THE INFLUENCE OF EMPLOYEE EXPENDITURE, CAPITAL EXPENDITURE, AND POPULATION ON THE INCREASE OF REGIONAL ORIGINAL REVENUE (PAD) IN TAKALAR REGENCY

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Abstract: This study aims to analyze the effect of Employee Expenditure, Capital Expenditure, and Population on Regional Original Revenue (PAD) in Takalar Regency. The background of this research is based on the importance of the role of regional finance and demographic factors in improving regional fiscal capacity sustainably. The research uses a quantitative approach with multiple linear regression analysis. The data used are secondary data from financial reports and statistical data of Takalar Regency for three years. Classical assumption tests including normality, multicollinearity, heteroscedasticity, and autocorrelation were performed to validate the model. The regression results show that simultaneously, Employee Expenditure, Capital Expenditure, and Population significantly affect PAD (p-value 0.000). Partially, Capital Expenditure and Population have a positive and significant effect on PAD, while Employee Expenditure does not. The most dominant variable affecting PAD is Capital Expenditure (Beta = 0.881). The study suggests that the local government should prioritize productive capital spending and utilize population potential as a basis for increasing PAD through economic empowerment and expansion of the local tax base.

A. Introduction

The rapid development of digital technology and financial innovation in recent years has transformed the economic landscape in Indonesia, particularly for micro, small, and medium enterprises (MSMEs). As one of the main drivers of national economic growth, MSMEs play a vital role in supporting employment, reducing poverty, and promoting inclusive economic development. According to data from the Indonesian Ministry of Cooperatives and SMEs, the sector contributes more than 60 percent to the national GDP and absorbs around 97 percent of the total workforce. However, despite this remarkable contribution, many MSMEs continue to face challenges in

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managing their financial resources effectively. Inadequate financial literacy, limited access to financial technology, and suboptimal financial behavior often lead to poor financial management and unsustainable business operations.

Financial literacy refers to the ability to understand and effectively use various financial skills, including personal and business budgeting, financial planning, investment decision-making, and risk management. In the context of MSMEs, financial literacy is fundamental because it enables entrepreneurs to separate personal and business finances, manage cash flows efficiently, and make informed investment and borrowing decisions. However, several studies (Lusardi & Mitchell, 2014; Oseifuah, 2010) indicate that the level of financial literacy among MSME owners in developing countries remains relatively low. This limitation leads to difficulties in understanding financial statements, choosing appropriate financing sources, and assessing financial risks. Consequently, many small business owners make decisions based on intuition rather than data-driven financial considerations, resulting in inefficient resource allocation.

In addition to literacy, the rise of financial technology (FinTech) has opened new opportunities for MSMEs to enhance their financial management capabilities. FinTech innovations—such as mobile banking, digital payment systems, peer-to-peer lending, and online bookkeeping platforms—offer practical solutions to overcome traditional barriers in financial access. Through these technologies, MSME owners can manage transactions more transparently, reduce administrative burdens, and access financing more easily. Nevertheless, the adoption rate of FinTech among MSMEs in Makassar remains limited due to inadequate digital skills, lack of trust in online systems, and insufficient exposure to available digital tools. The

diffusion of financial technology therefore depends not only on infrastructure readiness but also on users' ability and willingness to adopt technological solutions.

The third crucial factor influencing financial management is financial behavior, which reflects how individuals make decisions regarding the planning, implementation, and control of their financial activities. Good financial behavior is characterized by responsible budgeting, consistent saving, timely debt repayment, and rational spending patterns. Conversely, poor financial behavior—such as impulsive spending or lack of record-keeping—often leads to liquidity problems and long-term business instability. Behavioral finance theories (Shefrin, 2000; Thaler, 1999) suggest that psychological biases significantly affect financial decision-making, especially among small business owners who often rely on personal judgment. Therefore, understanding financial behavior is essential for improving the overall quality of MSME financial management.

The context of Makassar City, as one of the rapidly growing urban centers in Eastern Indonesia, provides a relevant setting for this research. The city has experienced steady economic growth, driven largely by trade, services, and manufacturing sectors dominated by MSMEs. However, the uneven distribution of financial literacy and technological adoption across different business categories has limited the sector's potential contribution to regional economic development. Preliminary observations conducted by the researcher in early 2023 revealed that many MSME owners still lack formal bookkeeping systems and depend on manual methods for financial tracking. Moreover, access to bank financing and digital credit services remains low, primarily due to insufficient financial

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knowledge and skepticism toward online financial products.

Given this background, the present study aims to analyze empirically the influence of financial literacy, financial technology, and financial behavior on the financial management of MSMEs in Makassar City. The study seeks to answer the following core question: *To what extent do these three factors affect MSME financial management, both individually and simultaneously?* By answering this question, the research provides evidence-based insights that can assist local governments, business associations, and financial institutions in designing more effective empowerment programs for small enterprises.

The significance of this research lies in both its theoretical contribution and practical relevance. Theoretically, it integrates perspectives from behavioral finance, financial literacy frameworks, and technology adoption theories to explain MSME financial performance. Practically, it highlights the strategic importance of improving financial knowledge and digital readiness as prerequisites for sustainable small business growth. The results of this study are expected to serve as a reference for policymakers in developing targeted interventions that enhance MSME competitiveness in the digital era.

The conceptual framework illustrates the causal relationship between the independent fiscal variables (X1, X2, X3) and the dependent variable (Y), which is development expenditure. The model assumes that improvements in fiscal resources will lead to an increase in regional development funding.
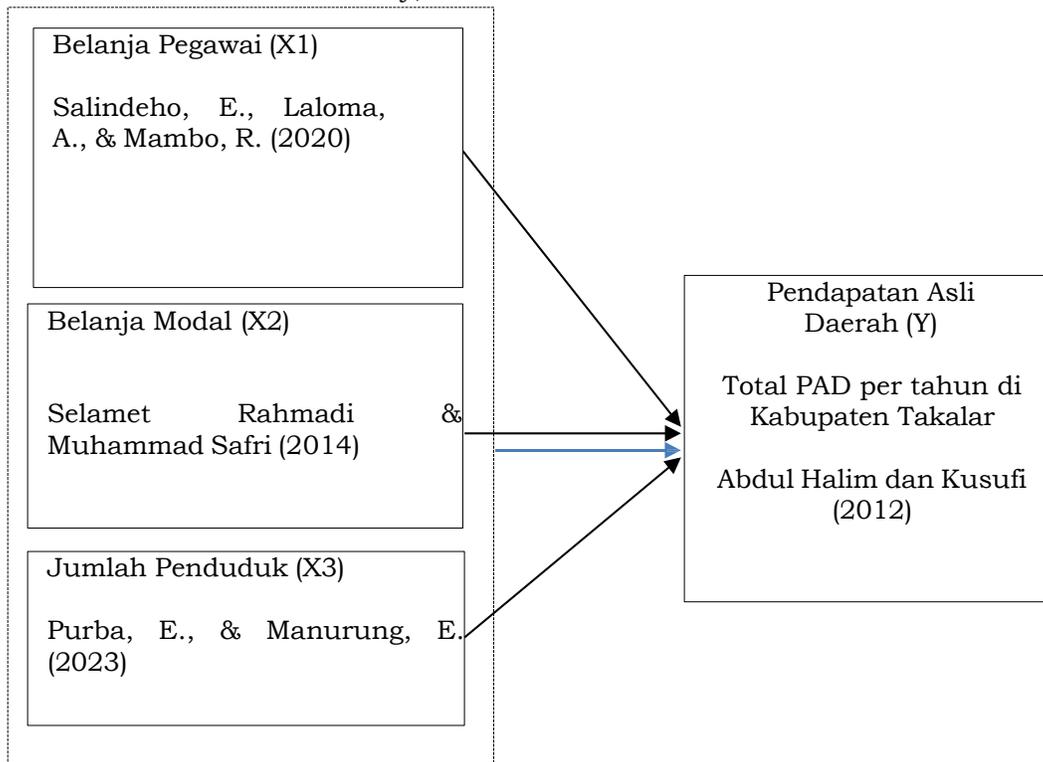
Gambar 1. Kerangka Konseptual

Based on the above framework, the author proposes the following hypotheses:

1. Personnel expenditures are suspected to have a positive and significant effect on

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increasing Regional Original Revenue (PAD) in Takalar Regency.

2. Capital expenditures are suspected to have a positive and significant effect on increasing Regional Original Revenue (PAD) in Takalar Regency.
3. Population is suspected to have a positive and significant effect on increasing Regional Original Revenue (PAD) in Takalar Regency.
4. Personnel expenditures, capital expenditures, and population are suspected to have a simultaneous positive and significant effect on increasing Regional Original Revenue (PAD) in Takalar Regency.
5. Capital expenditures are suspected to have the most dominant effect on increasing Regional Original Revenue (PAD) in Takalar Regency.

B. Materials and Methods

This research employs a quantitative approach using secondary data obtained from regional financial reports. The study location corresponds to the regional government analyzed by Ratnasari Dewi, with the population consisting of all fiscal datasets related to the variables under study. The sample includes annual observations selected through purposive sampling based on data completeness, consistency, and relevance to the study objectives.

Data analysis utilizes multiple linear regression to test the partial and simultaneous effects of the independent variables on development expenditure. Classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation testing, are conducted to ensure model validity. Statistical analysis is performed using SPSS, and the results are interpreted in alignment with fiscal decentralization theory and public expenditure frameworks.

C. Results and Discussion
Results
Multiple Linear Regression Analysis Test

Table 1. Results of multiple linear regression analysis test

Coefficientsa

Model		Unstandardized Coefficients		Stand. Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3,259	289,719		- .011	.991
	Shopping Employee (X1)	- .217	.265	- .164	- .820	.418
	Shopping Capital (X2)	- .387	.196	- .392	-1,976	.057
	Amount Resident (X3)	.540	14,804	.006	.036	.971

Based on the results of data processing, the following regression equation was obtained:

$$Y = -64{,}374 + 0.039\,X1 + 0.299\,X2 + 4.158\,X3$$

The analysis of each regression coefficient is as follows:

1. Constant (α) = - 64.374. This means that if all independent variables (X1, X2, and X3) are zero, the estimated PAD value is -64.374. However, in practice, this value only indicates the cutoff point and is not interpreted literally.
2. Coefficient X1 (Shopping Employees) = 0.039. This means, every increase Shopping Employee as big as 1 unit will increase PAD by 0.039 units, but is not statistically significant (sig. 0.268 > 0.05).

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3. Coefficient X2 (Capital Expenditure) = 0.299. This means that every 1 unit increase in Capital Expenditure will increase PAD by 0.299 units. This variable has a positive and significant effect on PAD (sig. = 0.000 < 0.05).
4. Coefficient X3 (Total Resident) = 4.158. This means that every 1 unit increase in population will increase PAD by 4.158 units. This variable also has a positive and significant effect (sig. = 0.037 < 0.05).

The results of the regression coefficient test show that the Capital Expenditure (X2) and Population (X3) variables have a positive and significant influence on Regional Original Income (PAD), while Employee Expenditure (X1) although has a positive influence, is not statistically significant.

This shows that the increase in PAD is more influenced by regional investment in the form of capital expenditure and population growth, compared to employee expenditure which tends to be routine.

T-Test (Partial)

Based on the partial test results (t-test) in table 1 above, it can be explained that:
1. X1 (Employee Expenditure): has no significant effect on PAD (Sig. = 0.268 > 0.05)
2. X2 (Capital Expenditure): has a significant effect on PAD (Sig. = 0.000 < 0.05)
3. X3 (Number of Population): has a significant effect on PAD (Sig. = 0.037 < 0.05)

F Test (Simultaneous)

Table 2. F Test Results

ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41,538	3	13,846	91,397	.000b
	Residual	4,848	32	.151		
	Total	46,385	35			

a. Dependent Variable: PAD (Y)
b. Predictors: (Constant), Population (X3), Capital Expenditures (X2), Personnel Expenditures (X1)

Based on the test results above, it can be explained that the significance value of 0.000 is smaller than the significance level of 0.05 (5%). This shows that simultaneously, the variables Employee Expenditure (X1), Capital Expenditure (X2), and Population (X3) have a significant effect on Regional Original Income (PAD).

Beta Test (Dominant Test)

Testing is predominantly done by looking at the Standardized Coefficients (Beta) values in the regression output. The beta value Which most big show that variables the has the most dominant influence on the dependent variable, namely Regional Original Income (PAD).

The following are the Standardized Beta values of each independent variable:

Table 3. Beta Test

Variables	Standardized Beta	Information
Shopping Employee (X1)	0.085	No dominant
Shopping Capital (X2)	0, 881	Most dominant
Amount Resident (X3)	0, 126	Second dominant

The table above shows that the Capital Expenditure variable (X2) has the largest beta coefficient value, at 0.881, compared to the other variables. This indicates that Capital Expenditure is the variable that most dominantly influences PAD in this regression model.

Regression Coefficient Test

Regression coefficient testing is conducted to determine the extent of influence of each independent variable on the dependent variable partially, using the t-statistic test. This test also indicates the direction of the relationship, whether positive or negative, and its level of significance.

In this study, testing was conducted on three independent variables: Employee Expenditure (X1), Capital Expenditure (X2), and Population (X3), with the dependent variable being Regional Original Income (PAD) (Y). The analysis was conducted using multiple linear regression with the following results:

Table 4. Testing Regression Coefficient

Variables	Regression Coefficient (B)	t- count	Sig . (P Value)	Information
(Constant)	-64,374	1,717	0.096	No significant
Shopping Employee (X1)	0.039	1,128	0.268	No significant
Shopping Capital (X2)	0.299	11,814	0,000	significant
Amount Resident (X3)	4,158	2,171	0.037	significant

Analysis from every variables in on is

1. Shopping Employee (X1):
   The regression coefficient of 0.039 with a significance value of 0.268 (>0.05) indicates that employee spending has no significant effect on local revenue (PAD). This means that changes in employee spending do not significantly affect the increase or decrease in local revenue.

2. Shopping Capital (X2):
   With a coefficient of 0.299 and a significance value of 0.000 (<0.05), capital expenditure has a positive and significant effect on local revenue (PAD). This indicates that an increase in capital expenditure will significantly increase local revenue.

3. Amount Resident (X3):
   A coefficient of 4.158 and a significance value of 0.037 (<0.05) indicate that population also has a positive and significant effect on local revenue (PAD). The larger the population, the greater the potential increase in local revenue.

Discussion

The Effect of Employee Expenditures on Original Regional Income

The results of the regression analysis show that the Employee Expenditure variable (X1) has a regression coefficient of 0.039 with a significance value of 0.268, greater than the significance level of 0.05. This indicates that Employee Expenditure does not have a significant effect on Regional Original Income (PAD).

Positively, the positive direction of the coefficient indicates that increases in employee spending tend to be followed by increases in PAD, but this relationship is not statistically strong enough to be considered significant. Thus, despite the unidirectional correlation, the effect of employee spending on PAD cannot be generalized to this study population.

These results indicate that employee spending, in the form of incentives for tax and levy collectors, does not directly drive increased local revenue (PAD). This is consistent with the findings of several previous studies, which found that employee spending has a low contribution to regional revenue generation because it is

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not directly directed toward productive activities or public investment.

Thus, increasing efficiency in managing employee expenditure is important, so that the budget issued can have an impact not only administratively but also fiscally in the long term.

The Impact of Capital Expenditure on Regional Original Income

The results of the regression analysis show that the Capital Expenditure variable (X2) has a regression coefficient of 0.299 with a significance value of 0.000, which is smaller than the significance level of 0.05. This indicates that Capital Expenditure has a positive and significant effect on Regional Original Income (PAD).

This positive coefficient indicates that any increase in capital expenditure tends to be followed by an increase in local revenue (PAD). This means that regional government spending on productive investments, such as infrastructure development, public facilities, and other fixed assets, can create added economic value that directly impacts increased local revenue (PAD). Capital expenditure has long-term characteristics and can stimulate the growth of strategic economic sectors. Good infrastructure, for example, can boost regional economic activity, attract investment, and improve tax compliance among developing business sectors. Therefore, targeted and efficient allocation of capital expenditure is a key factor in increasing regional fiscal capacity.

The results of this study are in line with the theory of public budget allocation and are supported by several previous studies which state that capital expenditure has a strategic role in improving the performance of local revenue, because it can strengthen the competitiveness of the local economy and expand the tax and levy revenue base.

The Influence of Population on Regional Original Income

Based on the results of the regression analysis, the Population (X3) variable has a regression coefficient of 4.158 with a significance value of 0.037, which is smaller than the significance level of 0.05. This indicates that Population has a positive and significant effect on Regional Original Income (PAD).

A positive coefficient indicates that population growth tends to be accompanied by an increase in local revenue (PAD). In theory, the population represents fiscal potential, both as consumers of public services and as actors in economic activities that form the basis of regional revenues such as local taxes and levies.

The larger the population, the greater the potential revenue from regional taxes, such as hotel, restaurant, and entertainment taxes, and public service fees. However, this impact is significant if local governments are able to effectively manage and utilize population growth, for example by improving the quality of services, creating jobs, and developing the local economic sector.

These results also align with the regional economic approach, which states that population is a crucial resource for local economic development. Therefore, regional fiscal policy needs to take population dynamics into account as a key factor in planning and developing potential local revenue.

Simultaneous Influence and Dominant Variables

Simultaneous influence based on the results of the simultaneous significance test (F test), the calculated F value was obtained at 91.397 with a significance value of 0.000. This value is smaller than the significance level of 0.05, which means that simultaneously, the variables Employee Expenditure (X1), Capital Expenditure (X2),

and Population (X3) have a significant effect on Regional Original Income (PAD).

These results indicate that the combination of the three independent variables in the model can collectively explain the variation in PAD. This is reinforced by the coefficient of determination (R^2) of 0.895, indicating that 89.5% of the variation in PAD can be explained by these three variables, while the remaining 10.5% is explained by factors outside the model.

Thus, the regression model used is considered strong enough and suitable to explain the relationship between the research variables.

Meanwhile, the dominant variable based on the results of the standardized coefficients (Beta) analysis shows that of the three independent variables, the Capital Expenditure variable (X2) has the largest beta value, namely 0.881, much higher than Employee Expenditure (0.085) and Population (0.126). This indicates that Capital Expenditure is the variable that most dominantly influences PAD in this model.

The significant influence of capital expenditures on local revenue (PAD) demonstrates that regional government budget allocations for capital expenditures, such as infrastructure development and fixed assets, significantly contribute to improving regional fiscal performance. Increased capital expenditures not only stimulate economic activity but also broaden the regional revenue base, both directly and indirectly.

D. Conclusion

his study concludes that financial literacy, financial technology, and financial behavior each exert a positive and significant influence on the financial management of micro, small, and medium enterprises (MSMEs) in Makassar City. The results of the analysis indicate that these three factors also have a strong simultaneous effect, demonstrating that effective financial management among MSMEs depends on the integration of knowledge, technology, and behavior. Among these factors, financial behavior emerges as the most dominant variable, suggesting that the attitudes, habits, and discipline of MSME owners play a crucial role in determining the quality of their financial decisions and practices.

The findings confirm that financial literacy serves as the cognitive foundation for sound financial decision-making. Entrepreneurs who understand basic concepts of saving, budgeting, borrowing, and investment are better equipped to manage resources efficiently, maintain accurate records, and ensure business sustainability. Meanwhile, the adoption of financial technology contributes to increased efficiency, transparency, and accessibility in financial operations. FinTech tools such as digital payments, mobile banking, and online accounting systems have allowed MSMEs to streamline transactions, monitor cash flows in real time, and reduce errors associated with manual bookkeeping. However, the study also observes that technology adoption must be accompanied by adequate digital literacy and trust to ensure consistent and effective use.

The most important conclusion, however, lies in the behavioral dimension. Financial behavior acts as the practical expression of financial knowledge and technological capability. Entrepreneurs who exhibit disciplined financial attitudes—such as consistent saving, controlled spending, and careful record keeping—are more likely to maintain liquidity and achieve stable business growth. Conversely, poor financial habits, impulsive decision-making, and the tendency to mix personal and business finances can undermine even the most knowledgeable and technologically capable entrepreneurs. Thus, behavioral discipline

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remains the key determinant of long-term financial health.

Overall, this research demonstrates that successful financial management among MSMEs is not merely the result of technical expertise or digital innovation, but the product of an integrated and consistent approach combining understanding, utilization, and behavioral responsibility. The theoretical implication of these findings reinforces the notion that financial literacy and technology adoption must work hand in hand with positive financial behavior to produce sustainable outcomes. In practical terms, these results highlight the need for continuous development of financial competence, digital readiness, and responsible behavioral patterns among entrepreneurs.

The empirical evidence from Makassar City underscores the vital role of MSME owners as active agents in their own financial success. Enhancing financial literacy, leveraging technology effectively, and cultivating disciplined behavior are mutually reinforcing processes that form the foundation of strong financial management. Through the integration of these three dimensions, MSMEs can achieve greater financial resilience, operational efficiency, and sustainable business performance. The study therefore provides valuable insights for understanding how small enterprises in developing economies can adapt, grow, and thrive in an increasingly digital and competitive environment.

Effective policy implementation requires the regional government to improve local revenue mobilization, enhance fiscal transfer management, and strengthen financial governance to ensure efficient and accountable development expenditures. Future research is recommended to integrate additional variables such as economic growth, investment flows, regional policies, and population dynamics to create a more holistic understanding of development expenditure dynamics.

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