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### The Effect of Regional Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) on Capital Expenditure in the Morowali Regency Government During 2016–2024

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**Abstract:** This study examines the effect of Regional Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK) on capital expenditure in the Morowali Regency Government from 2016 to 2024. Using a quantitative approach with multiple linear regression analysis, the research employs secondary time series data obtained from the Ministry of Finance of the Republic of Indonesia and the Morowali Regional Government. The findings indicate that PAD, DAU, and DAK each have a positive and significant impact on capital expenditure. The F-test result of 46.242 (greater than F-table 2.69) and an Adjusted R<sup>2</sup> value of 0.559 demonstrate that 55.9% of the variation in capital expenditure can be explained by the three independent variables. PAD exerts the strongest influence, implying that higher local revenue capacity enhances regional investment in infrastructure. The study concludes that optimizing local revenue sources and managing fiscal transfers effectively are essential to improving regional financial independence and sustainable development. Future research should include additional factors such as economic growth and governance transparency to provide a broader understanding of regional fiscal performance.

**Keywords:** Regional Original Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), Capital Expenditure, Fiscal Decentralization, Regional Development, Morowali Regency

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#### A. Introduction

Since the implementation of regional autonomy in Indonesia, the government has delegated greater authority to local administrations to manage their finances, plan development programs, and determine spending priorities. This decentralization policy aims to promote more efficient and equitable regional development, allowing local governments to respond better to the unique needs of their communities. Within

this context, regional financial management becomes a crucial aspect of governance, as it determines how effectively local governments can utilize available funds to stimulate growth, reduce disparities, and improve public services.

The Morowali Regency, located in Central Sulawesi, is one of Indonesia's rapidly developing regions, driven primarily by the mining and industrial sectors. The regency's economic growth has been



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accompanied by increasing demands for public infrastructure such as roads, schools, hospitals, and administrative facilities. Meeting these demands requires effective financial management and the ability to optimize both central and local fiscal resources. The government's capital expenditure decisions thus become a critical factor in determining the success of local development programs.

In Indonesia's fiscal system, regional revenues are composed of several key components: Regional Original Revenue (PAD), General Allocation Fund (DAU), and Special Allocation Fund (DAK). PAD represents locally generated income derived from taxes, levies, and other legitimate regional sources. It reflects the region's financial capacity and independence, allowing local governments to plan and execute programs based on their priorities. In contrast, DAU and DAK are transfer mechanisms from the central government intended to ensure interregional equity and support specific development objectives. The DAU aims to reduce fiscal disparities among regions by providing basic financial support for operational and service needs, while DAK is specifically allocated to fund particular sectors such as education, health, and infrastructure.

The interaction between these financial sources and capital expenditure is a key issue in regional fiscal policy. Capital expenditure represents long-term investment in physical assets that support public service delivery and economic growth. Efficient management of capital expenditure indicates the ability of regional governments to allocate resources effectively, ensuring that available funds translate into tangible developmental outcomes. Conversely, poor fiscal management can result in inefficiencies, underutilized infrastructure, and stagnant development.

Numerous studies have examined the impact of fiscal transfers and regional revenues on government spending patterns. For example, research by Halim and Abdullah (2010) emphasized that PAD significantly influences capital expenditure, as higher local revenues increase the flexibility of regional governments to fund strategic projects. Similarly, studies by Kusnandar and Siswanto (2012) and Fadli (2016) found that DAK and DAU also play important roles in shaping regional spending behavior, although their effects are often dependent on central government policies and fiscal coordination mechanisms. In practice, many local governments still rely heavily on central government transfers, which limits their fiscal independence and capacity to prioritize capital investment.

In the case of Morowali Regency, the increasing fiscal transfers from the central government have provided new opportunities for regional development but have also introduced challenges in financial management. While DAK and DAU allocations have increased significantly in recent years, their effectiveness in promoting sustainable capital investment depends on the local government's ability to manage and utilize funds efficiently. The role of PAD becomes even more critical in this regard, as it provides a measure of financial autonomy and reflects the region's ability to generate its own revenue without over-reliance on central support.

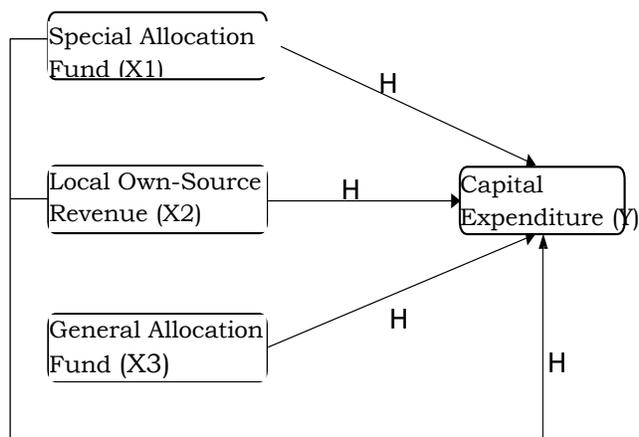
This study therefore seeks to examine how the Special Allocation Fund (DAK), Regional Original Revenue (PAD), and General Allocation Fund (DAU) influence capital expenditure in the Morowali Regency Government. The research aims to answer the following key questions: How do intergovernmental fiscal transfers and local revenues interact in shaping local government investment decisions? Which

sources of revenue contribute most significantly to capital expenditure? And what do these relationships imply for regional fiscal sustainability?

Theoretically, this research contributes to the understanding of fiscal decentralization by empirically demonstrating how different components of local revenue affect public investment. Practically, the study provides evidence-based insights for local policymakers and financial planners to improve fiscal policy implementation and optimize spending patterns. By examining these relationships, the research highlights the importance of fiscal independence, accountability, and transparency in achieving efficient and equitable regional development.

In conclusion, understanding the relationship between DAK, PAD, and DAU with capital expenditure is crucial not only for the fiscal health of the Morowali Regency Government but also for Indonesia’s broader goal of strengthening local autonomy. When managed effectively, these fiscal instruments can enhance public infrastructure, stimulate economic growth, and improve citizens’ welfare. The findings of this study are expected to contribute to more strategic financial planning and better alignment between local priorities and national development goals.

Figure 1 Conceptual Diagram



**B. Materials and Methods**

The research was conducted in Morowali Regency, Central Sulawesi, using a quantitative approach based on time-series secondary data. The population of this study consists of all fiscal records related to DAK, PAD, DAU, and Capital Expenditure documented in the regional financial statements from 2016 to 2024, and from this population a sample of nine annual financial observations was selected using purposive sampling. The study analyzes these nine fiscal-year datasets to measure the influence of DAK, PAD, and DAU on Capital Expenditure, with all statistical procedures—including classical assumption testing and multiple linear regression—carried out using SPSS software.

**C. Result and Discussion**

**Result**

The results of this study reveal significant and meaningful relationships between the Special Allocation Fund (DAK), Regional Original Revenue (PAD), and General Allocation Fund (DAU) on capital expenditure within the Morowali Regency Government. The statistical analysis demonstrates that all three fiscal variables positively influence capital spending, though with varying levels of significance and magnitude.

Table 1. Multiple Linear Regression Results

| Variable | B        | Std. Error | Beta  | t     | sig.  |
|----------|----------|------------|-------|-------|-------|
| Constant | 4545.106 | 2221.859   | -     | 2.046 | 0.043 |
| DAK (X1) | 0.25     | 0.056      | 0.287 | 4.438 | 0     |
| PAD (X2) | 0.227    | 0.095      | 0.157 | 2.386 | 0.019 |
| DAU (X3) | 0.351    | 0.035      | 0.651 | 9.974 | 0     |

Data source, 2025

Among these variables, Regional Original Revenue (PAD) exerts the strongest influence on capital expenditure, indicating

that local financial independence and revenue generation play a crucial role in determining how much investment the local government is able to allocate toward infrastructure and public facilities. Meanwhile, both the Special Allocation Fund (DAK) and General Allocation Fund (DAU) also have positive effects, reflecting their roles as complementary sources of development funding, although their influence is relatively weaker compared to PAD.

| Model      | df  | F      | Sig   |
|------------|-----|--------|-------|
| Regression | 3   | 46.242 | 0.000 |
| Residual   | 104 |        |       |
| Total      | 107 |        |       |

Table 2. F Test (Simultaneous Influence)  
Data source, 2025

Furthermore, the simultaneous influence of DAK, PAD, and DAU, as confirmed by the F-test, underscores the interconnected nature of fiscal transfers and local revenue management.

Table 3 Coefficient of Determination (R<sup>2</sup>)

| R     | R-Square | Adjusted R2 | Std. Error Estimate |
|-------|----------|-------------|---------------------|
| 0.756 | 0.572    | 0.559       | 11,845.45           |

Data source, 2025

The adjusted R<sup>2</sup> value of 0.559 indicates that more than half of the variation in capital expenditure can be explained by the three fiscal variables, while the remaining portion may be influenced by economic conditions, political dynamics, population growth, and investment trends. Taken together, the conclusions of this study emphasize that effective fiscal governance—both in terms of revenue mobilization and fund utilization—is essential for sustaining long-term regional

growth and ensuring equitable distribution of development outcomes.

### Discussion

The results of this study provide strong empirical evidence that the Special Allocation Fund (DAK), Local Own-Source Revenue (PAD), and the General Allocation Fund (DAU) each have a significant and positive influence on Capital Expenditure in Morowali Regency. These findings reinforce the role of fiscal decentralization as a critical mechanism through which regional governments acquire the resources necessary to fulfill development priorities and expand public infrastructure. The significance of all three fiscal variables demonstrates that capital investment in Morowali Regency is shaped by a combination of central government transfers and locally generated revenues, both of which collectively support the quality and quantity of public services.

The effect of DAK indicates that targeted and earmarked funds continue to serve as a crucial instrument for addressing specific development priorities, particularly in sectors such as education, health, transportation, and public works. PAD, on the other hand, reflects the region's increasing fiscal independence; as local revenue increases, the regional government gains more flexibility to design development programs that align with local needs. The dominant effect of DAU highlights the structural dependence of Morowali Regency on central government support, which is consistent with the characteristics of regions experiencing rapid industrialization but still developing administrative and financial capacity.

Furthermore, the simultaneous influence of DAK, PAD, and DAU, as confirmed by the F-test, underscores the interconnected nature of fiscal transfers and local revenue management. The adjusted R<sup>2</sup> value of 0.559 indicates that more than half of the variation in capital expenditure can be

explained by the three fiscal variables, while the remaining portion may be influenced by economic conditions, political dynamics, population growth, and investment trends. Taken together, the conclusions of this study emphasize that effective fiscal governance—both in terms of revenue mobilization and fund utilization—is essential for sustaining long-term regional growth and ensuring equitable distribution of development outcomes.

The findings of this study have several important policy implications for regional governments, central authorities, and policymakers involved in fiscal decentralization. First, the strong effect of DAU suggests that the central government should continuously evaluate and refine its fiscal transfer formulas to ensure fairness, transparency, and alignment with regional development challenges. A more accurate calculation of fiscal needs, fiscal capacity, and cost differentials will help reduce disparities and enable regions like Morowali to maintain stable capital investment levels.

Second, the positive influence of PAD highlights the need to strengthen local economic activities and revenue mobilization strategies. This requires improving the efficiency of tax administration, supporting small and medium enterprises (SMEs), diversifying revenue sources, and implementing digital systems for tax collection. Increased PAD will not only enhance fiscal independence but also reduce excessive reliance on central transfers.

Third, the effectiveness of DAK depends heavily on project readiness, planning accuracy, and administrative capacity. Therefore, regional governments need to strengthen planning and budgeting mechanisms, improve coordination with supervising ministries, and adopt more rigorous monitoring systems. Clear guidelines, timely disbursement, and transparent reporting are necessary to optimize the impact of DAK-funded projects.

Fourth, policymakers should promote capacity-building programs that support regional financial managers in areas such as budgeting, auditing, monitoring and evaluation, and the use of digital fiscal management platforms. Strengthening human resource capacity is essential for improving the effectiveness of capital expenditure and minimizing inefficiencies.

Based on the outcomes of this study, several recommendations are proposed. The regional government should focus on optimizing PAD by identifying new revenue potentials, formalizing informal economic activities, and implementing fair and effective taxation policies. Efforts should also be directed toward strengthening budget absorption capacity to ensure that capital expenditure programs are executed on time and in accordance with development priorities.

For DAU, the regional government should gradually reduce dependency on central transfers by improving local economic resilience, strengthening investment promotion initiatives, and enhancing coordination with the private sector—especially in regions with intensive industrial development like Morowali. Strategic collaborations with private investors may also help support infrastructure expansion and public service improvements.

For DAK, the regional government must pay close attention to planning quality, procurement efficiency, and reporting completeness. Collaboration with sectoral ministries and independent monitoring institutions should be enhanced to ensure transparency and accountability.

Researchers and policymakers should also consider integrating additional variables such as regional economic growth, inflation rates, unemployment levels, population dynamics, and political leadership factors into future analyses to obtain a more comprehensive understanding of capital expenditure determinants.

This study has several limitations that should be acknowledged. First, the analysis relies solely on secondary data from regional financial documents, which may contain reporting variations or classification differences across years. Second, the study focuses on a single region (Morowali Regency), which may limit the generalizability of the findings; fiscal behavior in other regions with different economic structures may differ significantly. Third, the model includes only three fiscal variables, while other relevant variables—such as economic performance, debt levels, public service demands, or political factors—were not included. Finally, the time-series dataset covers nine years, which, although adequate, may still be insufficient to fully capture long-term fiscal patterns.

Future studies are encouraged to expand the scope by incorporating multiple regions for comparative analysis. Including additional determinants—such as Gross Regional Domestic Product (GRDP), intergovernmental political relations, demographic changes, and industrial investment flows—would enrich the understanding of capital expenditure dynamics. Future researchers may also consider using panel data models, spatial analysis methods, or dynamic forecasting approaches to capture more complex fiscal relationships. Longer time-series data will also improve model precision and allow examination of structural changes in regional fiscal behavior over time.

#### **D. Conclusion**

This study contributes valuable insights into the functioning of fiscal decentralization in Indonesia and highlights the essential role of fiscal resources in supporting regional development. Morowali Regency, as a rapidly growing economic hub, faces both opportunities and challenges in managing its financial resources. By strengthening local revenues, optimizing central transfers,

and improving fiscal governance, the region can accelerate infrastructure development, enhance public services, and support sustainable growth. The findings of this study can serve as a reference for policymakers, regional leaders, and researchers seeking to improve fiscal policy design and implementation strategies in Indonesia.

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