

ANALYSIS OF INFLUENCE OF REGIONAL ORIGINAL INCOME, CENTRAL GOVERNMENT TRANSFERS AND REGIONAL SHOPPING EFFICIENCY ON REGIONAL FINANCIAL INDEPENDENCE

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Abstract

This study aims to analyze the influence of local revenue variables, central government transfers, and efficiency of local expenditure, to the regional financial independence. This study collects empirical evidence. The population in this study were all districts / cities in North Sumatra Province period 2011-2013, and the sample in this study amounted to 28 districts / cities in the Province of North Sumatra. In this thesis, the research writer uses causal associative research design. The sampling method in this research is by purposive sampling method. The type of data used by the author is secondary data and data processing is done by using the statistical program tool. Classical assumption tests used by writers include normality tests, multicollinearity tests, and heterocedasticity tests. While the research model is used by the authors is to use statistical analysis of multiple linear regression equations, as for hypothesis testing is done by simultaneous significance tests, partial significance tests, and coefficient determinant. Based on the results of research, it is known that the variables of original revenues, central government transfers, and efficiency of regional expenditure, simultaneously significantly influence to the regional financial independence. Partially, local revenue variables, central government transfers have a significant effect on local financial independence. However, the efficiency of local expenditure has no positive effect on local financial independence. and coefficient determinant. Based on the results of research, it is known that the variables of original revenues, central government transfers, and efficiency of regional expenditure, simultaneously significantly influence to the regional financial independence. Partially, local revenue variables, central government transfers have a significant effect on local financial independence. However, the efficiency of local expenditure has no positive effect on local financial independence. and coefficient determinant. Based on the results of research, it is known that the variables of original revenues, central government transfers, and efficiency of regional expenditure, simultaneously significantly influence to the regional financial independence. Partially, local revenue variables, central government transfers have a significant effect on local financial independence. However, the efficiency of local expenditure has no positive effect on local financial independence.

Keywords: *Analysis of the Effect of Original Income, Central Government Transfer and Efficiency of Regional Expenditure on Regional Financial Independence in North Sumatra Province*

I. INTRODUCTION

A. Background

In the era of reformation that is happening in our country today it provides many changes in various aspects of life. One of these changes is the emergence of regional autonomy. Law Number 32 of 2004 explains that regional autonomy is the right, authority and obligation of autonomous regions to self-regulate and manage government affairs and the interests of local communities in accordance with statutory regulations. With regional autonomy, local government management has changed. This regulation change gives local governments the authority to manage their own households with the least possible interference from the central government.

Based on Law No. 23 of 2014 concerning Regional Government, the purpose of the implementation of regional autonomy is for local governments to carry out their duties and functions to achieve efficient, effective and more responsible. The hope of the implementation of regional autonomy or decentralization is so that local governments are more flexible in managing their development strategies, because with decentralization the government will be closer to its people, so that more and more people's wishes can be fulfilled by the government. Decentralization is expected to improve the quality of services to the community and prosperity of all Indonesian people in the future. Autonomy for local governments is both an opportunity and a challenge. Opportunities here for regional governments that have sufficient natural resource potential to manage these potentials themselves, while for regional governments that have inadequate natural resources are actually a challenge. The problem that often arises in implementing regional autonomy is the prospect of the ability of local government financing in the context of carrying out its function as a development organizer. This is in accordance with general provisions in Law Number 23 of 2014 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments. The problem that often arises in implementing regional autonomy is the prospect of the ability of local government financing in the context of carrying out its function as a development organizer. This is in accordance with general provisions in Law Number 23 of 2014 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments. The problem that often arises in implementing regional autonomy is the prospect of the ability of local government financing in the context of carrying out its function as a development organizer. This is in accordance with general provisions in Law Number 23 of 2014 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments.

The independence of regional finance is indicated by the size of the regional own-source revenue (PAD) compared to the regional income that comes from other sources such as central government assistance or from loans, besides PAD the independence of regional finance is also caused by many factors, including general allocation funds, special allocation funds, and profit sharing funds.

PAD is always seen as one indicator or criterion to measure the dependence of a region to the center, in principle the greater the contribution of PAD to the APBD, it will show the smaller dependence of the region to the center. Thus, an area with good financial performance means that the region has financial independence to finance the implementation of regional autonomy.

Sumatra Province as an autonomous region consisting of 25 regencies and 8 cities. Based on Figure 1.1, the level of regional financial independence (TKKD) district / city in North Sumatra Province in 2011 amounted to 5.37% and in 2012 it increased to 5.83% and this continued to occur until 2013 to 6.27%. The pattern of regional government relations to the central government in 2011, 2012 and 2013, which is Instructive Relationship Pattern (0-25%), is the role of the central government is more dominant than the independence of local governments (the regions are not able to implement regional autonomy financially). Looking at the level of financial independence of the regency / city area in North Sumatra Province experiences an increasing trend every year, this shows a positive regional financial performance. However, in general, the regency / city average revenue contribution from the central government is still high. This means that regional financial independence is still low.

With the realization of regional expenditure budgets that are not as expected, one of the toughest challenges facing the government is infrastructure development. In infrastructure development, the need for infrastructure in all parts of Indonesia is very high. Meanwhile, the government has a relatively limited budget in the state budget. The government has increased the capital expenditure and infrastructure development budget, but the APBN budget for infrastructure development is still considered insufficient. Therefore, the regional government should be able to allocate its APBD for regional expenditure and not be used up for personnel and routine expenditure.

B. Problem Formulation

Problem formulation in this research is how the influence of local own revenue, central government transfers and the efficiency of regional spending, in increasing the independence of regional finances good partially and simultaneously on the government of North Sumatra Province

C. Research Objectives

The aim of this study is to measure the effect of regional own-source revenue, central government transfers and the efficiency of regional spending on regional financial independence simultaneously or partially on regional financial independence in the regency / city of North Sumatra Province.

II. LITERATURE REVIEW

A. Theoretical basis

1. Regional Finance

Regional finance can be referred to as the rights and obligations of the region in the context of the administration of regional government which can be valued in money including all forms of wealth related to these rights and obligations.

According to Halim (2007: 25), the scope of regional finance consists of directly managed regional finances and separated regional assets. Matters included in the area of direct financial management are the Regional Budget (APBD) and regional inventory items. Then there are separated regional assets including Regionally Owned Enterprises (BUMD).

Regional financial management is all activities that include planning, implementation, administration, reporting, accountability and supervision of regional finances. In addition, regional financial management is regulated in ministerial regulations covering the authority of regional financial management, general principles and APBD structure, preparation of APBD draft, APBD stipulation, APBD preparation and stipulation for regions that do not yet have a DPRD, APBD implementation, APBD changes, APBD management, cash management regional financial business, regional financial accounting, accountability for the implementation of the regional budget, guidance and supervision of regional financial management, regional losses and financial management of the Regional Public Service Agency (BLUD).

2. Mandiri Financial Independence

According to Halim (2008: 232), regional financial independence is the ability of local governments to finance their own government activities, development and services to the people who have paid taxes and levies as a source of revenue needed by the region. The purpose of regional financial independence reflects a form of local government whether it can carry out its duties properly or not.

The ratio of regional financial independence illustrates the region's dependence on external funding sources. The higher the ratio of independence means that the level of dependence on external help is getting lower, and vice versa. The independence ratio also illustrates community participation in regional development. The higher the ratio of independence, the higher the community participation in paying local taxes and fees which are the main components of local revenue.

In the implementation of regional autonomy, each regency / city area is emphasized on its ability to self-finance all forms of its respective regional activities in which the financing is obtained from regional original income. Thus, it becomes a very important task for each district / city government to explore the local financial resources in order to generate maximum local revenue in order to cope with all activities or activities in each region, so that the level of local government dependence on central government assistance in financing the area is getting smaller. With the smaller level of dependency, an area can be said to be independent. Based on the independence ratio described in the formula as follows:

Independence Ratio:

$$\text{[Realization of PAD / central government assistance (loans)]} \times 100\%$$

Based on the formula above it can be seen that the ratio of regional independence illustrates the extent of regional dependence on external funding sources.

3. Locally-generated revenue

PAD according to (Halim 2009: 64), "All regional revenue comes from the original economic resources of the region". Efforts to increase PAD in a positive sense in the region must be utilized to increase PAD to explore new sources of revenue without burdening the community and without creating a high-cost economy. Efforts to increase PAD must be seen as a manifestation of the responsibility of local governments to improve services and public welfare.

According to Law Number 33 of 2004, PAD is regional income sourced from the results of local taxes, the results of regional levies, the results of the management of separated regional assets, and other legitimate regional original income that aims to provide flexibility to the regions to explore funding in the implementation of regional autonomy as a manifestation of decentralization.

PAD has a very important role in the regional economy. Regions that have positive PAD growth rates are likely to have better income per capita. According to (Harianto and Adi, 2007), if an area of PAD increases, the funds owned by the government will also be used. This increase will benefit the government, because it can be used to meet the needs of the region.

The following is the formula for measuring the formula to look for local original income:

$$\frac{\text{Pendapatan Asli Daerah}}{\text{Total Pendapatan Daerah}} \times 100\%$$

4. Central Government Transfers

According to (Halim 2009: 65), "Central government transfers or balance funds are funds sourced from the receipt of the State Budget (APBN) allocated to the regions to finance regional needs".

Financial balance between the central and regional governments according to (Saragih 2011: 85), is a system of government financing in the unitary state finances which includes financial sharing between the central and regional governments as well as equal distribution between regions proportionally, democratically, fairly and transparently with due regard to potential, the conditions and needs of the region in line with the obligations and division of authority as well as the procedures for the implementation of such authority, including the management and financial supervision.

"The balancing fund consists of tax and natural resource revenue-sharing funds, called the Regional Section, General Allocation Fund (DAU), Special Allocation Fund (DAK)". (Kadajtmiko, 2008: 79).

5. Efficiency

Efficiency is an ability of a company / government in carrying out its activities to obtain certain results by using the lowest input to produce an output, and also an ability to complete a job properly.

Meanwhile, according to Supriyono in his book entitled "Management Accounting II" which defines, "Efficiency is if a unit can work well, so it can achieve the expected results or objectives". (Supriyono, 2007: 35)

6. Regional Shopping

According to Kepmendagri number 29 of 2002, regional expenditure is all regional cash disbursements within a certain fiscal year period that are borne by the regions. According to Law Number 23 of 2002, regional expenditure is a regional government obligation that is recognized as a deduction from the net worth in the relevant fiscal year. Regional expenditures (cash basis) are all expenditures by regional treasurers which reduce the equity of current funds in the period of the relevant fiscal year that will not be refunded by the government. Regional Expenditures (accrual basis) is a government obligation that is recognized as a deduction from the net worth. Halim (2007: 322) states that regional expenditure is the government's obligation to reduce the value of net assets. Furthermore Yuwono et al, (2005:

Regional Expenditures are used in the context of carrying out governmental affairs which are the authority of provinces or districts / cities which consist of mandatory functions and optional functions

determined based on statutory regulations. Regional spending is grouped into indirect shopping and direct shopping. Indirect expenditure is budgeted expenditure that is not directly related to the implementation of programs and activities. While direct expenditure is budgeted expenditure directly related to the implementation of programs and activities.

In the general provisions of Law Number 17 of 2003 in article 1 paragraph 16 it is stated that regional expenditure is an obligation of regional government which is recognized as a deduction of net worth. Furthermore, in Government Regulation Number 58 Year 2005 article 20 paragraph 3 states that regional expenditure as referred to in paragraph 1 letter (a) includes all expenditures from regional general cash accounts which reduce the equity of current funds, which are regional obligations within one fiscal year that will not the local government has received the payment back. Measurement formula for searching for Regional Shopping:

$$\frac{\text{Realisasi Belanja}}{\text{Anggaran Biaya}} \times 100\%$$

B. Conceptual Framework

The conceptual framework in this study can be seen in the figure below

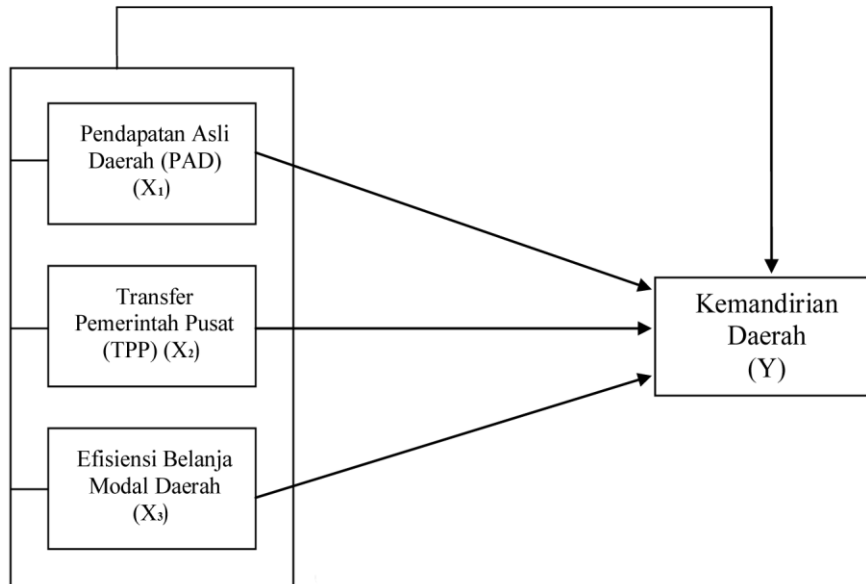


Figure 2.1 Conceptual Framework

III. RESEARCH METHODS

A. Types of research

This type of research is causal associative research. According to (Sujarweni 2015), causal associative research is research that aims to find out the relationship between two or more variables. Whereas in (Sedarmayanti and Syafrudin, 2011), causal associative research is research that connects two or more variables in the form of causal relationships, interrelating relationships, and parallel relationships.

B. Place and time of research

This research was conducted by examining and studying secondary data, namely documents from the website of the Directorate General of Fiscal Balance of the Ministry of Finance of the Republic of Indonesia (<http://www.djpk.kemenkeu.go.id>) and North Sumatra Central Statistics Agency (BPS) Site (<https://sumut.bps.go.id>) according to the data needed. When the research was conducted from December 2016 to August 2017.

C. Data source

Data source from documents from the website of the Directorate General of Fiscal Balance of the Ministry of Finance of the Republic of Indonesia (<http://www.djpk.kemenkeu.go.id>) and North Sumatra Central Statistics Agency (BPS) Site (<https://sumut.bps.go.id>)

D. Population and Sample

The population is the whole of the object of research to be examined (Hadi, 2006: 45). Population is a generalization area consisting of a group of people, events or everything that has certain characteristics (Ikhsan, 2008: 117). The population in this study is the APBD Realization Report on the city government in North Sumatra Province in 2011-2013, where there are 33 districts / cities. The sample is part of the number and characteristics possessed by the population and carefully selected from the population (Ikhsan, 2008: 118). The number of samples used by researchers as many as 28 district / city local governments in North Sumatra Province. Sampling in this study using non-probability sampling techniques by means of purposive sampling,

E. Data collection technique

Data collection techniques in this study is to do documentation techniques, namely researchers collect secondary data, record and process data related to this research. By downloading the 2011-2013 APBD Realization Report obtained from the website of the Directorate General of Fiscal Balance of the Ministry of Finance of the Republic of Indonesia (<http://www.djpk.kemenkeu.go.id>)

F. Data analysis method

The data analysis methods used in this study include descriptive statistical analysis testing, classic assumption test, multiple linear analysis, and hypothesis testing with simultaneous test (F-test), partial test (T-test) and residual test for moderating variables by using SPSS (Statistical Product and Service Solutions) software.

IV. RESEARCH RESULTS AND DISCUSSION

A. Research result

1. Statistic analysis

Descriptive statistical analysis is used to determine the description of a data that is seen from the maximum value, minimum value, mean value, and standard deviation value, from local original income variables, central government transfers, regional expenditure efficiency, and regional financial independence. Based on the descriptive statistical analysis the sample description is obtained in the following table 4.1.

Table 4.1

Descriptive Statistics of Local Revenue, Central Government Transfers, and Efficiency of Regional Expenditure on Regional Financial Independence

	Minimum	Maximum	Mean	Std. Deviation
Pendapatan Asli Daerah (X1)	.0635	13.8425	.954198	2.3273853
Transfer Pemerintah Pusat (X2)	.2330	1.3935	.537599	.2649891
Efisiensi Belanja Daerah (X3)	.0938	1.9591	.375481	.3745990
Kemandirian Keuangan Daerah (Y)	.0703	.7839	.199770	.1162377
Valid N (listwise)				

Source: SPSS processed data, 2016

Based on Table 4.2, it is known that the minimum regional original income is 0.0635 and the maximum is 13.8425. While the average and standard deviations of regional own-source revenues are 0.954 and 2.327. It is known the minimum central government

transfer is 0.2330, and a maximum of 1.3935. While the average and standard deviations of central government transfers are 0.537 and 0.264. It is known that the minimum regional expenditure efficiency is 0.0938, and the maximum is 1.9591. While the average and standard deviations from the efficiency of regional spending are 0.375 and 0.374. The minimum value of regional financial independence is 0.0703, and a maximum of 0.7839. While the average and standard deviation of regional financial independence is 0.199770 and 0.1162377.

2. Classic assumption test

a. Normality test

In this study, the normality test for residuals uses the Kolmogorov-Smirnov test. The level of significance used $\alpha = 0.05$. The basis for decision making is to look at probability numbers p , with the following conditions.

If the probability value is 0.05 , then the normality assumption is fulfilled.

If the probability is < 0.05 , then the assumption of normality is not fulfilled

Table 4.2
Normality test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		84
Normal Parameters ^a , b	The mean	.0000000
	Std. Deviation	.04700586
Most Extreme Differences	Absolute	.74
	Positive	.74
	Negative	-.048
Kolmogorov-Smirnov Z		.677
Asymp. Sig. (2-tailed)		.750

a. Test distribution is Normal.

b. Calculated from data.

Note that based on Table 4.2, the probability value p or Asymp is known. Sig. (2-tailed) of 0.750. Because the probability value of p , which is 0.750, is greater than the level of significance, which is 0.05. This means that the assumption of normality is fulfilled.

Figure 4.2 is the output of SPSS for normality test using the normal probability plot approach. In the normal probability plot (Figure 4.1), the points spread fairly close to the diagonal line, so it is concluded that the normality assumption is fulfilled.

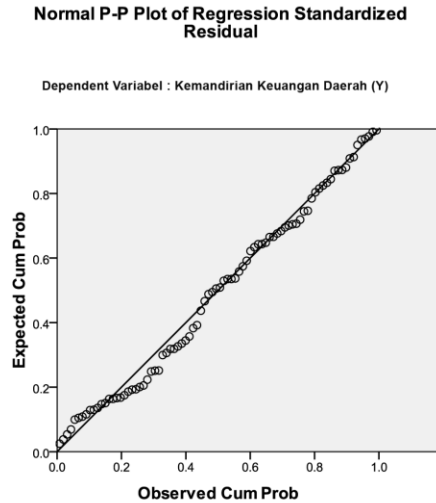


Figure 4.1
Test for Normality with the Normal Probability Plot Approach

b. Multicollinearity Test

To check whether multicollinearity occurs or not can be seen from the value of the variance inflation factor (VIF). VIF values of more than 10 indicated an independent variable occurred multicollinearity (Ghozali, 2013).

Table 4.3
Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Pendapatan Asli Daerah (X1)	.411	2.431
	Transfer Pemerintah Pusat (X2)	.366	2.729
	Efesiensi Belanja Daerah (X3)	.340	2.937

Source: SPSS processed data, 2016

Note that based on Table 4.3, the VIF value of regional own-source revenue is 2,431, the VIF value from central government transfers is 2,729, and the VIF value of the efficiency of regional expenditure is 2,937. Because each VIF value is not greater than 10, there are no severe symptoms of multicollinearity.

c. Autocorrelation Test

According to (Ghozali, 2011) autocorrelation test aims to test whether there is a correlation between the error of the intruder in the period t with an error in the period t-1 (previous). A good regression model is a regression that is free from autocorrelation. Assumptions about independence from residuals (non-autocorrelation) can be tested using the Durbin-Watson test (Gio, 2015: 61-62, Field, 2009: 220). Statistical values from the Durbin-Watson test range between 0 and 4. Statistical values from the Durbin-Watson test that are smaller than 1 or greater than 3 indicate autocorrelation.

Table 4.4
Autocorrelation Test with the Watson Durbin Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.915 ^a	.836	.830	.0478791	1.655

a. Predictors: (Constant), Efisiensi Belanja Daerah (X3), Transfer Pemerintah Pusat (X2), Pendapatan Asli Daerah (X1)

b. Dependent Variable: Kemandirian Keuangan Daerah (Y)

Source: SPSS processed data, 2016

Based on Table 4.4, the value of the Durbin-Watson statistics is 1.655. Note that because the Durbin-Watson statistical value lies between 1 and 3, the non-autocorrelation assumption is fulfilled. In other words, autocorrelation does not occur. Decision making whether autocorrelation occurs or not, can also be tested with the Run test (Ghozali, 2013).

Table 4.5
Autocorrelation Test with Run Test

Runs Test	
	Unstandardized Residual
Test Value ^a	.00085
Cases < Test Value	42
Cases >= Test Value	42
Total Cases	84
Number of Runs	35
Z	-1.756
Asymp. Sig. (2-tailed)	.079

a. Median

Based on the Run test results above (Table 4.6), the Asymp value is known. Sig. (2-tailed) is 0.079 > 0.05. This means, there are no symptoms of high autocorrelation in residuals.

d. Heteroscedasticity Test

Detection of the presence or absence of heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatter plot graph between SRESID on the Y axis, and ZPRED on the X axis. (Ghozali, 2013: 139). Ghozali (2013: 139) states the basis of the analysis is if there are certain patterns, such as the points that form a certain pattern that is regular, it indicates that heteroscedasticity has occurred. If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, then there is no heteroscedasticity.

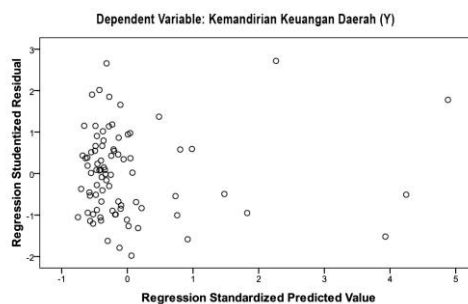


Figure 4.2
Heteroscedasticity Test

Note that based on Figure 4.2, there is no clear pattern, and the points spread above and below the number 0 on the Y axis, there is no heteroscedasticity.

The Glejser statistical test was chosen because it can better guarantee the accuracy of the results compared to the plot graph test which can cause bias (Ghozali, 2013, Gujarati, 2004, Gio and Elly, 2015). The criteria used to declare whether heteroscedasticity occurs or not among observational data

can be explained by using the coefficient of significance. The significance coefficient must be compared with the pre-determined significance level (5%). If the coefficient of significance is greater than the level of significance set, it can be concluded that there is no heteroscedasticity (homoscedasticity). If the significance coefficient is smaller than the level of significance set, then it can be concluded heteroscedasticity occurs.

Table 4.6
Heteroscedasticity Test with Glejser Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.074	.014		5.227	.000
	Pendapatan Asli Daerah (X1)	.028	.004	.551	7.820	.000
	Transfer Pemerintah Pusat (X2)	.176	.033	.402	5.377	.000
	Efesiensi Belanja Daerah (X3)	.012	.024	.039	.509	.612

a. Dependent Variable: abs_residual_Glejser

Based on Table 4.6, it is known the probability value or Sig. Of regional own-source revenue is 0,000, the probability value or Sig. of central government transfers is 0,000, and the probability value or Sig. from the efficiency of regional expenditure is 0,000. Because each probability value (Sig.) > 0.05, it is concluded that there are no symptoms of heteroskedastistas.

3. Regression Analysis

The analysis used in this study is multiple linear regression analysis to find out the picture of the effect of regional own-source revenue, central government transfers, and the efficiency of regional spending on regional financial independence. The results of the regression analysis can be seen in the following table:

Table 4.7
Results of Analysis of Regional Revenue Revenues (X1), Central Government Transfers (X2), Regional Expenditure Efficiency (X3), and Regional Financial Independence (Y)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.074	.014		5.227	.000
	Pendapatan Asli Daerah (X1)	.028	.004	.551	7.820	.000
	Transfer Pemerintah Pusat (X2)	.176	.033	.402	5.377	.000
	Efesiensi Belanja Daerah (X3)	.012	.024	.039	.509	.612

Sumber: processed data from SPSS, 2016

Based on Table 4.8, the multiple linear regression equation is obtained as follows.

$$Y = 0.074 + 0.028X_1 + 0.176X_2 + 0.012X_3 + e$$

From this equation can be explained as follows:

- a. Constants (a) = 0.074 indicate constants, where if the value of the independent variable is equal to zero, then the variable of the regional financial independence (Y) is equal to 0.074.

- b. Coefficient X1 (b_1) = 0.028, indicating that the regional original income variable has a positive effect on regional financial independence (Y). That is, if the local revenue variable is increased it will increase the independence of regional finances by 0.028.
- c. Coefficient X2 (b_2) = 0.176, indicating that the central government transfer variable (X2) has a positive effect on regional financial independence (Y). That is, if the central government transfer variable is increased it will increase regional financial independence by 0.176.
- d. Coefficient X3 (b_3) = 0.012 indicates that the regional expenditure efficiency variable (X3) has a positive effect on the independence of regional finance (Y). That is, if the variable efficiency of regional spending is increased it will increase the independence of regional finance by 0.012.
- e. Standard error (e) indicates the level of intruder error.

4. Hypothesis test

In testing hypotheses, the coefficient of determination analysis will be carried out, the significance test simultaneous effect (F test), and partial effect test (t test).

1. Analysis of the Coefficient of Determination

The coefficient of determination (R^2) is a value (proportion value) that measures how much the ability of the independent variables used in the regression equation, in explaining the variation of the dependent variable (Supranto, 2005: 158, Gujarati, 2003: 212).

Table 4.8
Coefficient of Determination
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.915 ^a	.836	.830	.0478791

a. Predictors: (Constant), Efficiency of Regional Expenditures (X3), Central Government Transfers (X2), Local Own Revenue (X1)

b. Dependent Variable: Regional Financial Independence

Source: SPSS collection data, 2016

Based on Table 4.8, the coefficient of determination R^2 located in the R-Square column. The coefficient of determination is known as $R^2 = 0.830$, this means that 83% of regional financial independence variables can be explained by the three independent variables (PAD, TPP, and Regional Expenditure Efficiency). While the rest ($100\% - 83\% = 17\%$) is explained by other causes not included in this research model.

2. Test of Significance of Simultaneous Influence (Test F)

The significance test of the overall partial regression coefficient is a test to test whether all partial regression coefficients are wholly or simultaneously sam to zero or not (Gujarati, 2003). In other words, testing whether the original regional income variable, central government transfer fund, and regional expenditure efficiency simultaneously or simultaneously influence the financial independence variable of the district / city in North Sumatra Province.

Table 4.9
Simultaneous Effect Test with F Test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.938	3	.313	136.398	.000 ^a
	Residual	.183	80	.002		
	Total	1.121	83			

a. Predictors: (Constant), Efisiensi Belanja Daerah (X3), Transfer Pemerintah Pusat (X2), Pendapatan Asli Daerah (X1)

b. Dependent Variable: Kemandirian Keuangan Daerah (Y)

Source: SPSS processed data, 2016

Table 4.9 Presents the value of Sig. is 0,000 <0.05, it is concluded that the simultaneous influence of all independent variables is statistically significant on the independence of regional finances. Given the calculated F value of 136.398 > F table 2.718 (F table presented in appendix 15), then the simultaneous influence of all independent variables is statistically significant on the independence of regional finances. This proves that H4 is accepted and means local revenue, central government transfer and simultaneous regional expenditure efficiency have a significant effect on regional financial independence in district / city government in North Sumatra Province in 2011-2013.

3. Test of Significance of Partial Influences (t Test)

Table 4.11 presents the value of the regression coefficient, as well as the statistical value of t for partial effect testing.

Table 4.10
Test of Significance of Partial Influences (t Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.074	.014		5.227	.000
	Pendapatan Asli Daerah (X1)	.028	.004	.551	7.820	.000
	Transfer Pemerintah Pusat (X2)	.176	.033	.402	5.377	.000
	Efisiensi Belanja Daerah (X3)	.012	.024	.039	.509	.612

a. Dependent Variable: Regional Financial Independence

Source: SPSS processed data, 2016

- 1) Based on table 4.10, regional original income has a significant value of 0,000 less than 0.05, with a value of tcount (7.820) > ttable (1.99). And these results can be concluded that the original regional income has a significant effect on regional financial independence.
- 2) Based on table 4.10 the central government transfer has a significant value of 0,000 greater than 0.05, with a value of tcount (5.377) > ttable (1.99). From these results it can be concluded that central government transfers have significant and significant influence on regional financial independence.
- 3) Based on table 4.10 the efficiency of regional expenditure has a significant value of 0,000 less than 0.05, with a tcount (.509) < ttable (1.99). From these results it can be concluded that the efficiency of regional spending does not significantly influence the financial independence of the region.

B. Discussion

Based on the F statistical test that has been done, the results show that the three independent variables (local original income, central government transfers, and regional expenditure efficiency) have a statistically significant effect in predicting the independence of regional finances, where the significance is $0,000 < \alpha = 0.05$. From this F statistical test the value of 136,398 ($F_{hi_{tungg}} = 136,398 > F \text{ table } 2,718$) which means that H1 is accepted and all independent variables in this study simultaneously have a significant effect on regional financial independence in the district / city government in North Sumatra Province in 2011-2013. Determination Coefficient Test (R^2) has also been carried out and shows an Adjusted R Square value of 0.830, which means 83% of regional financial independence can be explained by independent variables, namely local revenue, central government transfers, and regional expenditure efficiency and the remaining 17% is explained by other causes not included into this research model.

The t test results in table 4.13 present the region's original income variable by value $thi_{tungg} 7,821 > t_{table} 1.99$ and a significance of $0,000 < 0.05$, this indicates that H1 is received and the regional original income variable has a positive and statistically significant effect on the financial independence of the region. The results of this study are in line with Kurniawati (2015), Coal (2009), Kurniawan (2011), and Sihite (2010) PAD is the main source of income for an area in meeting its expenditure and PAD can also indicate the level of independence of an area so if there is something high PAD regions, it can be said that an area is capable of being independent and does not depend on central or regional government assistance.

A statistical test of t on the central government transfer variable was obtained thi_{tungg} of 5,377 with a significance of 0,000. This indicates that central government transfers have a positive and statistically significant effect on predicting regional financial independence, because $thi_{tungg} 5,377 > t_{table} 1.99$, a significance of $0,000 < 0.05$ means that the second hypothesis can be accepted. The results of this study are in line with Sihite (2010). This is because if the transfer of the central government in a region is high or the revenue is large, it can be said that the region is not yet independent because it is too dependent on central government transfers which are the Balancing Fund.

T statistical test on the variable efficiency of regional expenditure is obtained thi_{tungg} amounted to 0.609 with a significance of 0.612. This indicates that the efficiency of regional spending does not have a positive and statistically significant effect on predicting the independence of regional finances, because $thi_{tungg} 0.509 < t_{table} 1.99$ and the significance of $0.612 < 0.05$, this means that the third hypothesis cannot be accepted. This is because if the regional expenditure in a region is high or the revenue is large, it can be said that the region is not yet independent because it is too dependent on central government transfers which are the Balancing Fund. However, this result can lead to speculation that the allocation of regional capital expenditure is not based on the real needs of the community in the field, but because of the availability of funds.

V. CONCLUSIONS AND SUGGESTIONS

A. Conclusion

Based on data analysis and discussion of the results of the study, the authors draw conclusions regarding the Analysis of the Effect of Regional Original Revenue, Central Government Transfers and Regional Expenditure Efficiency on Regional Financial Independence as follows;

1. Partially, local revenue variable has a significant effect on the financial independence of district / city government in North Sumatra Province in 2011-2013.
2. Partially, the central government transfer variable significantly influences the financial independence of the district / city government in North Sumatra Province in 2011-2013.

3. Partially, the efficiency of regional expenditure efficiency does not significantly influence the financial independence of district / city government in North Sumatra Province in 2011-2013.
4. Simultaneously the variable of local revenue, central government transfers and the efficiency of regional expenditure significantly influence the financial independence of regencies / cities in North Sumatra Province in 2011-2013.

B. Suggestions

The suggestions that can be given through the results of this study are as follows:

1. For further researchers, it is suggested that more districts / cities will be tested, so that a large sample and more accurate results will be obtained. In addition to using more samples, further research is also recommended to take samples of districts / cities outside the Province of North Sumatra. This is intended to be able to compare whether the results of this study apply to districts / cities outside the province of North Sumatra.
2. Researchers suggest taking a longer period of time to study.
3. The suggestions given related to the results of the analysis revolve around the problem of optimizing regional revenues and expenditures originating from local own-source revenues, central government transfers and district / city regional expenditure efficiency in North Sumatra, so that it will have an impact on the financial independence of the North Sumatra Province.

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penelitian yang menyatakan PAD, DAU, DBH, SiLPA dan Luas Wilayah berpengaruh terhadap Belanja Modal secara simultan dapat

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