

Indonesia's Difficulties in Regional Finance: A Quantitative Descriptive Approach

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Abstract

This study aims to demonstrate differences in the implementation of the 2023 budget in the western and eastern regions. Samples from 38 provincial governments are grouped by region. In the west, there are 23 provinces, while in the east there are 15 ones. Using quantitative data, such as income and expenditure realization data according to the province classification of 2023, secondary research data sources are accessed through the SIKD (Regional Financial Information System). The data analysis method applies an independent sample t-test model to test Welch and Cohen's coefficients against income and spending realization data. Research variables include (PAD) regional original income; (TKDD) transfers to regions and village funds; (PL) other income; (BP) personnel expenditure; (BBJ) goods and services expenditure; (BM) capital expenditure; and (BL) other expenditures. The results show evidence of the significant value of the Welch coefficient ($\mu < 0.05$), which means there is a difference in the overall variables of the research in the western and eastern regions. Other evidence of Cohen's value ($\mu: 0.860-0.977$) means there are variables with a large difference among others: (PAD) regional original income; (BBJ) expenditure on goods and services; (BM) capital expenditure.

Keywords: regional income; regional finance; public finance; independent sample t-test.

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I. Introduction

1.1. Background

Regional financial governance in Indonesia does not appear to be optimal in supporting the national development process and tends to maintain the status of gaps in governance performance between regions. Financial performance is a representation of the realization of accrual-based income and expenditure (Darise, N. 2008), regional ability to maximize original financial sources (Syamsi, I. 1986), an indicator of the success of regional financial governance (Halim, A. 2002), and performance regional finance is value for money (VFM) managed through economic, efficient, and effective regional financial ratios, especially the analysis of the Regional Revenue and Expenditure Budget (APBD), a form of measuring regional financial performance (Badrudin, R. 2012). APBD is a financial plan (Halim, A. 2007) that serves as the basis for regional financial management for a certain period (Saragih, 2003). State financial management regulations state that APBD is a form of regional financial management (Law No. 17 of 2003). Several theoretical references provide references to the performance of regional financial management through the quality of the APBD. Empirical findings confirm the effectiveness and efficiency of the budget in the APBD. It has an impact on regional independence (Zakiah, 2022) and has a positive relationship with regional financial management performance (Bilqis, HK, & Priyono, N., 2023).

The urgency of this research is to find quantitative phenomena in Indonesia's regional financial performance in 2023 through aspects of the quality of APBD realization. Focus on indicators for the realization of local original income (PAD), transfers to regions and village funds (TKDD), other income (PL), personnel expenditure (BP), goods and services expenditure (BBJ), capital expenditure (BM), and others (BL). The benefit of this research is to find quantitative facts about differences in the 2023 APBD realization groups for provincial governments in Indonesia. Apart from that, this research tries to find differences in the realization of the performance of provincial governments in the western and eastern regions of Indonesia. Previous empirical study findings have discovered the phenomenon of APBD performance, showing that 27 regional governments in Papua have not fulfilled compliance with regional financial management (Kekry, B.P.N. 2022), corruption has an impact on financial performance (Eriyana, M.A. 2019), there are differences in financial targets and realization (Rusnah, 2023), the audit opinion variable does not directly influence the realization of regional income and expenditure (Kahar et al. 2023), and the realization that local original income can boost regional revenue capacity (Eka, A.P.B. and Nugraha, 2019). Most previous empirical research did not use APBD realization indicators based on the division of eastern and western regions in Indonesia.

This study examines the differences in the performance of APBD realization in Indonesia based on the theory of the APBD ratio as a result of regional financial governance performance. (Badrudin, R. 2012). The establishment of the Regional Natural Income is an implication of the region's independence. Empirical findings on the effectiveness of regional natural income do not reflect the financial performance of the district (Nufus, et. al, 2017; Cholily V.H., 2023). The realization of transfers to the district and village funds is an implication of the financial relationships between the central and regional; empirical findings show a negative relationship between the transfer and the performance of the local government (Wulandari, R., 2021). Empirical research on other revenue realizations is still

very short. While the realization of staff expenditures and the expenditure of goods and services are components of the structure of operational expenses, there are empirical findings that show that the realization of the purchase of staff has not had the maximum impact on the development of the region. (Syuhada, et. al., 2023). Empirical findings show that the realization of the BM does not have a positive impact on the state (Padang, NN, & Padang, WS, 2023). Therefore, this research offers theoretical contributions to the financial performance of the regions in Indonesia. Demonstrating the disparity between regions through a quantitative descriptive approach can reveal the problems of the implementation of regional APBD in Indonesia. This research is essential to accelerate compliance with the principles of regional financial management in Indonesia. In the future, the scientific results of this research can provide input and recommendations (based on empirical evidence) to the central and regional governments on how to take real steps to change the financial governance policy in Indonesia. This scientific research is divided into five parts. The first part is an introduction, the formula of the problem, and the purpose of the research. The second part outlines the theoretical overview; the third part explains the use of research approaches and methodologies; the fourth part analyzes and discusses; and the fifth part formulates research conclusions and recommendations

1.2. Research Question

Based on the argumentative findings and empirical facts, this research will prove that there are differences in the realization of the (PAD) regional original income, (TKDD) transfers to regions and village funds, (PL) other income, (BP) personnel expenditure, (BBJ) expenditures for goods and services, (BM) capital expenditure, and (BL) other expenditure, based on the region characteristics. This research is important in order to accelerate compliance with the principles of regional financial management in Indonesia. The researchers hope that the findings of this scientific research will provide input and recommendations (based on empirical evidence) to central and regional governments on concrete steps to transform regional financial governance policies in Indonesia.

1.3. Literatur Review

1.3.1. Regional Original Income

Regional original income (PAD) is one of the sources of local income. The capacity for fiscal independence is demonstrated by the large realization of regional original income (PAD). It is stated explicitly that regional original income (PAD) is the basis of income (Law No. 17 of 2003), with the component of the regional tax, the regional remuneration, and the income of the management of the wealth of the area separated, as well as the other legal regional real income (Law No. 1 of 2022). In addition, the substance of the regional natural income is part of the calculation of the fiscal capacity of the region. (Law No. 23 of 2014). The reference affirms that regional original income (PAD) is a source of income based on administrative territory (Halim, A. 2007); in addition, it states that regional original income (PAD) comes from the income of companies owned by the region. (Mardiasmo, 2002). In connection with some regulatory foundations and experts' understanding of the Regional Original Income (PAD), the researchers concluded that the Regional Natural Income is an important factor in the concept of regional autonomy; the higher the optimal capacity of the regional original income (PAD) in managing the administrative potential of the region, the more it affects the APBD ability to provide public services independently to the community, using the consequences of the performance of fiscal independence or the location of the local

real income in the performance of fiscal capacity. (Law No. 23 of 2014). This study means that the realization of regional original income (PAD) depends on the existence of regional compliance with the financial management authority. Therefore, the provincial government in Indonesia should pay attention to the realization rate of regional original income (PAD) based on the APBD planning targets.

1.3.2. Transfer to Regions and Village Funds

Transfers to regional and village funds (TKDD) are a source of regional income provided through the central government budget planning mechanism (Law No. 17 of 2003). The APBD structure describes the components of transfers to regions and village funds (TKDD), including central and inter-regional government transfers (Regulation of the Minister of Home Affairs No.77 of 2020). Changes in regulations affect the concept of transfer to regional and village funds (TKDD), which now includes funding of government affairs to regional authorities as well as villages for governance, development, and empowerment. The low utilization of transfers to regions and village funds (TKDD) indicates the unstable implementation of local government authority.

1.3.3. Other Income

Other income (PL) is part of the regional income in the APBD structure and includes various sources of funding, such as transfers from central, provincial, private, and community governments (Law No. 23 of 2014). This structure is contextually specific to each region, depending on its needs. It is important to understand the other income (PL) components, specifically grants and emergency funds. Other Income (PL) realization reflects the quality of planning and management of APBD. This research indicates that the consistency of planning and management in the APBD is very important for the realization of other income and financial performance in the region as a whole.

1.3.4. Personnel Expenditure

Regional expenditure, in particular personnel expenditure (BP), is remuneration given to employees in the form of money or goods under regulations. Personal expenditure (BP) is part of the operational expenditure that has short-term benefits for government operations. Good management of personnel expenditure (BP) is crucial because it has a direct impact on the performance of the local government responsible for the maintenance of public services. If it is not managed effectively, it can impede the efficient and effective maintenance of public services (Regulation of the Minister of Home Affairs No. 77 of 2020). It is therefore important for local governments to carefully manage and allocate their funds to ensure the success of public service maintenance.

1.3.5. Goods and Services Expenditure

Goods and services expenditure (BBJ) is a component of operational expenditure and provides short-term benefits. Used to budget for the procurement of goods and services whose useful value is less than 12 months (Government Regulation No. 12 of 2019), including goods that will be handed over or sold to public or third parties. Goods and services expenditure (BBJ) is the purchase of consumable materials for marketed or non-marketed production (Minister of Finance Regulation No. 112 of 2012). Goods and services expenditure (BBJ) is an effort to maximize public services by showing government expenditure in an area (Pangestu, E.C., 2018). Planning goods and services expenditure (BBJ) is very important because the realization of this expenditure has a positive impact on

the quality of public services (Astuty, S. 2022), especially the types of goods and services provided to the public or third parties.

1.3.6. Capital Expenditure

Capital expenditure (BM) is the acquisition of assets that provide long-term benefits over a given period. These assets include land, equipment, buildings, roads, and other fixed or intangible assets. The objective of capital expenditure (BM) is to improve the quality of life of the people through the improvement of basic services (Nashshar, M.I., & Mulyana, B. 2022). Local government allocates capital expenditure (BM) to ensure the provision of public services effectively.

1.3.7. Other Expenditure

Other expenditures (BL) include grants, subsidies, social assistance, income, and financial assistance. Specifically, spending grants and subsidies aimed at services and social protection (Regulation of the Minister of Home Affairs No. 77 of 2020). In terms of income and financial assistance, it is categorized as transfer expenditure and serves to strengthen interregional fiscal capacity. The optimization of other expenditures (BL) is crucial to the quality of public service.

II. Methods

This research approach uses quantitative methods to dig up and reveal the theoretical truth of a phenomenon or event. (Sugiyono, 2017). The scope of research by object is the income and expenditure of the region in 2023, while the subject is the provincial government in Indonesia. Using the type of quantitative data in particular numerical (Kuncoro, 2013), such as income and expenditure realization data, the data source is secondary, obtained indirectly (Supomo, B., & Indriantoro, N. 2002) through SIKD (regional financial information system), through the website page (djpk.kemenkeu.go.id), and other supporting data obtainable on the site page scholar.google.com. Sample research according to the classification of regions determined purposefully (Singarimbun & Effendi, S. 1995) 38 governments of provinces are categorized into Indonesian western territory (WB), consisting of 23 governments, and eastern territories (WT), consisting of 15 governments. The data collection method uses documentation techniques (Saekan, M., 2010), and researchers perform data searches electronically. (Sukmadinata & Syaodih, N. 2007). The research variables include (PAD) regional original income; (TKDD) transfers to regions and village funds; (PL) other income; (BP) personnel expenditure; (BBJ) goods and services expenditure; (BM) capital expenditure; and (BL) other expenditures. The data analysis method uses an independent sample t-test model (Moh, N., 2005) to test Welch and Cohen's coefficients against the revenue and spending realization data of the western and eastern regions (Santoso, S., 2005). The criteria for the results of the study are based on Welch ($\mu_1 = \mu_2, \mu_1 \neq \mu_2$) and probability levels ($\mu_{t-test} < \sigma_{0.05}$), whereas Cohen's value indicates that the size of the region's effect is small ($\mu_{t-test}: 0.2-0.5$), moderate ($\mu_{t-test}: 0.5-0.8$), and large ($\mu_{t-test} > 0.8$). This research has the following verbal and statistical hypotheses:

1. Differences in original regional income (PAD), statistical hypothesis $\mu_1 = \mu_2, \mu_1 \neq \mu_2$
2. Differences in transfers to regions and village funds (TKDD), statistical hypothesis $\mu_1 = \mu_2, \mu_1 \neq \mu_2$

3. Differences in other income (PL), statistical hypothesis $\mu_1=\mu_2, \mu_1\neq\mu_2$
4. Differences in personnel expenditure (BP), statistical hypothesis $\mu_1=\mu_2, \mu_1\neq\mu_2$
5. Differences in goods and services expenditures (BBJ), statistical hypothesis $\mu_1=\mu_2, \mu_1\neq\mu_2$
6. Differences in capital expenditure (BM), statistical hypothesis $\mu_1=\mu_2, \mu_1\neq\mu_2$
7. Differences in other expenditure (BL), statistical hypothesis $\mu_1=\mu_2, \mu_1\neq\mu_2$

III. Results, Analysis and Discussion

Table 1 below summarizes the percentage of realization of the income component among others: (PAD) regional original income; (TKDD) transfers to regions and village funds; (PL) other income. According to the characteristics of the study, 23 provinces are western and 15 are east. In general, this summary shows that both regions have a percentage of revenue realization of <100%. However, the development of the Western revenue component is more effective than the East, which means that the implementation of development is faster in the West by assuming the availability of the regional budget.

Table 1. Quantitative Descriptive of Regional Revenue Realization by Region in Indonesia (%)

Variable	Region	Valid	Median	Mean	Minimum	Maximum
PAD	Western	23	68.64	67.01	42.54	86.25
	East	15	58.17	47.30	10.00	81.53
TKDD	Western	23	62.71	61.42	42.44	87.21
	East	15	53.73	53.74	35.00	70.09
PL	Western	23	60.85	55.88	13.45	92.94
	East	15	23.55	35.39	12.44	94.00

Source: Data processed, Year 2023

The proportion of regional realization of original income (PAD) ranges from 10.00% to 81.53% in the eastern region and from 42.54% to 86.25% in the western region. The percentage of realization of transfers to region and village funds (TKDD) ranged from 35.00% to 70.09% in the east region and 42.44% to 87.21% in the west. Due to the large variance in the percentage of regional revenue realization between eastern and western regions, the researchers gave an APBD 15 view of the eastern provinces being heavily dependent on APBN.

Figure 1. provides a visualization of the percentage realization of the regional income component, with group one consisting of the western regions consisting of 23 provinces and group two on the eastern territory of 15 provinces. The distribution of the percentage of realization of regional original income (PAD) in the western region tends to be close to the maximum realization of 100%, as opposed to the eastern region, which has a variable spread and a tendency to realization of <50%. The visualization of the proportion of realization transfers to region and village funds (TKDD) for the Western region tends to be between 40% and 80%, while the Eastern region is between 30% and 70%. Both regions have similar distribution patterns, but some western provinces are close to 100% realization. As for the

realization of other incomes (PL), the two regions have similar distribution patterns and tend to simultaneously approach the maximum realization of 100%, even though there are realizations of <50% in some provinces in the western and eastern regions.

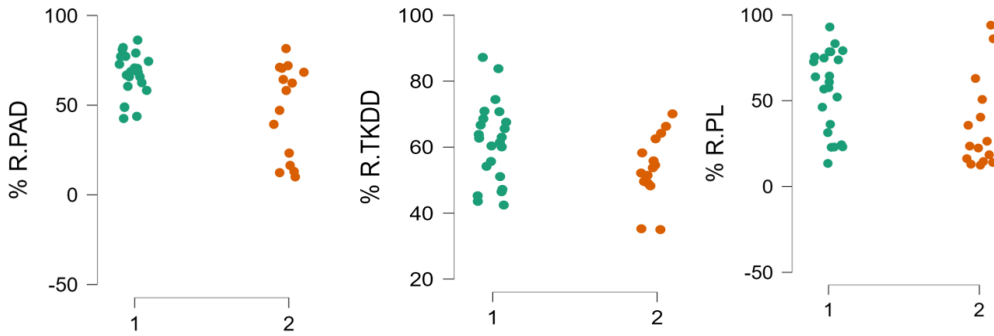


Figure 1. Visualization of Regional Revenue Realization by Region in Indonesia (%)

Source: Data processed, Year 2023

Table 2. Quantitative Descriptive of Regional Expenditure Realization by Region in Indonesia (%)

Variable	Region	Valid	Median	Mean	Minimum	Maximum
BP	Western	23	67.25	66.93	57.54	76.44
	East	15	65.06	54.67	12.25	85.20
BBJ	Western	23	56.57	54.63	32.88	71.46
	East	15	43.82	43.14	15.43	71.11
BM	Western	23	40.66	40.11	14.67	56.52
	East	15	30.47	30.80	11.37	51.01
BL	Western	23	64.25	64.59	37.77	93.59
	East	15	54.83	53.65	11.46	89.65

Source: Data processed, Year 2023

Table 2 summarizes the percentage realization of the components of expenditure, including (BP) personnel expenditure; (BBJ) goods and services spending; (BM) capital expenditure; and (BL) other spending. Based on the characteristics of the study, 23 provinces are in the western territory and 15 provinces are in the east. In general, the summary shows that both regions have a percentage of spending realization of <100%. The percentage of realization of personnel expenditure (BP) ranges from 12.25% to 85.20% in the eastern region and 57.54% to 76.44% for the western region. The percentage of goods and services expenditure realization (BBJ) ranged from 15.43% to 71.11% in the eastern region and 32.88% to 71.46% in the western region. Furthermore, the proportion of capital expenditure realization (BM) ranges between 14.67% and 56.52% in the eastern region and 11.37% and 51.01% in the western region.

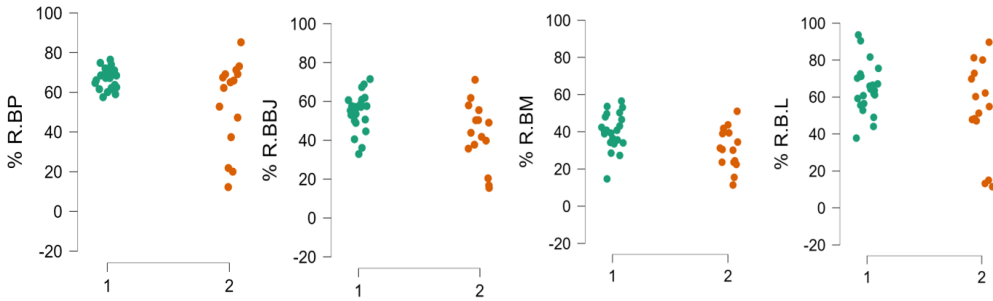


Figure 2. Visualization of Regional Expenditure Realization by Region in Indonesia (%)

Source: Data processed, Year 2023

Figure 2 visualizes the percentage realization of the regional expenditure component, with the group of one western region being 23 provinces and the two eastern region groups being 15 provinces. The distribution of percentages of realization (BP) personnel expenditure in the western area tends to be in the range of 57% to 80%, as opposed to the eastern region being evenly 10% to 80%, showing that certain provinces have difficulty achieving 100%. While the goods and services expenditure pattern (BBJ) in the western and eastern regions has relatively similar patterns of distribution ranging from 20% to 80%. For the component (BM) capital expenditure spread percentage realization <60% in both regions, the conditions indicate that the provinces in the western and eastern areas of difficulty reach the maximum value of 100%. The percentage distribution (BL) of other expenditure tends to vary in the western region, ranging from 40% to 90%, while the eastern region ranges from 10% to 90%.

Table 3. Welch Test Results of Revenue and Expenditure Realization by Region in Indonesia

Variable	t	df	p	Cohen's/d	SE Cohen's/d	Description
PAD	2.763	18.043	0.006	0.977	0.362	Welch Test
TKDD	2.040	36.000	0.024	0.677	0.347	Welch Test
PL	2.479	36.000	0.009	0.823	0.353	Welch Test
BP	2.108	15.051	0.026	0.762	0.350	Welch Test
BBJ	2.468	20.351	0.011	0.860	0.355	Welch Test
BM	2.751	36.000	0.005	0.913	0.358	Welch Test
BL	1.577	19.245	0.066	0.553	0.342	Welch Test

Source: Data processed, Year 2023

3.1. Analysis of Realized Regional Original Income

The results of statistical testing for (PAD) regional original income in Table 3 show that the value of the Welch coefficient is $\mu_{t\text{-test}}: 2.763$ with a calculated probability value of $\mu_{t\text{-test}}: 0.006 < \sigma 0.05$, meaning that it accepts the statistical hypothesis $\mu_1 \neq \mu_2$ that the Welch coefficient proves that there is a difference in realization (PAD) regional original income for the western and eastern regions. Proving the size of the effect of differences between regions through the Cohen's coefficient value is $\mu_{t\text{-test}}: 0.977 > 0.800$, meaning that the difference in realization is large in the western and eastern regions. Research evidenced through Welch and Cohen's coefficients has empirical support for the weak performance of regional original income realizations (Awwaliyah et al. 2019); weak intensification and extensification (Siregar, RT et al. 2020); availability of human resources implementing (PAD) regional original income policies (Singgih, RP et al. 2022); by convergence there is a gap in income realization (Aginta, H. et al. 2023); lack of effect from economic growth (Kekry, B.P.N 2020); regional levy capabilities are ineffective (Nasir, M. S. 2019). Researchers provide the ten best regional original income realizations (PAD) in the western region of eight provinces, namely South Kalimantan, North Kalimantan, West Kalimantan, Riau Islands, Bengkulu, East Java, Yogyakarta, and Banten. In the eastern region, there are two provinces, namely Papua and Maluku, which means that 28 provinces need to receive technical support for fiscal independence. The implications of low regional original income (PAD) have an impact on fiscal dependence (Tradinatama, S., & Solikin, A., 2023); apart from that, the effectiveness of regional autonomy policies is not optimal (Juliarini, A., 2020).

3.2. Analysis of Realized Transfers to Regions and Village Funds

The statistical test results for (TKDD) transfers to regions and village funds in Table 3 show that the value of the Welch coefficient is $\mu_{t\text{-test}}: 2.040$ with a calculated probability value of $\mu_{t\text{-test}}: 0.024 < \sigma 0.05$, meaning that it accepts the statistical hypothesis $\mu_1 \neq \mu_2$ that the Welch coefficient proves that there was a difference in realization of (TKDD) transfers to regions and village funds in the western and eastern regions. Proving the size of the effect of differences between regions through the Cohen's coefficient value is $\mu_{t\text{-test}}: 0.677 \leq 0.800$, meaning that the difference in realization is moderate in the western and eastern regions. Research evidence through Welch and Cohen's coefficients finds empirical support that transfer funds are proven to negatively support public services (Iskandar, A. 2021); government transfers through general and special allocation funds affect fiscal independence (Puspita, A.W., & Budiwitjaksono, G. S. 2023); only two provinces in Indonesia have fiscal independence (Christianingrum, R., & Aida, A. N. (2020); high regional dependence on transfers (Makhya, S. et al. 2023); high variance in regional autonomy of 39 countries in Europe (Ladner, A. et al. 2016). Researchers provide implications for the ten best realizations (TKDD) of transfers to regions and village funds in the western region: seven provinces, namely South Kalimantan, North Kalimantan, West Kalimantan, North Sumatra, Banten, East Java, and Yogyakarta, while in the eastern region there are three provinces, namely Gorontalo, Central Sulawesi, and East Nusa Tenggara. This means that 28 provinces need attention regarding the management of transfer funds, especially the effectiveness of village funds. The implications of low realization (TKDD) of transfers to regions and village funds have an impact on regional spending performance (Tradinatama, S., & Solikin, A., 2023).

3.3. Analysis of Realized Other Income

The results of statistical testing for (PL) other income in Table 3 show that the value of the Welch coefficient is $\mu_{t\text{-test}}: 2.479$ with a calculated probability value of $\mu_{t\text{-test}}: 0.009 < \sigma 0.05$, meaning that it accepts the statistical hypothesis $\mu_1 \neq \mu_2$ that the Welch coefficient proves that there is a difference in realization (PL) other income in the western and eastern regions. Proving the size of the effect of differences between regions through the value of Cohen's coefficient is the $\mu_{t\text{-test}}: 0.823 \leq 0.800$, meaning that the differences in realization tend to be moderate in the western and eastern regions. Research evidence through Welch and Cohen's coefficients has gained empirical support through alternative policies such as optimizing the receipt of retribution fines (Hafandi, Y., & Romandhon, R. 2020); having a big influence on regional spending (Rachman, B. 2023); the need for more accurate grant planning (Jannah, M. 2013); and strengthening accrual-based accounting for sources of income from geothermal potential (Siswanto, 2020). Researchers provide implications for the ten best realizations (PL) of other income in the western region of seven provinces, namely West Sumatra, Nanggroe Aceh Darussalam, Riau, Central Kalimantan, North Kalimantan, West Java, and East Java. In the eastern region, there are three provinces, namely North Sulawesi, Central Sulawesi, and Southwest Papua. (PL) Other income is contextually specific for each region, depending on the regional potential; for example, the region has the potential for geothermal production, coal mining, oil, and natural gas.

3.4. Analysis of Realized Personnel Expenditure

Hasil pengujian statistik untuk (BP) personnel expenditure, tabel 3 menunjukkan nilai koefisien Welch adalah $\mu_{t\text{-test}}: 2.108$ dengan nilai probabilitas hitung $\mu_{t\text{-test}}: 0.026 < \sigma 0.05$ artinya menerima hipotesis statistik $\mu_1 \neq \mu_2$ bahwa koefisien Welch membuktikan terjadi perbedaan realisasi (BP) personnel expenditure wilayah barat dan timur. Pembuktian besar kecilnya efek perbedaan antar wilayah, melalui nilai koefisien Cohen's adalah $\mu_{t\text{-test}}: 0.762 \leq 0.800$ artinya perbedaan realisasi cenderung moderat wilayah barat dan timur. Bukti penelitian melalui koefisien Welch dan Cohen's mendapatkan dukungan empiris bahwa belanja (BP) personnel expenditure merupakan apresiasi bagi kinerja pegawai (Raudha, N., & Abdullah, S. 2023); belanja manfaat jangka pendek bagi operasional pemerintahan (Peraturan Menteri Dalam Negeri Nomor 77 Tahun 2020). Oleh karena itu, penting bagi pemerintah daerah untuk secara hati-hati mengelola dan mengalokasikan dananya untuk menjamin keberhasilan pemeliharaan layanan publik. Peneliti memberikan implikasi sepuluh terbaik realisasi (BP) personnel expenditure wilayah barat tujuh provinsi adalah Riau, Bengkulu, DKI Jakarta, Lampung, Bangka Belitung, Kepulauan Riau, dan Jawa Barat sedangkan bagian wilayah timur tiga provinsi yaitu Papua, Gorontalo, dan Sulawesi Selatan.

3.5. Analysis of Realized Goods and Services Expenditure

Statistical testing for (BBJ) goods and services expenditure in Table 3 shows that the value of the Welch coefficient is $\mu_{t\text{-test}}: 2.468$ with a calculated probability value of $\mu_{t\text{-test}}: 0.026 < \sigma 0.011$, meaning that it accepts the statistical hypothesis $\mu_1 \neq \mu_2$ that the Welch coefficient proves that there is a difference in realization (BBJ) goods and services expenditure in western and eastern regions. Proving the size of the effect of differences between regions through the value of Cohen's coefficient is the $\mu_{t\text{-test}}: 0.860 > 0.800$, meaning that the differences in realization tend to be large in the western and eastern regions. Research evidence through Welch and Cohen's coefficients finds empirical support that

goods and services expenditure (BBJ) local government size (UPD) has a strong influence on the realization of capital expenditure (Novianti, R. 2023); there is the influence of special allocation funds (Nashshar, M. I., & Mulyana, B. 2022); and there is a strong relationship between (BBJ) goods and services expenditure and the addition of regional assets and public services (Hardana et al. 2023). Researchers provide implications for the ten best (BBJ) goods and services expenditures in the western region of eight provinces, namely North Sumatra, Central Java, South Kalimantan, West Nusa Tenggara, East Kalimantan, Lampung, Bali, and West Kalimantan, while in the eastern region there are three provinces, namely Gorontalo, Central Sulawesi, and Maluku.

3.6. Analysis of Realized Capital Expenditure

Statistical testing for (BM) capital expenditure in Table 3 shows that the value of the Welch coefficient is $\mu_{t-test}: 2.751$ with a calculated probability value of $\mu_{t-test}: 0.066 > \sigma 0.05$, meaning that it accepts the statistical hypothesis $\mu_1 = \mu_2$ that the Welch coefficient proves that there is no difference in realization (BM) capital expenditure for western and eastern regions. Proving the size of the effect of differences between regions through the value of Cohen's coefficient is the $\mu_{t-test}: 0.913 > 0.800$, meaning that the differences in realization tend to be large in the western and eastern regions. Research evidence through Welch and Cohen's coefficients has empirical support that capital expenditure (BM) greatly influences budget realization reports (Kuntadi, C., & Nugroho, D. A. 2023); goods and services whose useful value is less than 12 months (Government Regulation Number 12 of 2019), including goods handed over or sold to the public or third parties; maximizing public services by showing local government expenditure (Pangestu, E.C., 2018); this spending has a positive impact on the quality of public services (Astuty, S. 2022). Researchers provide implications for the ten best (BM) capital expenditures in the western region of nine provinces, namely South Kalimantan, South Sumatra, Jambi, West Nusa Tenggara, West Java, East Kalimantan, West Kalimantan Yogyakarta, and Lampung, while the eastern province is Southeast Sulawesi.

3.7. Analysis of Realized Other Expenditure

Statistical testing (BL) of miscellaneous expenditure in Table 3 shows the value of the Welch coefficient $\mu_{t-test}: 1.577$ with a calculated probability value of the $\mu_{t-test}: 0.066 < \sigma 0.011$, meaning that it accepts the statistical hypothesis $\mu_1 \neq \mu_2$ that the Welch coefficient proves that there is no difference in realization (BL) shopping for other things in the western and eastern regions. Evidence of the influence of differences between regions through the Cohen coefficient value is the $\mu_{t-test}: 0.553 < 0.800$, meaning that the difference in realization is very small in the western and eastern regions. Research evidence via the Welch and Cohen coefficients has empirical support for the two regions that seek spending on grants and subsidies aimed at social services and protection (Minister of Home Affairs Regulation Number 77 of 2020). Researchers provide implications for the ten best capital expenditures (BM) in the western region of six provinces, namely South Kalimantan, East Kalimantan, Riau Islands, Bengkulu, Banten, and East Java, while in the eastern region, there are four provinces, namely Papua, West Papua, Maluku, and South Sulawesi.

IV. Conclusion and Recommendation

The research findings provide an empirical contribution showing that analysis of regional characteristics can provide a more concrete indication of performance. The research results found that there were differences in the financial realization of regional governments in the western region, which consisted of 23 provinces, and in the eastern region, which consisted of 15 provinces. The differences in characteristics of the western and eastern regions are proven by the values of the Welch and Cohen coefficients. Apart from that, the research specifically proves seven hypotheses: (1) the realization of local revenue (PAD) has criteria for large differences between the western and eastern regions, through the coefficient value of the Welch $\mu_{t\text{-test}}:2.763$ and Cohen's $\mu_{t\text{-test}}:0.977 > 0.800$; (2) the realization (TKDD) of transfers to regions and village funds has criteria for moderate differences between the western and eastern regions, through the coefficient value of the Welch $\mu_{t\text{-test}}:2.040$ and Cohen's $\mu_{t\text{-test}}:0.677 \leq 0.800$; (3) realization (PL) of other income has criteria for moderate differences in the western and eastern regions, through the coefficient value of the Welch $\mu_{t\text{-test}}:2.479$ and Cohen's $\mu_{t\text{-test}}:0.823 \leq 0.800$; (4) realization (BP) of personnel expenditure has criteria of moderate differences in the western and eastern regions, through the coefficient value of the Welch $\mu_{t\text{-test}}:2.108$ and Cohen's $\mu_{t\text{-test}}:0.762 \leq 0.800$; (5) realization (BBJ) of spending on goods and services has criteria for large differences between the western and eastern regions, through the coefficient value of the Welch $\mu_{t\text{-test}}:2.468$ and Cohen's $\mu_{t\text{-test}}:0.860 > 0.800$; (6) realization (BM) of capital expenditure has criteria of large differences between the western and eastern regions, through the coefficient value of the Welch $\mu_{t\text{-test}}:2.779$ and Cohen's $\mu_{t\text{-test}}:0.913 > 0.800$; (7) realization (BL) of other expenditures has the criteria of no difference between the western and eastern regions, through the coefficient value of the Welch $\mu_{t\text{-test}}:1.577$ and Cohen's $\mu_{t\text{-test}}:0.553 < 0.800$.

Research shows that large differences in financial realization in the western and eastern regions occur in (PAD) regional original income, (BBJ) goods and services expenditure and (BM) capital expenditure. The results of this research confirm empirically that the effectiveness of regional original income (PAD) does not reflect regional financial performance (Nufus et al., 2017; (Choly, VH., 2023) and the realization (BM) that capital expenditure does not have a positive impact on development (Padang, NN, & Padang, WS, 2023). So, this research finds financial disparities between the western and eastern regions. The inability to implement the budget will have an impact on national development disparities. Therefore, researchers need to provide recommendations that regional governments need to establish regional original income supporting regulations (PAD), the government sets regional original income targets (PAD) based on actual and theoretical potential, regional governments carry out planning and budgeting (BBJ) goods and services expenditure and (BM) capital expenditure rationally, and evaluating budget absorption capacity needs to involve experts and academics. Recommendations for central government: first, empower performance planning through the implementation of cascading, crossing, and ex-ante. So, there is continuity and integration between development planning and regional government finances. Second, if possible, there needs to be a reward and punishment scheme based on the western and eastern regions.

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