Bumd Contribution as a Moderation of Association Between Revenue And Expenditure With Regional Financial Independence

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Article Info

Keywords:
Local Revenue;
Balance Fund;
Capital Expenditure;
Regional Financial Independence;
BUMD Contribution

DOI:
10.33830/jfba.v2i2.4184.2022

Abstract
This study aims to assess and analyze local revenue, balance funds, capital expenditures, and regional financial independence with the contribution of BUMD as a moderating variable. This research uses quantitative methods with a descriptive approach. The population in this study was the District or City Government in the West Java Province of the Company in 2014-2019. The sampling technique was using the purposive sampling method. The sample in this study were districts or cities that still had a low level of independence as many as 72 sample units. Data analysis used moderate regression analysis (MRA) and Pearson correlation. The results showed that local revenue and capital expenditure had a positive correlation with regional financial independence and balance funds had a negative correlation with regional financial independence. Then the moderation regression analysis shows that the contribution of BUMD moderate negative towards regional financial independence, the contribution of BUMD results moderate positive towards regional financial independence. Meanwhile, the contribution of BUMD does not moderate the balance of funds towards regional financial independence.

1. Introduction

The development carried out by the Central Government will have an impact and influence on development in the regions. Indonesia is a country consisting of 33 regional governments called Provinces, where development plans cover the entire country's national as well as regional regional plans which are programmed in short-term and long-term development plans. National development has an impact and influence on the structure of economic strengthening in the regions. The frequent occurrence of overlapping interests and policies between the central and regional governments in development matters creates a separate problem and will become a factor that hinders the process of implementing development. The creation of Regulations on Regional Autonomy is an opportunity and a way to overcome the many problems that occur with the central and regional governments. Regional Autonomy is based on Law No. 23 of 2014 concerning Regional Government.

Regional autonomy provides a lot of freedom for regional governments to better utilize and manage all the potential resources they have in accordance with the interests, priorities and potentials that are in their own area. The high level of regional financial independence does not mean that regional governments no longer need to obtain balancing funds because balancing funds are still needed to accelerate regional development. Good regional financial independence will improve higher quality public services, increase long-term development investment, and so on (Suryani, 2019)

According to Halim (2008), the ability of local governments to finance their own governmental activities, development, and services to people who have paid taxes and fees as a source of income needed by the region is called Regional Independence. Halim (2008) also states that "regional financial independence can be seen from the size of the Regional Original Revenue (PAD) obtained by each Pemkab/Pemko compared to the regional income that comes from other sources, for example, central government assistance or from loans".

The problem of regional financial independence in regions that are already autonomous has long been the case in many countries. As is the case with the Fiscal Decentralization of local governments in the Philippines and the problem of relations between the central and regional governments during the 1992 -2016 period studied by (Panao, 2020), who argues that dependence on transfer funds from the central government is still high even though the local governments have tried to increase potential sources of income in the area and allocate it for the welfare of the community. Guga (2018) in his research found a very high dependence on Albanian local governments in carrying out government activities on central government financial transfers. In Albania local governments receive from the central government 90% of their revenues.

Indonesia itself, based on research (Andriani & Wahid, 2018) there were factors that influenced regional financial independence in the Tasikmalaya City government in 2006 - 2015 which caused financial independence to decrease and increase. For 11 consecutive years, namely in 2004 - 2014 the City of Tasikmalaya was included in the less independent category because it was between 10.01 - 20.00.

The following is a graph of the regional independence of the Regency or City of West Java Province.

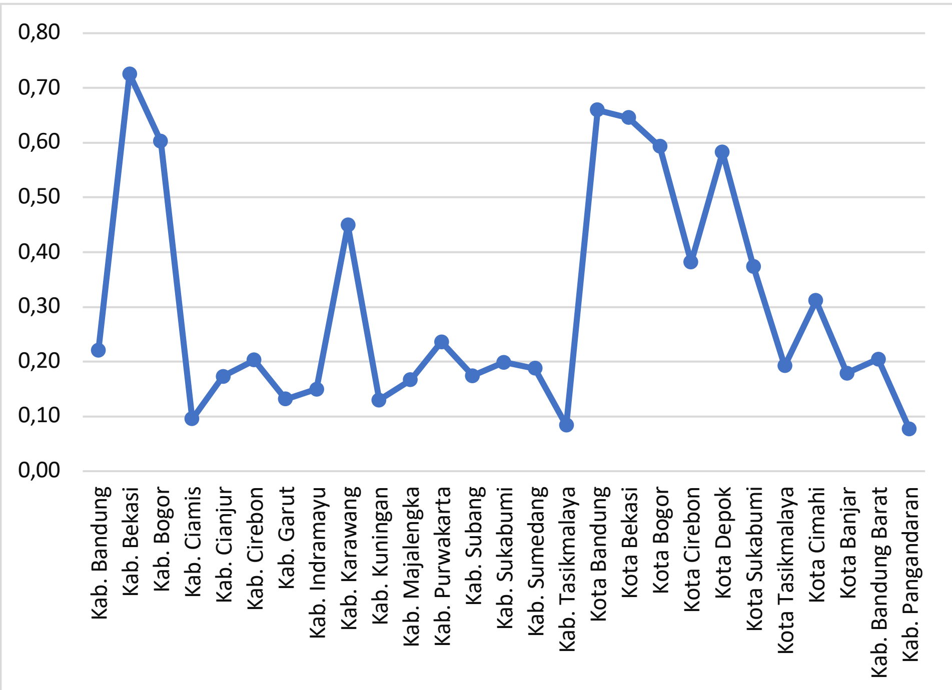

Figure 1. Financial Independence of Regency or City Governments in West Java Province 2014 – 2019 (in percentage)

From the table above we can see the level of independence of Regencies and Cities in West Java in 2014-2019. There are 12 regencies/cities in West Java that have a very low level of independence calculated as an average ratio. namely in the range of 0 – 25% are Bandung, Ciamis, Cianjur, Garut, Indramayu, Kuningan, Majalengka, Subang Regencies, Tasikmalaya Regency, Tasikmalaya City, Banjar City, and Pangandaran Regency.

To reduce dependence on the central government, local governments are given the flexibility to explore other sources of income in their area to be able to increase their own regional income. Regional Owned Enterprises (BUMD) were formed as facilitators and have a function to assist regional governments in running governance based on regional autonomy (Usriyah, Ayuningtyas, & Hardjati, 2020). BUMD has a role in increasing PAD which can drive the regional economy. If you look at the performance of BUMD from the internal side, BUMD must be able to become the main driver of economic growth and development. Meanwhile, when viewed from the external side, BUMDs are required to be able to attract foreign investment as well as from domestic ones, so that economic growth in the regions can provide a large multiplier effect. Research conducted by (Usriyah et al., 2020) examined the role of BUMD in increasing the PAD of the City of Surabaya which stated that through the profits obtained from the tourism sector, namely the Surabaya Zoo which has been managed by the City Government since 2013, it has increased, thus making an increase in BUMD profits.

In the district government of the City of West Java Province, the contribution of BUMD to local revenue for the last 6 years is as follows:

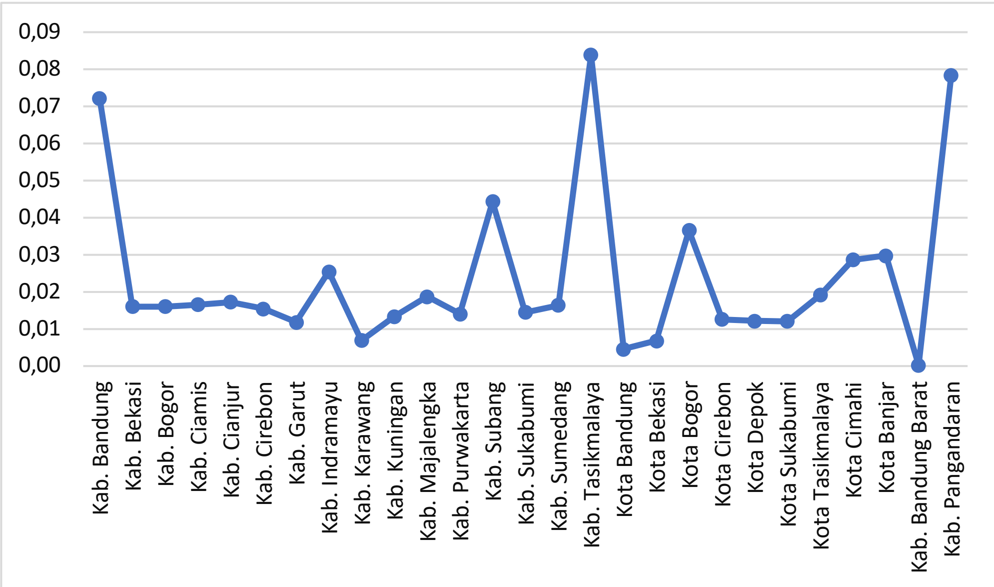

Figure 2. West Java regency/city BUMD Contribution Graph 2014-2019 (in percentage)

From the picture above we can see the level of BUMD's contribution to PAD. Almost all districts/cities in West Java have a low contribution level of BUMD with a percentage of below 2 percent, and BUMDs do not have a contribution of below 1 percent, including West Bandung district, Bandung city, Bekasi city and Karawang.

Regional Financial Independence is influenced by various factors, one of which is Regional Original Revenue (PAD), the implementation of Regional Autonomy makes the regional government actually have more opportunities to empower and increase all potential regional resources in order to obtain large PAD. Large PAD can be used as a value that the local government has made maximum efforts and efforts to explore PAD sources. Nindita (2018) from the results of his research stated that regional original income has a positive effect on the level of regional financial independence. This is in line with research Andriani & Wahid (2018) which found that the Tasikmalaya City Government has a level of Regional Financial Independence which tends to fluctuate, and PAD has a significant effect on Regional Financial Independence, in contrast to research Siagian (2014) and Afarahim (2013) which states that there is no significant influence between regional original income on regional financial independence.

Based on the background stated above, the researchers took a sample of 12 and 72-unit samples from 27 districts/cities in West Java province based on a low level of independence in a

6-year period in the 2014-2019 period. This study aims to identify and explore regional financial independence, part of which is a supporting city for the Capital City of DKI Jakarta.

2. Research Method

This study aims to examine and analyze the relationship between the independent variables, namely regional income and capital expenditure with the contribution of BUMD as a moderator. The population of this study is all district/city government areas in West Java for the periods of 2014, 2015, 2016, 2017, 2018, and 2019. The population in this study was all 27 regencies/cities in the regional government of the Province of West Java. The population of this study uses Budget Realization Reports, Regional Original Revenues, Balancing Funds, and Capital Expenditures in the district/city government areas in West Java Province for the 2014–2019 period.

According to Ghazali (2018), the sample is part of the number and characteristics possessed by the population. The sampling method used was purposive sampling. According to Ghozali (2018), purposive sampling is a sampling technique with certain considerations. Research using purposive sampling indicates that the sample used in this study is representative of the existing population of 27 districts/cities in West Java Province, and bye research objectives. The samples in this study were all regencies/cities in West Java Province for the 2014, 2015, 2016, 2017, 2018, and 2019 time periods.

Data is collected by the method of documentation about things and documents related to research variables. The data needed includes information on regional original income, balancing funds, capital expenditures, BUMD contributions, and regional financial independence, all of which are contained in the Report on the Realization of APBD districts/cities throughout West Java Province.

Data analysis techniques and research instruments used are moderated regression analysis. before testing the hypothesis, a descriptive analysis test and a classic assumption test are carried out including the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, this intends to find out whether the moderated regression model used in this study (Sugiyono, 2019).

The following is the operationalization of the variables and each indicator used in this study, is as follows.

Table 1. Operasionalisasi Variabel

No	Variable	Indicator	Scale
1	Independence (Y)	$\frac{\text{PAD}}{\text{transfer central +provincial transfer +loan}} \times 100\%$	Ratio (%)
2	BUMD Contribution (M)	$\frac{\text{Net Income}}{\text{Total Regional Own Revenue}} \times 100\%$	Ratio (%)
3	Locally generated revenue	PAD = Regional Tax + Regional Retribution + others from legitimate regional original income	Ratio (Rp)
4	Balancing Fund	DP = Profit Sharing Fund + General Allocation Fund + Special Allocation Fund	Ratio (Rp)
5	Capital Expenditures	Capital Expenditure = Land Expenditure + Equipment and Machinery Expenditure + Building and Building Expenditure + Road Expenditure, Irrigation, and Network + Other Fixed Assets Shopping	Ratio (Rp)

Association between PAD and Regional Financial Independence

Regional Original Income (PAD) is a measure of the success of a regional government in managing potential income in the region. The ability of the region to explore PAD will affect the development and development of the region. The greater the contribution of PAD to the APBD, the less dependence on central government assistance will be. Financial sources originating from

PAD are more important than sources originating from outside PAD. This is because PAD can be used in accordance with the wishes and initiatives of the local government for the smooth running of its regional affairs. According to research by Arpani (2020), Halmawati (2020), Saleh (2020), Lathifa & Haryanto (2019) gave results that PAD had an effect on the level of regional financial independence, while Afarahim's (2013) research results gave results that PAD had no effect at the Regional Financial Independence Level. therefore, this hypothesis is formulated as follows:
H1: Regional Original Income is positively associated with regional financial independence

Association between Balancing Funds and Regional Financial Independence

Debt policy is a financial choice made by a firm to select its operational finance sources from other parties. Due to this debt strategy, the corporation is expected to pay its creditors within a time frame agreed upon by both sides. As a result, management must plan carefully, both in terms of locating sources of revenue and budgeting monies for operations. It is conceivable to have a link with firm value based on the belief that debt policy connects with the company's activities. Because debt policies, whether good or poor, will undoubtedly have an influence on the organization as a whole. Debt policy must be carefully considered so that it becomes a component of corporate leverage rather than a burden on the organization. It also has little effect on business value (Wedyanti et al., 2021; Dwiastuti & Dillak, 2019; Pertiwi et al., 2016) and a favorable link (Khoirunnisa & Wijaya, 2019; Somantri & Sukardi, 2018). On the other hand, Nasution (2020) and Chowdhuri (2010) discovered a negative association between debt policy and business value.
H2: Balancing Funds are positively associated with regional financial independence.

Association between Capital Expenditures and Regional Financial Independence

Capital expenditure issued by the regional government is a regional investment in order to improve public services whose benefits, both directly and indirectly, can be felt by the community. The progress of an area can be shown by good economic growth, where one of the factors that influence economic growth is the investment issued by the local government. To be able to increase investment in a region, the regional financial capacity must also be adequate. An indicator of the size of regional investment is the high capital expenditure ratio in the APBD. The allocation of capital expenditures to local governments is also influenced by whether the regional financial performance is good or not. According to the research results of Nindita (2018), SriRahayu (2018) and Ariani & Putri (2016) gave research results that Capital Expenditure has an effect on the Level of Regional Financial Independence, contrary to the research results of Lathifa & Haryanto (2019), which states that capital expenditure has no effect on the level of regional financial independence. therefore, this hypothesis is formulated as follows:
H3: Capital expenditure is positively associated with regional financial independence

BUMD's contribution moderates the association between PAD and regional financial independence

Establishment of BUMD in an area to develop and build economic potential in the area concerned. BUMD has a role in realizing regional prosperity by contributing to PAD revenues either in the form of dividends or taxes. To increase PAD, namely with the role/contribution of BUMD which is an asset of the regional government and is used in the implementation of regional government and development. Based on Muhtarom's research (2016) states that the contribution of BUMD to PAD is not optimal and is fluctuating.

From some of the existing research results, it is suspected that the BUMD contribution is a moderating variable for the correlation between PAD and regional independence. Therefore, the hypothesis in this study is formulated as follows:
H4: BUMD's contribution moderates the association between PAD and Regional Financial Independence

BUMD's contribution moderates the association between Balancing Funds and Regional Financial independence

BUMD is ideally one source of revenue from a regional government. BUMD is an embodiment of the role of the Regional Government in regional economic development. The effect of the contribution of PAD on APBD is very large and so is the effect of central government transfers on PAD which is very high. The low Balancing Fund for PAD should be proportional to the magnitude of BUMD's contribution to Regional Original Income. The high contribution of BUMD indicates that regional government dependence on routine and development expenditures from central government transfers through balancing funds is low. Thus, it also indicates that the degree of autonomy is high.

H5: BUMD's contribution moderates the association between Balancing Funds and Regional Financial Independence

BUMD's contribution moderates the association between Capital Expenditure and Regional Financial independence

The lower portion of capital expenditure compared to operational expenditure is indicated by the government's lack of attention in budgeting capital expenditure allocations for the public sector budget. Capital expenditures are expenditures that can add to fixed assets or inventory that provide benefits for more than one accounting period, including expenses in maintaining assets that are intended to maintain or increase the useful life of these assets and increase the capacity and quality of assets. Capital expenditure can support community welfare and improve public services in forming an independent regional character (Mardiasmo, 2009). According to Ardhani (2011) the results show that partially the Regional Original Income (PAD) variable influences capital expenditure. Meanwhile, according to Yovita (2011) PAD does not influence the allocation of capital expenditure. The degree of BUMD's contribution is useful for knowing the level of contribution of regional companies in supporting regional income. If the ratio of the degree of contribution of BUMD is higher, the regional original income will also be higher. Sularso's research (2011) shows the results that the degree of BUMD's contribution has a significant influence on the allocation of capital expenditure. The results of this study are in line with research conducted by Nugroho (2012) which states that the degree of BUMD's contribution influences the allocation of capital expenditure. Therefore, the hypothesis in this study is formulated as follows:

H6: BUMD's contribution moderates the association between capital expenditure and independence

Following the relationship between variables in this study can be described in the conceptual framework as follows:

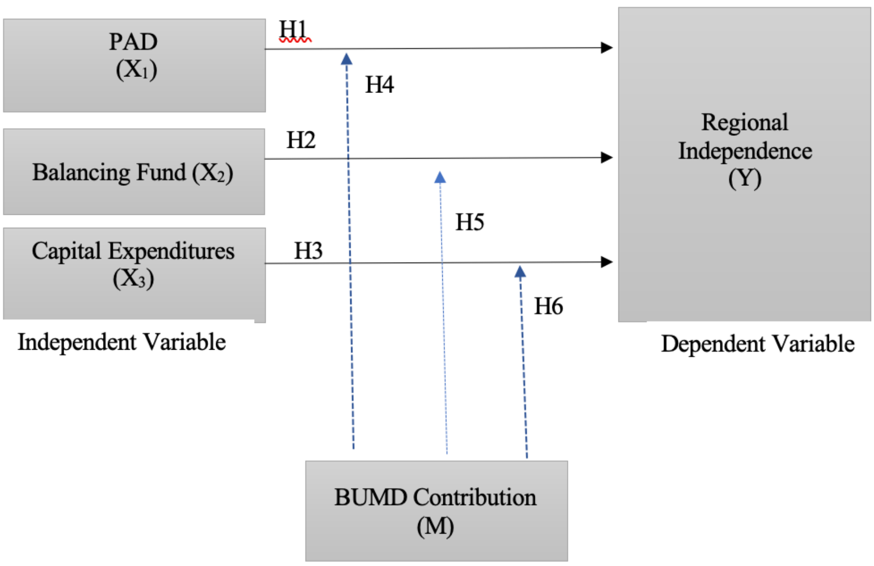

Figure 3. Theoretical Framework

3. Results and Discussions

Descriptive Statistical Test Results

The variables used in this study include Regional Original Income, Balancing Funds, Capital Expenditures, BUMD Contributions, and Regional Independence. The following are the results of descriptive statistical tests for these variables in table 2.

Table 2. Statistical Descriptive Results

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Pendapatan Asli Daerah	72	32.00	1025.00	353.7361	25.50917	216.45251
Dana Perimbangan	72	407.00	3375.00	1647.8611	81.43032	690.95917
Belanja Modal	72	61.00	1088.00	502.3472	24.26504	205.89565
Kontribusi BUMD	72	0.00	0.36	0.0360	0.00550	0.04665
Kemandirian Daerah	72	0.05	0.25	0.1475	0.00592	0.05023
Valid N (listwise)	72					

Source: SPSS data processed

The results of the descriptive statistical test in table 2 above show the minimum and maximum values, average, and standard deviation of each variable, both Independent, Dependent, and Moderating variables. Based on the test results, the district/city regional government of West Java Province has the ability of the region to finance its regional government activities, namely 5% to 25% of the total regional income. instructive where the regions are unable to carry out regional autonomy and are very dependent on the central government and the regional independence variable has an average value of 14% and a standard deviation value of 0.5%. The standard deviation value which is lower than the average value of regional independence indicates that the variation in regional independence data between one region and another in this study does not have much difference in value.

Regional original income during the period 2014 to 2019 on the results of the descriptive statistical test in table 2 shows that the district/city regional original income has the lowest value of Rp. 32 billion, namely in the Pangandaran district in 2014, and the highest value was Rp. 1,025 billion in Bandung district is 2019, the average local revenue for the 12 research samples is Rp. 353 billion and a standard deviation of 216 billion means that the standard deviation value has a smaller value than the average value of regional original income so that variations in regional original income data between regions in this study do not have much difference in value.

Based on the statistical test results in table 2, the balancing fund for the district government shows a minimum value of Rp. 407 billion in the Pangandaran district in 2014 and the maximum value is Rp. 3,375 billion in Bandung district in 2019. Meanwhile, the average balancing fund in the 12 selected sample districts/cities is Rp. 1,647 billion with a standard deviation of Rp. 690 billion means that the standard deviation value has a smaller value than the average balancing fund value, so variations in balancing fund data from one region to another in this study also do not have much difference in value.

Capital Expenditure on the district government based on the statistical test results in table 2 shows a minimum value of Rp. 61 billion in the Pangandaran district in 2014 and the maximum value is Rp. 3,375 billion in Bandung district in 2019. Meanwhile, the average capital expenditure in the 12 selected sample districts/cities is Rp. 1,647 billion with a standard deviation of Rp. 690 billion means that the standard deviation value has a smaller value than the average value of capital expenditure, so variations in capital expenditure data from one region to another in this study also do not have much difference in value.

The contribution of BUMD to the results of the descriptive statistical test in table 4.2 shows the minimum and maximum values in the range of 0.00 to 0.36 with an average value of 0.03 and a standard deviation value of 0.04. This proves that during the 2014-2019 period there was a very little contribution by BUMD to the district/city regional governments in West Java province. Then there are still local governments that do not have BUMD contributions, namely in the Pangandaran district from 2014 to 2019.

Normality Test Results

The Kolmogorov-Smirnov analysis is a univariate normality test to test the alignment of the data for each research variable, where a sample is said to be normally distributed or not (Ghozali, 2018).

Table 3. Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		72
Normal Parameters[a, b]	Mean	0.0000000
	Std. Deviation	0.02103848
Most Extreme Differences	Absolute	0.078
	Positive	0.055
	Negative	-0.078
Test Statistic		0.078
Asymp. Sig. (2-tailed)		.200[c, d]

Source: SPSS data processed

Testing the classical assumptions of normality through the Kolmogorov-Smirnov test shows that the data is normally distributed as shown in table 3. Based on the results of table 3, it is shown that the Kolmogorov-Smirnov value is 0.200, which means it is greater than 0.05 (Ghozali, 2018). so the regression model fulfills the classic assumption test of normality.

Multicollinearity Test Results

Table 4. Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
		B	Std. Error	Beta	Tollerance	VIF
1	(Constant)	0.162	0.008			
	Pendapatan Asli Daerah	0.000	0.000	1.646	0.272	3.679
	Dana Perimbangan	-7.898E-05	0.000	-1.086	0.217	4.612
	Belanja Modal	-2.542E-05	0.000	-0.104	0.457	2.189
	Kontribusi BUMD	-0.186	0.055	-0.173	0.997	1.003

Source: SPSS data processed

Based on table 4 above, the results of the multicollinearity test show a tolerance value of more than 0.1 and less than 1 and the VIF value is below number 10. The tolerance value generated for the variables of regional original income, balancing funds, capital expenditure, and BUMD contribution is 0.272; 0.217; 0.457; 0.997 while the VIF value generated for regional original income, balancing funds, capital expenditures, and BUMD contributions is 3.679; 4,612; 2.189; 1,003.

Based on table 4, it is known that all independent variables have a VIF value of less than the maximum limit of 10 and a tolerance value of more than 0.1. So that Ho is rejected, or Ha is accepted, which means that the independent variable is free from multicollinearity (there is no very strong relationship between the independent variables and other independent variables). Thus, there is no violation of the assumption of multicollinearity in the regression equation model. Based on the results of the multicollinearity test, it can be concluded that all independent and moderating variables in the regression equation model have no multicollinearity problem and can be used in this study.

Heteroskedasticity Test Results

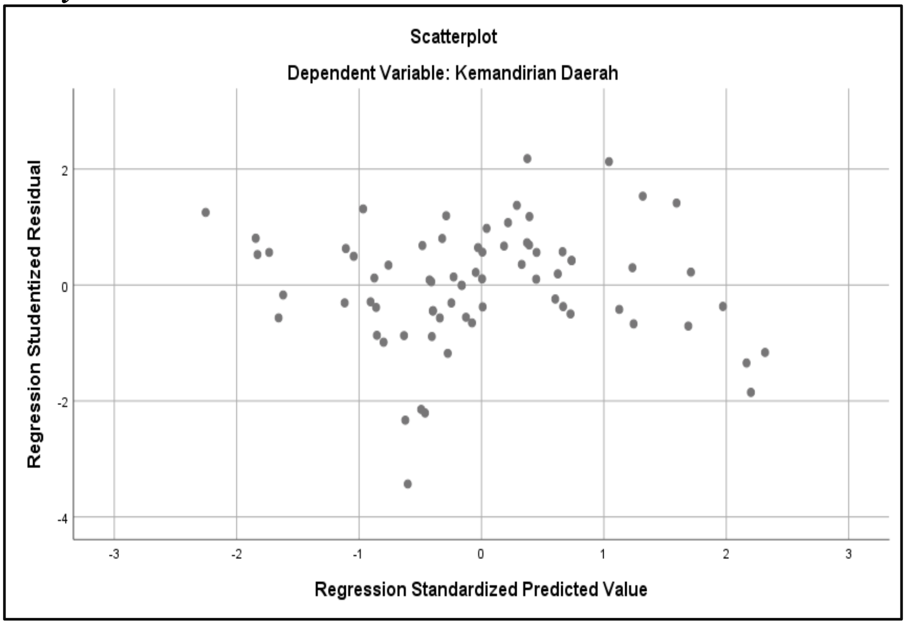

Figure 4. Scatterplots Graph Heteroscedasticity Test Results

From the results of Figure 4, the scatterplot graph above shows that the points spread randomly both above and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity in the regression model in this study, so the regression model is feasible to use to predict how regional self-reliance is influenced by input from the variables Regional Original Income and Balancing Funds, Capital Expenditures, and BUMD contributions.

Correlation Test Results

Table 5. Correlation Test Results

		Locally generated revenue	Balancing Fund	Capital Expenditures	Regional Independence
Locally generated revenue	Pearson Correlation	1	.853**	.650**	.653**
	Sig. (2-tailed)		0.000	0.000	0.000
	N	72	72	72	72
Balancing Fund	Pearson Correlation	.853**	1	.735**	.242*
	Sig. (2-tailed)	0.000		0.000	0.041
	N	72	72	72	72
Capital Expenditures	Pearson Correlation	.650**	.735**	1	0.176
	Sig. (2-tailed)	0.000	0.000		0.139
	N	72	72	72	72
Regional Independence	Pearson Correlation	.653**	.242*	0.176	1
	Sig. (2-tailed)	0.000	0.041	0.139	
	N	72	72	72	72

This study aims to show the strength of the relationship between two or more variables. The direction is expressed in the form of a relationship between two or more variables. The direction is expressed in the form of a positive and negative relationship, while the strength or weakness of the relationship is expressed in the magnitude of the correlation coefficient.

Moderate Regression Analysis

Table 6. Moderated Regression Analysis (MRA) Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.176	0.009		19.250	0.000
	Locally generated revenue	0.001	0.000	2.333	12.874	0.000
	Balancing Fund	-9.834E-05	0.000	-1.353	-9.275	0.000
	Capital Expenditures	-9.388E-05	0.000	-0.385	-3.312	0.002
	BUMD contribution	-0.591	0.139	-0.549	-4.240	0.000
	Int_PAD_BUMD Contribution	-0.003	0.001	-0.930	-3.910	0.000
	Int_Daper_BUMD Contribution	0.000	0.000	0.425	1.245	0.218
	Int_BModal_BUMD Contribution	0.002	0.001	0.583	2.013	0.048

Based on the information in table 6, the moderating regression equation with an error tolerance (α) that has been set at 5% or 0.05 is as follows:
Regional Independence = α + β1Regional Own Revenue+ β2Balancing Fund+ β3Capital Expenditure+ β4BUMD Contribution+ β5 (Local Own Revenue*BUMD Contribution) + β6 (Balance Fund*BUMD Contribution) + β7 (Capital Expenditure * BUMD Contribution) + e
Y = 0.176 + 0.001 Local Own Revenue – 0.0000983 Balancing Fund – 0.0000938 capital expenditure – 0.591 BUMD contribution – 0.003 Regional Own Revenue * BUMD contribution + 0.000 Balancing Fund * BUMD contribution – 0.002 Capital expenditure * BUMD contribution + e

The regression equation above means that the constant value is 0.176 which means that if all the independent variables are constant, then regional independence is 0.176. The value of the regional original income regression coefficient is 0.001, meaning that if the original regional income increases by 1 unit, then regional independence will increase by 0.001 assuming the other independent variables are constant. The regression coefficient value of balancing funds is -0.0000983 meaning that if the balancing funds increase by 1 unit, then regional independence will decrease by 0.0000983 assuming the other independent variables are constant. The value of the capital expenditure regression coefficient is 0.0000938 meaning that if capital expenditure increases by 1 unit, then regional independence will decrease by 0.0000938 assuming the other independent variables are constant. The regression coefficient value of BUMD's contribution is 0.591, meaning that if the contribution of BUMD increases by 1 unit, then regional independence will decrease by 0.591 assuming the other independent variables are constant. The regression value of the interaction of regional original income with BUMD's contribution is 0.003, meaning that if the balancing fund with BUMD's contribution increases by 1 unit, then regional independence decreases by 0.003 assuming the other independent variables are constant.

The regression value of the interaction of balancing funds with BUMD contributions is 0.000, meaning that if balancing funds with BUMD contributions increases by 1 unit, then regional independence increases by 0.000 assuming the other independent variables are constant. The regression value of the interaction of capital expenditure with the contribution of BUMD is 0.002, meaning that if local revenue with the contribution of BUMD increases by 1 unit, then regional independence decreases by 0.002 assuming the other independent variables are constant.

Discussion

The results of the first hypothesis test are accepted so that local original income has a significant effect on financial independence because the level of significance of the original regional income variable is less than 0.05, namely 0.000 so the conclusion for the first hypothesis

H0 is rejected and H1 is accepted. Based on the results above, these findings support and are in line with the research of Erawati (2015), Suzan (2015), and Saleh (2020), who found the influence of PAD on regional independence. In theory, the hypothesis test can be concluded that regional original income has a significant effect on the level of regional financial independence. The results of the correlation test output between regional original income and regional independence show a significant correlation. Based on the r count (Pearson Correlation) value of 0.653 > r table 0.227, it can be concluded that there is a positive relationship or correlation between the variables of regional original income and regional independence.

The results of the first hypothesis test are accepted and the balancing fund has a significant effect on financial independence because the significance level of the regional original income variable is less than 0.05, namely 0.000 so the conclusion for the first hypothesis H0 is rejected and H1 is accepted. Based on the results above, these findings are in line with the research of Saleh (2020), Andriania & Wahid (2018) that balancing funds harm regional financial independence, meaning that the higher the balancing funds received by a region, the lower the level of regional financial independence. The results of the correlation test output show a significant correlation between balancing funds and regional independence. Based on the r count (Pearson Correlation) value of 0.242 > r table 0.227, it can be concluded that there is a positive relationship or correlation between the balancing fund variable and regional independence.

The results of the first hypothesis test accepted that capital expenditure has a significant effect on financial independence because the level of significance possessed by the capital expenditure variable is smaller than 0.05, namely 0.002 so the conclusion for the first hypothesis H0 is rejected and H1 is accepted Based on the results above, these findings support and are in line with Kadafi et.al., (2019), Andriana (2020), who found a positive effect, between capital expenditure and regional independence. Contrary to Putri's research (2014) if the capital expenditure does not have a significant effect on regional financial capacity. The output results of the correlation test between capital expenditure and regional independence show a positive correlation. It can be concluded that there is a positive relationship or correlation between the variables of capital expenditure and regional independence.

The results of the fourth hypothesis test have a regression coefficient with a negative direction with a significance level of 0.000 that the result is a pseudo moderation so that there is interaction in the relationship model that is formed and at the same time serves as a predictor variable. The fourth hypothesis is rejected so that the role of BUMD contribution weakens the relationship between local revenue and regional independence. The results of this study are not in line with Nurmiati et al. (2019) and Antika (2017) who argue that BUMD's contribution is considered effective and strengthens PAD.

The results of the hypothesis test have a regression coefficient with a positive direction with a significance level of 0.218. It can be said that the result is a moderating predictor in the relationship model that is formed. This can be interpreted that the sixth hypothesis is rejected and the contribution of BUMD weakens the relationship between balancing funds on regional independence because the level of significance possessed by the balancing fund variable which is moderated by regional independence is greater than 0.05, which is equal to 0.218 so that the conclusion for the fifth hypothesis is accepted and H0 is rejected. That it can be said that increasing the contribution of BUMD, will reduce balancing funds in districts/cities towards regional independence.

The results of the hypothesis test are pseudo-moderation so that there is interaction in the relationship model that is formed and at the same time serves as a predictor variable. It can be said that the sixth hypothesis is accepted and the contribution of BUMD strengthens the relationship between capital expenditure on regional independence because the level of significance possessed by the capital expenditure variable is moderated by regional independence of less than 0.05, which is equal to 0.048 so that the conclusion for the second hypothesis H6 is accepted and H0 is rejected.

The results of this study are in line with Haryuli et al. (2014) who argue that the contribution of BUMD moderates capital expenditure towards regional financial independence.

4. Conclusions

This study assesses and analyzes the correlation used to explain the relationship between independent variables, namely local revenue, balancing funds, and capital expenditure with the contribution of BUMD as a Moderator. Based on the results of the research and discussion that has been described, the following conclusions can be drawn: The Association of Regional Original Income has a significant effect on regional financial independence, namely Regional Original Income has a positive association with the Financial Independence of the Regional Government of West Java Province for the 2014-2019 period. The association of balancing funds has a significant effect on regional financial independence, namely balancing funds has a negative association with regional financial independence, meaning that the higher the balancing funds received, the lower the level of regional financial independence. Association between Capital Expenditures and Regional Financial Independence. Significantly influential and positively associated with regional financial independence. BUMD's contribution moderates the association between PAD and regional financial independence. Based on the hypothesis, the contribution of BUMD weakens the relationship between local revenue and regional independence. Based on the 2019 West Java BUMD report published by the BPS of West Java Province, many BUMD companies have experienced losses and are burdening the APBD. BUMD's contribution moderates the Balancing Fund with regional financial independence. Based on the hypothesis, the contribution of BUMD weakens the relationship between balancing funds and regional independence. BUMD's contribution moderates the association between Capital Expenditures and regional financial independence. Based on the hypothesis, BUMD's contribution strengthens the relationship between Capital Expenditure and regional independence.

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