and five controlling variables. The following is an explanation of these variables:

The level of regional financial autonomy (Y)

Halim and Kusufi (2012) said that the ratio of regional financial autonomy or fiscal autonomy is the ability of a region to fund its government activities, development, and services to the public who have paid taxes and retribution as a source of regional income.

$$Y = \left(\frac{Regional\ Original\ Income\ (PAD)}{Central, Provincial\ Government\ Transfers\ \&\ Loans}\right) x\ 100\%$$

Information:

Y = The regional financial autonomy ratio

Source: Halim and Kusufi (2012)

Capital expenditure (X1)

Capital expenditure is the realization of the budget for the acquisition of fixed assets and other assets that have a useful life of more than 12 months or one accounting period for use in government activities.

$$X1 = \left(\frac{Capital\ Expenditure}{Total\ Regional\ Expenditure}\right) X\ 100\%$$

Information:

X1 = Capital expenditure ratio

Source: Simatupang (2016)

Personnel expenditure (X2)

Darise (2007) states employee expenditure is an expenditure in the form of salaries and allowances as well as other income handed over to PNS (Civil Servants) as an imbalance of obligations carried out, except for work related to capital formation as determined by statutory regulations.

$$X2 = \left(\frac{Personnel\ Expenditure}{Total\ Regional\ Expenditure}\right) X\ 100\%$$

Information:

X2 = Personnel expenditure ratio

Source: Simatupang (2016)

Regional tax (Control 1)

Based on Nggilu (2016), regional taxes are retributions imposed or charged by regional governments on individuals or entities without direct compensation. They are coercive based on statutory regulations and are used to fund the administration of regional governments.

Regional retribution (Control 2)

Regional retribution is the result of regional retribution originating from payments for services or the granting of certain permits to individuals or entities by the regional government for certain purposes (Novitasari & Novitasari, 2019).

General allocation fund (DAU) (Control 3)

General Allocation Funds (Indonesian: *Dana Alokasi Umum*, abbreviated DAU) are funds originating from APBN revenues and allocated to regions to equalize regional finances in meeting the needs of each region in the context of implementing decentralization (Marizka, 2013).

Special Allocation Fund (DAK) (Control 4)

Special Allocation Funds (Indonesian: *Dana Alokasi Khusus*, abbreviated DAK), are funds originating from APBN revenues and allocated to regions to finance special activities which include regional affairs and are in line with national priorities in the context of basic services to the public (Nurhasanah & Maria, 2017).

Profit Sharing Funds (DBH) (Control 5)

Profit Sharing Funds (Indonesian: *Dana Bagi Hasil*, abbreviated DBH) funds originally come from APBN revenues and are allocated to regions based on percentage figures to finance regional needs in implementing decentralization (Marizka, 2013).

$$Ratio = \left(\frac{Realization\ of\ PD, RD, DAU, DAK, DBH}{Realization\ of\ Total\ Regional\ Income}\right) X\ 100\%$$

Information:

PD = Indonesian: *Pajak Daerah* (Regional Tax)

RD = Indonesian: *Retribusi Daerah* (Regional Retribution)

Source: Nurhasanah and Maria (2017)

RESULTS AND DISCUSSION

Descriptive Statistics

The following is a table of Descriptive Statistics for Research Variables.

Table 6. Descriptive statistic

	Mean	Std. Deviation	N
Regional Financial Autonomy	34,2138	17,20408	40
Capital Expenditure (X1)	16,1928	3,56830	40
Personnel Expenditure (X2)	45,5745	5,51669	40
Regional Tax (X3)	12,0537	9,21127	40
Regional Retribution (X4)	3,0283	9,73482	40
DAU (X5)	42,8560	6,88943	40

	Mean	Std. Deviation	N
DAK (X6)	12,5772	5,04463	40
DBH (X7)	1,8640	0,67179	40

Source: Processed data (2024)

Table 6 shows the dependent variable has an average of 34.2138 with a standard deviation of 17.20408. Based on the autonomy ratio table with the pattern of financial relations between the central government and regional governments, districts and cities in DIY Province are included in the consultative relationship pattern with a ratio of >25-50%. The capital expenditure variable as an independent variable or X1 is proxied to have a mean level of 16.1928 and a standard deviation of 3.56830. The percentage of capital expenditure during 2015-2022 has the highest value of 25.24% and the lowest value of 9.54%. The personnel expenditure variable as an independent variable X2 has a mean of 45.5745 and a standard deviation of 5.51669. Personnel expenditure has a maximum personnel expenditure percentage of 57.34% and the lowest percentage is 35.79%.

Classic Assumption Test

Normality test

The normality test was carried out using the "Kolmogorov-Smirnov" Test. Data is said to be normal when the significance level exceeds 0.05. In detail, the results of the residual normality test can be seen in the following table.

Table 7. One-sample kolmogorov-smirnov test

			Value
N (Amount of Data)			40
Kolmogorov – Smirnov Significance Value			0,200
Monte Carlo Sig, (2-tailed)	Sig		0,722
	99% *Confidence Interval*	*Lower Bound*	0,710
		Upper Bound	0,734
Testing Criteria			Sig > 0,05
Significance Value			0,200 > 0,05

Source: Processed data (2024)

Based on Table 7 regarding the results of the residual normality test, it can be seen that the "Kolmogorov-Smirnov" value is 0.200 or 20%, this value is shown from asyimp. Sig. (2-tailed) and it has been proven that the value exceeds 0.05 (0.200 > 0.05), it is concluded that the residual data for this study is normally distributed.

Multicollinearity Test

The multicollinearity test is used to determine whether there is a correlation between independent variables or not. Multicollinearity can be seen from the VIF (Variance Inflation Factor) and tolerance values. If the tolerance value is > 0.1 and VIF < 10, then the model is free from correlation. Based on this test, the tolerance and VIF values were obtained as follows.

Based on Table 8. above, the calculation results of the Tolerance and VIF values can be seen. The Tolerance value for the capital expenditure variable (X_1) is 0.865 and the VIF value is 1.157. Then for the personnel expenditure variable (X_2), the tolerance value is 0.330, while the VIF has a value of 3.030. Through these results, it can be concluded that the capital expenditure and personnel expenditure variables as independent variables have a tolerance value of more than 0.10 (> 0.10) and a VIF (Variance

Inflation Factor) of less than 10 (< 10). The results of the multicollinearity test showed that there was no multicollinearity between all the independent variables in the research.

Table 8. Multicollinearity test

Coefficient		*Collinearity Statistic*	
Model		*Tolerance*	*VIF*
1	Capital Expenditure	0,865	1,157
	Personnel Expenditure	0,330	3,030
	Regional Tax	0,156	6,418
	Regional Retribution	0,505	1,979
	General Allocation Fund (DAU)	0,305	3,282
	Special Allocation Fund (DAK)	0,331	3,023
	Profit Sharing Funds (DBH)	0,394	2,541

Source: Processed data (2024)

Autocorrelation Test

The autocorrelation test used in this research is the "Durbin Watson" test (DW test) with the results that there is no autocorrelation if the DW value is more than -2 and less than +2 (-2 < DW < +2) (Ghozali, 2009). The following are the results of the autocorrelation test:

Table 9. Autocorrelation Test

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	0,992	0,984	0,980	2,42756	1,223

Source: Processed data (2024)

From Table 9 above, the Durbin-Watson results are obtained with a value of 1.665. Based on the criteria used in the DW test, the calculated DW value is between -2 and 2, namely $-2 \leq 1.223 \leq 2$, so it can be concluded that in this study there are no symptoms of autocorrelation.

Heteroscedasticity Test

The heteroscedasticity test is a test to determine whether the data has symptoms of heteroscedasticity or not. A good model criterion is if heteroscedasticity does not occur with a significance of > 0.05. Based on the table below, you can see the significance value of the heteroscedasticity test results.

Table 10. Heteroscedasticity test

Coefficient		
Model		Significance
1	(Constant)	0,912
	Capital Expenditure	0,788
	Personnel Expenditure	0,782
	Regional Tax	0,459
	Regional Retribution	0,205
	General Allocation Fund (DAU)	0,902
	Special Allocation Fund (DAK)	0,492
	Profit Sharing Funds (DBH)	0,700

Source: Processed data (2024)

In Table 10 above, the significance value of the independent variables X1 and Both results are above 0.05, which means that the data tested does not have symptoms of heteroscedasticity.

Multiple Linear Regression Analysis

The value of the regression equation and the correlation coefficient value used are as follows:

Table 11. Multiple linear regression analysis

Coefficient				
	Model	Regression Coefficient (β)	t count	Sig.
1	(*Constant*)	14,403	2,160	0,038
	Capital Expenditure	-0,232	-2,500	0,018
	Personnel Expenditure	-0,241	-2,158	0,039
	Regional Tax	2,032	20,878	<0,001
	Regional Retribution	0,400	7,823	<0,001
	General Allocation Fund (DAU)	0,327	3,518	0,001
	Special Allocation Fund (DAK)	-0,293	-2,411	0,022
	Profit Sharing Funds (DBH)	0,497	0,597	0,555

a. *Dependent Variable* : The Level of Regional Financial Autonomy

Source: Processed data (2024)

Based on t-Table 11 regarding statistical data processing, it is known that the multiple linear regression equation is as follows:

$$Y = (\mathrm{a} + \mathrm{b1X1} + \mathrm{b2X2} + \mathrm{b3X3} + \mathrm{b4X4} + \mathrm{b5X5} + \mathrm{b6X6} + \mathrm{b7X7} + \mathrm{e})$$

$$Y = 14{,}403 - 0{,}232\ (X1) - 0{,}241\ (X2) + 2{,}032\ (X3) + 0{,}400\ (X4) + 0{,}327\ (X5) - 0{,}293\ (X6) + 0{,}497\ (X7)$$

Model Equation 1

The equation obtained from this test is as follows:

a) Constant (α)

The constant value of the model is 14.403, which means that if the independent variables: capital expenditure and personnel expenditure, and the control variables: regional taxes, regional retribution, DAU, DAK, and DBH, have a value of zero (0), then the dependent variable is the level of regional financial autonomy. The region has a value of 14,403.

b) Regression Coefficient (β) Capital Expenditure Variable (X_1)

The value of the regression coefficient for the independent variable capital expenditure (X_1) has a value of 0.232 or 23.2%. This figure shows that every 1% increase in the proportion of capital expenditure will cause a decrease in the level of regional financial autonomy by 0.232, this is by using the assumption that personnel expenditure and the control variable have a value of zero or remain constant.

c) Regression Coefficient (β) Personnel Expenditure Variable (X_2)

The regression coefficient value of the independent variable personnel expenditure (X2) has a value of 0.241 or 24.1%. If interpreted, this means that every 1% increase in the proportion of personnel expenditure will result in a decrease in the level of regional financial autonomy by 0.24, assuming that capital expenditure and control variables are zero or fixed.

Hypothesis Testing

Coefficient of determination test (R^2)

The coefficient of determination test or Adjusted R Square is a statistical value needed to see how much influence the two independent variables contribute to the dependent variable. The test can be seen from the table below:

Table 12. Coefficient of determination test

Model Summary				
Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	0,993	0,986	0,984	2,20986

Source: Processed data (2024)

Based on Table 12, the Adjusted R Square value obtained is 0.984 or 98.4%. This Adjusted R Square value is obtained from two independent variables, namely capital expenditure and personnel expenditure, as well as five control variables, namely regional taxes, regional retribution, general allocation funds, special allocation funds and profit-sharing funds.

Significance test (F-test)

A significance test or F-test is a test to see how the independent variable influences the dependent variable. To see the results of the F Test, namely in the following table:

Table 13. Significance test (f-test)

Model			F Count	Sig.
1	*Regression*		333,105	0,0001^{b}
	Testing Criteria	F Count > F table		Sig < 0,05
	Results	333,1> 2,24		0,0001 < 0,05

Source: Processed data (2024)

The results of the significance test (F test) in Table 13 show that the calculated F value is 333.105, this value is greater than the F table which has a value of 2.249 (333.1 > 2.24). Then the test results can also be seen from the significance value of <0.05 (0.001 <0.05), so that the regression model can test the influence of the independent variable on the dependent variable.

Hypothesis Discussion

Partial test (t-test)

Partial test or t-test is carried out to see how much influence the independent variable has on the dependent or dependent variable. The following is a table of results from the t test.

Table 14. Partial test (t-test)

Coefficient				
Model		Regression Coefficient (β)	t count	Sig.
1	(*Constant*)	14,403	2,160	0,038
	Capital Expenditure	-0,232	-2,500	0,018
	Personnel Expenditure	-0,241	-2,158	0,039
	Regional Tax	2,032	20,878	<0,001

Coefficient			
Model	Regression Coefficient (β)	t count	Sig.
Regional Retribution	0,400	7,823	<0,001
General Allocation Fund (DAU)	0,327	3,518	0,001
Special Allocation Fund (DAK)	-0,293	-2,411	0,022
Profit Sharing Funds (DBH)	0,497	0,597	0,555

Source: Processed data (2024)

Based on Table 14, which presents the results of statistical data processing in a t-test or hypothesis test, it shows the influence of independent variables on the dependent variable.

H1: Capital Expenditures Have a Negative Effect on The Level of Regional Financial Autonomy

From Table 14, it can be seen that the β coefficient value for the proportion of capital expenditure is negative with a value of 0.232, where the calculated t value > t table (2.500 > 1.682) and the significance value is 0.018 < 0.05. Thus, it can be concluded that capital expenditure has a significant negative effect on the level of regional financial autonomy. **Based on this test, the first hypothesis (H1) is supported.**

Table 14 displays the β coefficient value, indicating that the proportion of capital expenditure has a negative value of 0.232. Additionally, the calculated t-value (2.500) is greater than the t-table value (1.682), and the significance value is 0.018, which is less than 0.05. Therefore, we can conclude that capital expenditure has a significant negative effect on the level of regional financial autonomy. This supports our first hypothesis (H1).

These results align with the findings of previous research. Darwis (2015) stated that capital expenditures had a significant negative effect on the financial autonomy of district and city governments in West Sumatra from 2009 to 2013, while Defitri (2020) found similar results for the West Sumatra regional government from 2016 to 2017. In our study, we found that the cases faced by districts and cities in DIY Province are similar to those in West Sumatra Province. The average realization of capital expenditure for all districts and cities in DIY is only 16.19%. Capital expenditure has a significant and negative impact on the level of regional financial autonomy, indicating that capital expenditure not accompanied by an increase in PAD will result in greater funding from central government transfer funds. Furthermore, the unequal proportion of capital expenditure in districts and cities in DIY leads to inequality in the level of regional financial autonomy.

Looking at the cases that occur in districts and cities in DIY Province regarding the results of local revenue collection which are still less than optimal because the percentage of tied spending is large and there is no remaining budget to finance development spending, causing greater dependence on transfer funds. This dependence can be proven by the results of the ratio of regional tax revenues and retribution which is far below the ratio of general allocation funds. On average, regional tax and levy revenues are below 30% and general allocation funds are above 30%, reaching 43% in 2022 in Gunungkidul Regency. Based on this explanation, it can be concluded that if there is an increase in capital expenditure in all districts and cities in DIY and reality it is funded more by DAU (General Allocation Fund) then the level of regional financial autonomy will decrease.

H2: Personnel Expenditure has a Negative Effect on The Level of Regional Financial Autonomy

Based on Table 14, it can be seen that the β coefficient value for the proportion of personnel expenditure has a negative value of 0.241, where the calculated t value > t table is 2.158 > 1.682 and the significance value is 0.039 < 0.05. It can be concluded that capital expenditure has a significant influence in a negative direction on the level of regional financial autonomy. **Thus, the second hypothesis (H2) is supported.**

The research findings are consistent with Darwis' research in 2015, demonstrating that personnel expenses have a negative impact on regional financial autonomy. This is due to the significant allocation of personnel expenditure in the district and city budgets in West Sumatra, primarily for routine spending, leading to a decline in regional financial autonomy. Additionally, the research by Sefira and Budiwitjaksono (2022) indicated that personnel expenditure in Regencies and Cities in East Java Province from 2019 to 2020 had a negative impact, albeit not a significant one. According to Sefira & Budiwitjaksono, an increase in personnel expenditure can lead to a decrease in the level of regional financial autonomy.

In the research conducted in districts and cities in DIY Province, the proportion of personnel expenditure exceeded 30%, while capital expenditure was below 15%. The level of regional autonomy was calculated using the autonomy ratio. Notably, in 2022, three districts, Bantul Regency, Gunungkidul, and Kulonprogo had a percentage below 32%. Regional governments need to prioritize public services and aim for public satisfaction rather than purely organizational profit. They are also expected to innovate in collecting original regional income and reduce reliance on central transfer funds or other regional transfers. When personnel expenditure comprises a large portion of the budget, regional governments must focus on increasing their regional income. Failure to do so will result in more funds being allocated to personnel expenditure at the expense of regional development or capital expenditure.

CONCLUSION

The results of this study indicate that the contribution of Original Regional Income (PAD) to the level of regional financial autonomy in districts and cities in DIY is a concern. However, PAD collection is still insufficient, and dependence on each district and city in DIY is still high. The regional financial autonomy ratio in 2022 is still below 32% for Bantul, Gunungkidul, and Kulonprogo Regencies. Original regional income is still low, with a high proportion of fixed or dependent expenditure, especially in terms of personnel expenditure. This is evident from the low personnel expenditure ratio of only 35%, which means that most development expenditure is funded by central government transfer revenues. The findings indicate that capital expenditure has a significant negative effect on the level of financial autonomy of all districts and cities in DIY Province from 2015 to 2022.

Furthermore, it was found that personnel expenditure had a significant negative effect on the level of financial autonomy of all districts and cities in DIY Province from 2015 to 2022. The negative coefficient's direction in the formulated hypothesis indicates that if higher capital expenditure is not accompanied by an increase in original regional income (PAD), it will lead to most capital expenditure being funded by transfer income, thereby decreasing regional financial autonomy. Higher expenditure on personnel as fixed or bound expenditure will decrease the remaining budget, resulting in reduced funds for development and increased dependence on central transfer funds.

The evidence from this study points toward several considerations that can be used by local governments and future researchers. Government, the original regional income is crucial in establishing a high level of financial independence for all districts and cities in the Special Region of Yogyakarta Province. In addition to covering fixed expenses such as personnel costs, which make up the largest portion of the regional budget, it's important to note that local original income should be able to fund the development of public infrastructure to enhance public satisfaction, including providing comfortable and safe public facilities. This way, an increase in capital expenditure would not lead to a decrease in regional financial autonomy, as regions can fund more development from their original regional income and reduce their reliance on the central or other regional governments. Researchers, it is suggested that future researchers consider adding various variables related to other regional expenditures that could affect this study, and to increase the sample size when testing regional financial autonomy. A larger sample can help to identify the factors that contribute to both increases and decreases in the level of regional financial autonomy in districts and cities.

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