The Effect of Regional Taxes, Regional Levies, Balancing Funds, and other Legitimate Regional Revenues on Regional Independence Through Direct Expenditure (Empire Study: District/City Governments in East Nusa Tenggara Province)

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ABSTRACT

The study aims to analyze regional financial independence as seen from regional taxes, regional levies, balancing funds and other legitimate income that has an impact on regional independence through direct spending on districts and cities in East Nusa Tenggara Province for the 2017-2019 period. The data used in this study is a quantitative data type and the source of data included in this study is secondary data. In this study, the samples used were 21 districts and 1 city in East Nusa Tenggara Province. The data collection technique in this research is by documentation, namely looking at the realization and budget reports at the Central Statistics Agency (BPS) NTT and the Director General of Fiscal Balance (DJPK) for the 2017-2019 period. The analytical method used in this research is path analysis. The results of this study indicate that in the substructure equation I, regional taxes, regional levies, balancing funds and other legitimate regional revenues simultaneously have an impact on direct expenditures. Meanwhile, in the substructure equation II, regional taxes, regional levies, balancing funds, other legitimate regional income and direct expenditures jointly affect regional independence. In the partial test of substructure I, regional taxes and other legitimate local revenues have a positive and significant impact on direct spending. However, regional levies and balancing funds have no impact on direct spending. In substructure equation II, there is a positive relationship between regional taxes and direct expenditures on regional independence, balancing funds and other legitimate regional revenues has a negative impact on regional independence. However, regional levies have no effect on regional independence. Regional taxes and other legitimate regional revenues do not affect regional independence through direct spending. Meanwhile, regional levies and balancing funds through direct spending indirectly affect regional independence.

Keywords: Balancing Funds, Direct Expenditures, Other Legitimate Regional Revenues, Regional Taxes, Regional Levies, Regional Independence.

I. INTRODUCTION

Local governments in the success of government policies in implementing sustainable national development are given the authority to carry out their respective regional autonomy. Based on the law issued in (Law Number 32, 2004) about local government in (Law Number 33, 2004) concerning the balance of financial finance on the part of the central government and regional governments which will be given to the obligations and rights in implementing the regulatory system and carrying out government affairs and the interests of the general public. One of the characteristics that indicate a region must have an authority and level of expertise in finding various data in a financial report that is on the part of the local government, the involvement of the central government and the local government should be as small as possible. The government of a region can be said to be successful if it can regulate and control the finances of its respective regions.

The most important thing is to be able to see the quality of an area by looking at the performance of the local government itself to be able to finance the needs of the region to run the wheels of government, as well as proper services provided to the community.

The independence of the local government can be managed by the financial management. The regional financial management can be stated as one of the organizers of the existing resources and assets by the region in order to achieve the goals expected by the region. Regional expertise in meeting a target can be expressed as an act of performance on the part of the government itself.

Based on the data above, it can be concluded that there is a fluctuating original regional income specifically for Regional Taxes, Balancing Funds and other legitimate income. This indicates that district/city governments in the NTT province must be able to export their potential by reducing revenues...
from the APBN or outside the region. This illustrates that the existing budget has not been optimally used for programs that directly touch the community and have an impact on the welfare of society in general.

II. RESEARCH METHODOLOGY

A. Research Design
This study was designed as explanatory research that describes the causal relationship between the independent variable and the dependent variable.

B. Variable Operational Definition
1) Independent Variable
   a) Regional taxes
   Regional Tax is a tax whose collection authority lies with the Regional Government and its implementation is carried out by the Regional Office of Regional Revenue. The ratio can be measured using (1).

   \[
   \frac{\text{Regional Taxes}}{\text{Locally-generated revenue}} \times 100
   \]  
   (1)

   b) Regional levies
   Regional levies are a fee paid by the people to enforceable regions that get their performance back directly. Meanwhile, regional levies are a system in the regional collection as one of the certain permits by the local government for the needs of entities and individuals. The ratio of regional levies can be measured with (2).

   \[
   \frac{\text{Regional levies}}{\text{Locally-generated revenue}} \times 100
   \]  
   (2)

   c) Balancing fund
   The Balancing Fund is a source of regional income originating from the APBN to support the implementation of the authority of regional governments in achieving the objectives of granting autonomy to regions, namely primarily improving public services and welfare. The Balanced Fund Ratio can be measured by (3).

   \[
   \frac{\text{Balancing fund}}{\text{Total Regional Income}} \times 100
   \]  
   (3)

   d) Other legitimate regional revenues
   Other legitimate regional revenues are other revenues from the central government and/or from central agencies, as well as from other regions. Other valid regional income ratios can be measured by (4).

   \[
   \frac{\text{Other legitimate regional revenues}}{\text{Total Regional Income}} \times 100
   \]  
   (4)

2) Dependent Variable
   a) Direct expenditure
   Direct Expenditure Ratio can be measured using (5).

   \[
   \frac{\text{Total Direct Expenditure}}{\text{Total Regional Expenditure}} \times 100
   \]  
   (5)

b) Regional financial independence
Regional Financial Performance Ratios can be measured using (6) which gives the financial independence ratio.

   \[
   \frac{\text{Locally-generated revenue}}{\text{Central/Provincial Government Assistance and Loans}} \times 100
   \]  
   (6)

C. Population and Sample
The population in this study is the Regency/City Government of the Province of NTT. There are 22 regencies/cities in East Nusa Tenggara Province. The sampling technique in this study was judgment sampling, that is, the data needed in the study were already available in accordance with the variable indicators used in this study.

D. Data Collection Technique
The data collection technique used in this research is by means of documentation, namely by looking at the data from the Regency / City Government Budget Realization Report at the Central Statistics Agency (BPS) of East Nusa Tenggara Province for the period 2017 to 2019.

E. Data Analysis Techniques
In this study the analytical tools used are statistical analysis, classical assumptions and hypothesis testing which aims to see the impact of each variable included in the study. And the last one is to analyze the data with path analysis model which aims to assess the indirect impact of the independent variable on the dependent variable through the mediating variable. This study uses SPSS 24 software. The structural regression equation models in this study are (7) and (8).

1) Economic growth (Y1)

   \[
   Y_1 = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \epsilon
   \]  
   (7)

2) Poverty (Y2)

   \[
   Y_2 = \beta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon
   \]  
   (8)

   where,
   Y1 = Direct expenditure
   Y2 = Regional Independence
   \(\beta\) = path coefficient
   X1 = Regional taxes
   X2 = Regional levies
   X3 = Balancing funds
   X4 = Other legitimate regional income
   \(\epsilon\) = error

III. RESEARCH RESULTS

A. Descriptive Statistical Analysis Results

Based on (Law Number 23, 2004) which states the criteria for the value of the contribution, an area is said to have a very good contribution, if the local tax revenue is above 50%.
The standard deviation figure of 12.10370 shows that in general, however, in an NTT Province, cities and regencies vary between 10.055 to 34.261, this gives the fact that regional tax revenues in each region are still very low and have sufficient contribution values. With a minimum value of 4.60 and maximum value of 64.05.

Receipts from the Province of NTT, City and Regency in 2017-2019 with a mean and standard deviation of 12.1802 and 11.67625. Based on the standard deviation value of revenue for regional levies in NTT Province, cities and regencies can vary between 0.50395 to 23.85645, the meaning in an acceptance of regional levies in NTT Province, cities and regencies is still very lacking and quite adequate. Minimum value of 0.20 indicates that it is still dependent on assistance and loans from the central government. And the maximum value is 53.02, indicating that the local government has been optimal in managing regional finances.

Regional Government Balancing Funds in the Province of NTT City and Regency for the 2017-2019 period with a mean and standard deviation of 75.8502 and 4.78515. With a value range between 71.06505 to 80.63535. The minimum and maximum values are 65.05 and 89.03. This means that local governments still depend on the central government, but there are several regions that have reduced their dependence on central government assistance and optimize PAD to finance regional expenditures.

Other budgets declared valid by the government of the Province of NTT City and Regency for the period 2017-2019 with a mean and standard deviation of 16.4442 and 4.78296. Values range between 11.66124 and 21.22716. Provinces of NTT, cities and regencies are still relatively small, meaning that the level of dependence on assistance in the form of grants from foreign governments and domestic governments and emergency funds from the state budget is relatively small, and can rely on local revenue to finance government expenditures and expenditures. Minimum and maximum values of 4.82 and 28.96.

The process of spending directly on the Province of NTT City and Regency for the 2017-2019 period. It can be seen from the direct expenditure contribution of the provincial and district governments of NTT, which is 48.37%. There are still some areas where direct spending is small at 32.22% and there are areas where direct spending is high at 65.21%. This means that local government revenues from the side of regional taxes and regional levies are still very small so it is difficult to finance government spending, especially from the direct expenditure sector where in direct spending there is capital expenditure used for purchasing or procuring construction of fixed assets that directly touch and have an impact on welfare society in general.

Regional Independence in the Province of NTT City and Regency for the 2017-2019 period has an average value of 8.2789 and the value at a standard deviation of 4.01851, the minimum value is 2.63 and maximum value 24.71. Based on the level of regional independence, the regional government of the Province of NTT, the City and the Regency are stated to be very minimal where the average value of the level of regional independence is 8.27% and can be stated as belonging to the instructive relationship style where the function of the central government is more dominant than the independence of the regional government where there is regions that have a level of regional independence of 2.63% and there are regions that have a level of government independence of 24.71%, meaning that the contribution of the central government can be declared reduced, which regions will be considered a little more capable in carrying out regional autonomy.

B. Classic Assumption Test

1) Data normality test

To see whether the data is normal or not in the study, the Kolmogorov-Smirnov test was carried out. Table II is the results of the normality test of models I and II.

The results of the Kolmogorov-Smirnov test can be seen that in the normality test of models 1 and 2 the confidence level is 0.200 and 0.200, which means that it is above the alpha significance of 0.05 (5%) it can be interpreted that the data used is normally distributed so that it can be continued on the classical assumption test other.

TABLE III: NORMALITY TEST RESULTS FOR SUB STRUCTURE II

| Source: Research Data |
|-----------------------|

2) Multicollinearity test

Tolerance and VIF values which are the benchmarks in determining the presence or absence of multicollinearity can be seen in Table IV for the first regression model with economic growth as the dependent variable.

| Source: Research Data |
TABLE IV: MULTICOLLINEARITY TEST RESULTS SUB STRUCTURE I

| Variable                        | Collinearity Statistics |
|---------------------------------|-------------------------|
|                                 | Tolerance | VIF  |
| Regional taxes                  | 0.875      | 1.143 |
| Regional levies                 | 0.950      | 1.053 |
| Balancing fund                  | 0.558      | 1.792 |
| Other legitimatie regional revenue | 0.566      | 1.767 |

Source: Research Data

TABLE V: MULTICOLLINEARITY TEST RESULTS SUB STRUCTURE II

| Variable                        | Collinearity Statistics |
|---------------------------------|-------------------------|
|                                 | Tolerance | VIF  |
| Regional taxes                  | 0.669      | 1.431 |
| Regional levies                 | 0.908      | 1.101 |
| Balancing fund                  | 0.553      | 1.809 |
| Other legitimatie regional revenue | 0.519      | 1.926 |
| Direct Expenditure              | 0.643      | 1.556 |

Source: Research Data

3) Autocorrelation test

The purpose of this test is to see whether there is a correlation between the nuisance error in a certain year compared to the error of the previous year. The run test is one of the tests to determine autocorrelation in research.

TABLE VI: AUTOCORRELATION TEST FOR SUB STRUCTURE I

| Runs Test | Unstandardized Residual |
|-----------|-------------------------|
| Test Value(a) | 2.16611 |
| Cases < Test Value | 33 |
| Cases >= Test Value | 33 |
| Total Cases | 66 |
| Number of Runs | 30 |
| Z | -0.992 |
| Asymp. Sig. (2-tailed) | 0.321 |

Source: Research Data

TABLE VII: AUTOCORRELATION TEST FOR SUB STRUCTURE II

| Runs Test | Unstandardized Residual |
|-----------|-------------------------|
| Test Value(a) | -0.15179 |
| Cases < Test Value | 33 |
| Cases >= Test Value | 33 |
| Total Cases | 66 |
| Number of Runs | 35 |
| Z | 0.248 |
| Asymp. Sig. (2-tailed) | 0.804 |

Source: Research Data

In sub-structures I and II, the value of p=0.05 is 0.795. Which means there is no autocorrelation in this study.

4) Heteroscedasticity Test

Knowing the existence of heteroscedasticity, the Glejer test can be carried out with the criteria if Sig> 0.05 then there is no heteroscedasticity or vice versa if p <0.05 it is concluded that there is heteroscedasticity

From the results of the analysis on sub-structures I and II for the heteroscedasticity test, it shows a significant value for each variable above 0.05, meaning that there is no heteroscedasticity in the study.

TABLE VIII: HETEROSEDASTICITY TEST OF SUB STRUCTURE I

| Variable                        | Sig. |
|---------------------------------|------|
| (Constant)                      | 0.071|
| Regional taxes                  | 0.717|
| Regional levies                 | 0.117|
| Balancing fund                  | 0.260|
| Other legitimatie regional revenue | 0.051|

Source: Research Data

TABLE IX: HETEROSEDASTICITY TEST OF SUB STRUCTURE II

| Variable                        | Sig. |
|---------------------------------|------|
| (Constant)                      | 0.096|
| Regional taxes                  | 0.671|
| Regional levies                 | 0.140|
| Balancing fund                  | 0.257|
| Other legitimatie regional revenue | 0.073|
| Direct Expenditure              | 0.817|

Source: Research Data

C. Coefficient of Determination Analysis

The determinant coefficient (R2) is a proportion in measuring the ability of each independent variable used in the study and how much influence it has on the dependent variable.

TABLE X: COEFFICIENT OF DETERMINATION TEST FOR SUB STRUCTURE I

| Model | Adjusted R\(^2\) | Std. Error of the Estimate |
|-------|-----------------|---------------------------|
| 1     | 0.315           | 5.90010                   |

Source: Research Data

TABLE XI: COEFFICIENT OF DETERMINATION TEST FOR SUB STRUCTURE II

| Model | Adjusted R\(^2\) | Std. Error of the Estimate |
|-------|-----------------|---------------------------|
| 1     | 0.631           | 2.44163                   |

Source: Research Data

Based on the Table X of Sub Structure I, the value of the determinant coefficient is R\(^2\) = 0.315. From these results, it shows the effect of all independent variables on the dependent variable, namely Direct Expenditure (Y1) of 31.5%, and the remaining 68.5% which is influenced by other factors outside this research. While in Table XI Sub Structure II the value of the determinant coefficient R\(^2\) = 0.631. From these results, it shows an influence of all independent variables, namely Regional Tax (X1), (X2), (X3), (X4), and Direct Expenditure (Y1) on the dependent variable, namely regional financial independence (Y2) of 63.1%, while the remaining 36.9% can be influenced by other variables outside this research.

D. Model Accuracy Test (F Test)

Based on the accuracy test of the sub-structure equation model I and II, the results are presented in Table XII.

TABLE XII: ACCURACY TEST OF SUB STRUCTURE MODEL I

| Model | F     | Sig. |
|-------|-------|------|
| Residual | 8.480 | 0.000*|
| Total  |       |      |

Source: Research Data, 2021.

In testing the accuracy of the first sub-structure model regional tax, Regional Retribution, Balancing Fund and Other Legislative Regional Income for Direct Expenditure has a significant value of 0.000 < 0.005 (5%). Therefore it can be stated that simultaneously all of the independent variables can give a joint effect on Direct Spending.
In testing the Model Accuracy on the variables of local taxes, tax levies, other legitimate income funds and direct expenditures on regional financial independence have a significant level of 0.000 < 0.005 and it can be said that simultaneously the variables of local taxes, tax levies, other income funds legitimate and direct spending on regional financial independence.

E. Variable Significance Test (T Test)

The following table presents the results of the analysis of the hypothesis testing of regional taxes, regional levies, balance funds and other legitimate regional revenues for direct expenditures.

| Variable                                | Standardized Coefficients | t    | Sig.  |
|-----------------------------------------|---------------------------|------|-------|
| (Constant)                              |                           | 2.189| 0.032 |
| Regional taxes                          | 0.430                     | 3.921| 0.000 |
| Regional levies                         | -0.176                    | -1.670| 0.100 |
| Balancing fund                          | 0.104                     | 0.758| 0.451 |
| Other legitimate regional revenue       | -0.319                    | -2.339| 0.023 |

Source: Research Data.

The results of the regression analysis for the first error value are 0.685. This result is obtained from the root of R square 0.315 (e₁ = V1−0.315). Fig. 1 shows the path diagram for the first sub structure:

Based on Fig. 1, (9) is obtained.

\[ Y_1 = 0.430X_1 - 0.176X_2 + 0.104X_3 - 0.319X_4 + 0.685 \quad (9) \]

| Variable                                | Standardized Coefficients | t    | Sig.  |
|-----------------------------------------|---------------------------|------|-------|
| (Constant)                              |                           | 6.950| 0.000 |
| Regional taxes                          | 0.240                     | 2.660| 0.010 |
| Regional levies                         | -0.026                    | -0.323| 0.748 |
| Balancing fund                          | -0.698                    | -6.888| 0.000 |
| Other legitimate regional revenue       | -0.701                    | -6.704| 0.000 |
| Direct expenditure                      | 0.222                     | 2.357| 0.022 |

Source: Research Data.

The results of the regression analysis for the first error value is 0.369. This result is obtained from the root of R square 0.631 (e₂ = V1−0.631). Fig. 2 shows the path diagram for the second sub structure:

Based on Fig. 1, (10) is obtained.

\[ Y_2 = 0.240X_1 - 0.026X_2 - 0.698X_3 - 0.701X_4 + 0.222Y_1 + 0.369 \quad (10) \]

IV. DISCUSSION

A. The Effect of Regional Taxes (XI) on Direct Expenditures (YI) (1st Hypothesis)

Based on the results of the regression analysis of the relationship between Regional Taxes and Direct Expenditures, it shows that regional taxes have a significant level of 0.000 which is much lower than 0.05, therefore it can be stated that regional taxes can have a significant and positive effect on direct spending. This shows that with the independence and ability of a region in managing every resource owned by the region, it can maximize the (PAD) especially Regional Taxes so that it will have an impact on government spending, especially direct spending which will increase capital expenditure in the form of infrastructure development for the welfare of the community. In these areas because local governments are more independent without dependence on assistance from the central government to manage their resources.

The results of this study are in line with those carried out by Mukhibad and Aji (2020) which states that regional taxes can positively and significantly have an influence on capital expenditure, which means that if it increases in a PAD,
especially regional taxes, it will indirectly lead to higher government spending in carrying out regional expenditures, especially direct spending. Debby (2020), which says that the higher the regional taxes, the higher the allocation of capital expenditure, which is the direct expenditure of the local government. Regional taxes revenues have been able to become a source of PAD in facilitating the development process in the Province of NTT, City and District.

B. The Effect of Regional Levies (X2) on Direct Expenditure (Y1) (2nd Hypothesis)

Based on the results of the regression analysis of the relationship between Regional Levies and Direct Expenditures, the significance value of Regional Levies is 0.100, which means it is greater than the significance level of 0.05 (5%). As from the results of the analysis carried out, it can be concluded that regional levies do not have a significant effect on direct spending, this results in regional levies can be called as one of the effective predictors in explaining an allocation in direct spending. This means that there is an increase in regional levies that have not been able to maximize a direct expenditure allocation in the province of NTT, cities and regencies. This research is in line with research conducted by Debby et al. (2020) which states that the receipt of a levy on the region has not been able to be used as a very important source and even able to give an influence on every policy which will be used as a policy in infrastructure in Jambi province. Meanwhile, according to Yupukolo and Erawati (2019) explained that the retribution could not at all have an influence on regional spending in the Special Province of Yogyakarta, which means that the retribution could be stated to be minimal because of the level of loss in all PAD sources. A direct expenditure allocation prioritizes a budget which will depend on the source of revenue which comes from the central government.

C. Effect of Balancing Fund (X3) on Direct Expenditure (Y1) (3rd Hypothesis)

Based on the results of the regression analysis of the relationship between the Balancing Fund and Direct Expenditures, it shows that the significant level possessed by the balancing fund is 0.451, which means that it is much greater than 0.05 (5%). Which can be stated that the balancing fund is 0.451, which means that it is much higher than the significance level possessed by Regional Taxes which states that PAD can provide an influence on regional financial independence with a significance value of 0.010 and this value is smaller than the 0.05 significance level (5%), which means that if an area has a PAD that is said to be quite high, then indirectly the area is not at all dependent on an aid that comes from the central government. This research is in line with research conducted by Putu and Dwirandra (2017) which says that regional levies cannot have a significant influence on regional expenditures specifically for capital expenditures in district/city governments in the province of East Java.

D. Other Effects of Legitimate Regional Income (X4) on Direct Expenditures (Y1) (4th Hypothesis)

The results of this research can be concluded that other legitimate income with a significance value of 0.023 and this value is lower than the significant value of 0.05 (5%). Therefore, it can be concluded that other legitimate regional income can have an influence on direct expenditure. Which means that the provincial government of NTT City and Regency found an assistance from the central government and the provincial government towards regional spending, especially direct spending, which is still high, on the other hand the provincial government of NTT City and Regency which will make capital expenditures both in infrastructure development and infrastructure still waiting for help from the central government. This research is in line with research conducted by Putu and Dwirandra (2017) which states that other regional incomes that are declared legitimate cannot have an influence on regional expenditures, which means that the level of promotion in an income sourced from other regional incomes which are declared valid is found to be minimal in total regional revenue, therefore need to be supported in having an influence on local government spending levels. Diyah and Badrus (2017) which states that other legitimate income cannot have a significant influence on regional expenditures specifically for capital expenditures in district/city governments in the province of East Java.

E. The Effect of Regional Taxes (X1) on Regional Financial Independence (Y2) (5th Hypothesis)

Based on the results of the study Regional Taxes can provide a significant influence on regional financial independence with a significance value of 0.010 and this value is smaller than the 0.05 significance level (5%), which means that if an area has a PAD that is said to be quite high, then indirectly the area is not at all dependent on an aid that comes from the central government. This research is in line with research conducted by Lukitawati and Pringgabayu (2020) which says that regional taxes will be collected by the local government which is one of the sources of revenue for a region with the aim of being able to finance government households.

F. The Influence of Regional levies (X2) on Regional Financial Independence (Y2) (6th Hypothesis)

The research shows that regional levies cannot at all have a significant influence on regional financial independence, which will be proven based on a significant value of 0.748, which means that it is much higher than the significance level of 0.05 (5%). This means that the contribution of regional levies to PAD is still very small so that it cannot finance regional expenditures which will have an impact on Regional Financial Independence itself.

The results are in line with the research investigated by Wiguna and Teak (2019) which shows that levies cannot have a significant influence on regional financial performance because a contribution of retribution to PAD can be said to be still low, which is because a portion of regional levies is still small in amount compared to revenue from regional taxes. Lathifa (2019) which states that PAD can provide an influence on regional financial performance, which means that if the region experiences an increase, it will indirectly experience an increase in activity in the ability of regional government officials to finance regional activities which will directly provide an indication of far-reaching performance.
more effective. According to Lukitawati and Pringgabaya (2020) which states that regional levies can provide an influence on KKD, therefore it can be stated that if PAD will experience an increase then indirectly the level of regional financial independence will also increase.

G. The Effect of Balancing Funds (X3) on Regional Financial Independence (Y2) (The 7th Hypothesis)

In this study, the results of the Balancing Fund can be stated that it can provide a significant influence, which can be proven based on the significant level of 0.000 which means lower than the 0.05 level of significance (5%). So, it can be concluded that the Balancing Fund has an effect on the independence of a regional finance, which means that if there is an increase in the balancing fund which will be received from the central government, it will indirectly maximize the regional government which will depend on which government, with the aim of being able to meet the needs of regional financial performance. This research is in line with research conducted by Mulia Andirfa (2016) which explains that the balancing fund can have a negative and significant influence on the process of regional government financial performance at the KKP. Kadek and Indrawati (2019) which states that balancing funds can have a significant influence on the financial performance of local governments. This means that if there is an increase in the balancing fund that will be received by the local government, it will indirectly reflect an existing dependence of a region on the central government in meeting the level of regional needs so that it can develop properly and efficiently.

H. The Influence of Other Legitimate Regional Income (X4) on Regional Financial Independence (Y2) (The 8th Hypothesis)

Based on the results of research which states that other legitimate income can have a significant influence on regional independence which can be proven based on a significance level of 0.000 < 0.05 (5%). Which means that the increase will always depend on the government of the Province of NTT Regency and City as well as the provincial government for regional financing is still high, on the other hand the Province of NTT Regency and City make capital expenditures both in infrastructure development and infrastructure facilities still expect assistance from the central government. This research is in line with research conducted by Muda (2017) which states that other legitimate local revenues cannot at all have an influence on the local government financial performance system, this is because the process in infrastructure can be said to have not motivated in an increase in the performance of a financial report in a region.

I. The Effect of Direct Expenditure (Y1) on Regional Financial Independence (Y2) (Hypothesis 9)

As in the results of the analysis carried out so that it can be stated that Direct Expenditure can provide a significant influence on the KKD, the significance value is 0.022 < 0.05 (5%). Based on these results, it can be stated that Direct Expenditures can have an influence on Regional Self-reliance in the Province of NTT. This means that direct spending owned by the government in NTT, has an impact on the community, especially in maximizing improvements in a basic service including social facilities, education and social security which with the aim that by increasing the services provided, it will indirectly maximize financial performance, especially sustainable regional self-reliance. This research was conducted by Lathifa (2019) explained that capital expenditures can have a positive and significant influence on the performance of regional governments in Central Java Province. Which means that a much better development process will indirectly be able to create a level of efficiency within the sector. While according to Asari and Suardana (2018) explains the positive and significant influence and capital expenditure on regional financial performance in Badung Regency.

J. Indirect Effect of Regional taxes (X1) on Regional Financial Independence (Y2) Through Direct Expenditures (Y1) (10th Hypothesis)

Based on Fig. 2, it is known that the direct influence of Regional Tax on Regional Financial Independence has a significant level of 0.010 and a regression coefficient of 0.240, which means that Regional Tax has a positive effect on Regional Financial Independence. While the value of the indirect effect of Regional Tax (X1) on (Y2) through Direct Expenditure (Y1) is 0.095 which is the result of multiplying the beta value of the Regional Tax variable (X1) against (Y1) with a beta value of Y1 against Y2 (0.430 x 0.222 = 0.095). Based on the calculation results above, the value of the direct influence of Regional Tax on Regional Financial Independence is much higher than the indirect effect of Regional Tax on Regional Financial Independence through Direct Expenditure, which is 0.240> 0.095. So that it can be stated that indirectly the Regional Tax variable through direct expenditure cannot provide an influence on Regional Financial Independence.

In this study, it is relevant to that carried out by Santoso (2021) explained that regional taxes through capital expenditures are not able to be a mediating variable on regional taxes on regional financial independence, which means that increasing revenues from regional taxes will automatically increase capital expenditures for the construction of public facilities and infrastructure which will increase the productivity of the local community which will have an impact on regional economic growth, so that it will increase regional revenue which has an impact on increasing the level of regional financial independence. Muda (2017) shows that capital expenditure can provide a mediation of a relationship between PAD on financial performance. Capital expenditure can be regarded as one of the systems in regional expenditure which will be used in adequate activities in the development process. The reason is that PAD, especially regional taxes, will experience an increase in capital expenditure which will lead to a quality service. Capital expenditure will always be expected to be able to see public infrastructure, in order to increase economic growth so that it has an impact on the financial performance of the local government itself.

K. Indirect Effect of Regional levies (X2) on Regional Financial Independence (Y2) Through Direct Expenditure (Y1) (11th Hypothesis)

Based on Fig. 3, it is known the direct effect of the variable (X2) on (Y2) with a significant value of 0.748 and a regression coefficient of -0.026, which means that regional levies cannot at all have an influence on Regional Financial Independence. While the value of the indirect effect (X2) on (Y2) through (Y1) is -0.039 which is the result of multiplying the beta value of the Regional Levy variable (X2) with the
Direct Expenditure variable (Y1) with the beta value of Y1 against Y2 (-0.176 x 0.222 = -0.039). Based on the results of the above calculation, the value of the direct influence of Regional levies on Regional Financial Independence is smaller than the indirect effect of Regional levies on Regional Financial Independence through Direct Expenditure, which is -0.026 < -0.039. So it can be concluded that indirectly the Regional levies variable through Direct Expenditure can provide an influence on Regional Financial Independence. This research is in line with research conducted by Muda (2017) which will conclude that capital expenditure can provide a medium for the relationship between PAD and regional financial independence. From these results it is stated that with the increase in capital expenditures, the higher the PAD, especially the regional levies, it becomes higher causing the financial performance in the area to be high which has an impact on the independence of the region itself.

L. Indirect Effect of Balancing Funds (X3) on Regional Financial Independence (Y2) Through Direct Expenditures (Y1) (12th Hypothesis)

Based on Fig. 3, it is known the direct influence of the variable (X3) on (Y2) with a significant value of 0.000 and a regression coefficient of -0.698, which means that the Balancing Fund can have a negative influence on Regional Financial Independence. While the value of the indirect effect of the Balancing Fund (X3) on Regional Financial Independence (Y2) through Direct Expenditure (Y1) is 0.023 which is the result of multiplying the beta value of the Balancing Fund variable (X3) with the Direct Expenditure variable (Y1) with a beta value of Y1 to Y2 (0.104 x 0.222 = 0.023).

This research is in line with the research conducted by Muda (2017) which states that capital expenditures can moderate the relationship between the Balancing Fund and regional financial independence. From these results it can be stated that the higher capital expenditures trigger the higher the Balancing Fund, causing the financial performance in the area to be high, but in terms of the independence of the region itself. Will show the dependence of local governments on the central government which is very large. Mukhibad and Aji (2020) in his research concluded that capital expenditure did not succeed in mediating the effect of balancing funds on regional financial performance. Verawaty et al. (2020) which states that the level of ability of a region in exploring a financial potential with the aim of being able to know the level of need for the regional government should be able to create a financing system in measuring financial working.

M. Other Indirect Effects of Legitimate Regional Income (X4) on Regional Financial Independence (Y2) Through Direct Expenditures (Y1) (13th Hypothesis)

Based on Fig. 3, it is known the direct influence of the Other Legitimate Regional Income (X4) variable on (Y2) with a significant value of 0.000 and a regression coefficient of -0.701 which means that Other Legitimate Regional Income has a negative effect on Regional Financial Independence. While the indirect influence value of Other Legitimate Regional Income (X4) on (Y2) through (Y1) is -0.070 which is the result of multiplying the beta value of the variable (X4) with the variable (Y1) with the beta value of Y1 against Y2 (-0.319 x 0.222 = –0.070). Based on the calculation results above, the value of the direct influence of Other Legitimate Regional Income on Regional Financial Independence is greater than the indirect influence of Other Legitimate Regional Income on Regional Financial Independence through Direct Expenditure, which is -0.701 > -0.070. So it can be concluded that indirectly the other variables of Legitimate Regional Income through Direct Expenditures have no effect on Regional Financial Independence.

So that in this research it is not in line with the research conducted by Muda (2017) which states that other legitimate regional income indirectly affects regional financial independence through direct expenditure. Capital expenditures, which will increase, will automatically trigger other legitimate regional incomes to increase causing financial performance in the area to be high which has an impact on the financial independence of the region itself.

V. CONCLUSION

Based on the results of the analysis and discussion of the research, it can be concluded as follows:

1. The independence and ability of a region in managing every resource that exists in the region will maximize (PAD) especially Regional Taxes so that it will have an impact on government spending, especially direct spending which will increase capital expenditure in the form of infrastructure development to improve the welfare of the people in the area because local governments are more independently without dependence on assistance from the central government to manage its resources.

2. The regional levies on the Regency/City Governments in the Province of NTT are still relatively small, so they have not been able to support direct expenditures. The lack of regional levies in the NTT Province is because there are still elements who are not responsible for depositing funds that should be deposited to the regions, such as parking fees and other permits. So this will have an impact on the independence of the region itself which is still dependent on assistance from the central government. So in this case the district/city government in NTT province must be more intense in carrying out regional levies collections such as parking fees, service licensing, public service fees and others.

3. The Balancing Fund at the Regional Government of the Province of NTT, Regency and City is still relatively small in terms of direct expenditures because of the small proportion of revenue sharing funds (DBH) and special allocation funds (DAK) to total regional revenues so that the driving force is small for the effect of balancing funds on regional expenditures, especially expenditures. direct.

4. Other legitimate regional incomes in the Regency/City Regional Governments in NTT Province have a large proportion of regional expenditures, especially direct expenditures. This means that the level of dependence of the district/city government in the province of NTT on assistance from the central government and the provincial government on regional spending, especially direct spending, is still high, on the other hand the district/city government in the province of NTT in making capital expenditures both in infrastructure and infrastructure development still expects assistance from the central government.
government, so that this will have an impact on the regional independence itself decreasing.

5. In testing the path analysis above, it can be concluded that the Direct Expenditure variable can be used as a mediating variable, because it can provide an indirect influence between Regional Levies and Balancing Funds on Regional Financial Independence. Meanwhile, Direct Expenditures have not succeeded in mediating Legislative Regional Taxes and Other Regional Income to KKD in NTT Province.

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