THE IMPACT Of FLYPAPER EFFECT And GROSS REGIONAL DOMESTIC PRODUCT TOWARD REGIONAL EXPENDITURE (EMPIRICAL STUDY ON PROVINCES IN INDONESIA 2014-2016)

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THE IMPACTOf FLYPAPER EFFECT AND GROSS REGIONAL DOMESTIC PRODUCT TOWARD REGIONAL EXPENDITURE

(Empirical Study on Provinces In Indonesia 2014-2016)

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Abstract: The purpose of this study is: a) to test and prove empirically General Allocation Fund (GAF)have a positive effect on regional expenditure in provinces in Indonesia, b) to test and prove empirically Special Allocation Fund(SAF) have a positive effect on regional expenditure in provinces in Indonesia, c) to test and prove empirically Revenue Sharing Fund(RSF) have a positive effect on regional expenditure in provinces in Indonesia, d) to test and prove empirically Locally-Generated Revenue(LGR) have a positive effect on regional expenditure in provinces in Indonesia, e) to test and prove empirically Gross Regional Domestic Product(GRDP) have a positive effect on regional expenditure in provinces in Indonesia, f) to test and prove empirically happen Flypaper Effect in provinces in Indonesia. The research method in this study is descriptive method that aims to make the description systematically, factually, and accuratelly towards fact. The population in this study is the provinces in Indonesia until 2016. The result showed that The General Allocation Fund and Gross Regional Domestic Product have not effectto regional expenditure in province in Indonesia. The Special Allocation Fund, Revenue Sharing Fund, Locally-Generated Revenuehave a positive effect on regional expenditure in province in Indonesia. Judging from value of adjusted R Square balance funds (General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund) is smaller than adjusted RSquare Locally-Generated Revenue. It was concluded that there was no Flypaper Effect in the province of Indonesia within the periode of 2014-2016.

Keywords: Flypaper Effect, Gross Regional Domestic Product, Regional Expenditure

INTRODUCTION

The Implementation of regional autonomy since 2001 as a manifestation of the implementation of decentralization is characterized by applied Law Number 22 of 1999, about regional government and Law number 22 of 1999 about regional autonomy which was subsequently in law number 32 tahun 2004 and law number 33 of 2004. It has an impact on opening up opportunities for regional government to develop all forms of potential areas (endownmen factor). Fiscal decentralization gives regional government the authority to take care of and manage the household affairs, thus obligates the government to managing optimally all its regional income. It aims to meet the needs of regional spending to be used for improve public services, increase regional development, and advancing the regional economy for improve the welfare of its people, both from social aspect and economic aspect as a form of the implementation of decentralization.

According to law number 33 of 2004, regional revenues are sourced from Locally-Generated Revenue, Balances Fund which are consisting of General Allocation Fund, Speciall Allocation Fund, and Revenue Sharing Fund, and other income. Locally-Generated Revenue is the income earned by the regions and collected based on the regional regulation in accordance with the laws regulation. Balance Funds are sourced from State Budgetthat allocated to the regions to fund regional needs in the context of decentralization implementation. In principal fiscal decentralization expects a lack of regional government dependency to the central government, for the achievement of independent areas in accordance with the objectives of regional autonomy. (Hasan and Permana, 2012). Halim (2007) states that to minimize regional dependence on the center decreasing, then Locally-Generated Revenue should be largest financial source supported by central and regional balancing policies. Generally, transfer allocation in developing countries more based on the spending aspect and less attention to its ability to collect loal taxes. (Naganathan and Sivagnanam in Nurdini, et al 2014). This has an impact on local government that demand greater tranfers from year to year to the central government (Shah in Nurdini., et al 2014). The existence of a condition in which the response given by the regional

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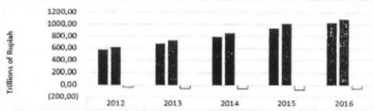
governmentn to the balance fund for funding shopping needs greater than the response to the use of Locally-Generated Revenue is called with Flypaper Effect. Flypaper effect gives more implication that the transfer will have an impact an increase in Regional Expenditure that is greater than the receipt of the transfer itself. (Turnbull in Nurdini, et al, 2014)
This can be evidenced from the 2012-2016 State Budget trends as illustrated in the following figure:

Figure 1.
Trend State Budget of 2012-2016 (intrillions rupiah)



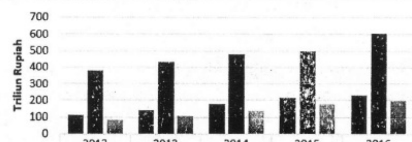
	2012	2013	2014	2015	2016
Income	577,08	682,24	796,86	937,00	1031,52
Regional Expend.	617,54	736,56	855,27	1012,86	1092,15
Surplus/defisit	(40,46)	(54,22)	(58,40)	(75,86)	(60,63)

Source :Data of State Budget Directorate General of Regional Finance (processed), 2017

Based on the picture above can be seen that from 2012-2016 regional revenue continues to increase on average by 16% annually. Accompanying the increase in Regional Expenditure by 15,41 % annually. So it can be said that the increase in regional income followed by expenditure of regional spending. Meanwhile, regional income that consisting of Locally-Generated Revenue, Balances Fund (General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund), and other legitimate income can be seen composition in Figure below:

Figure 2.

Regional Income Composition Trend 2012-2016 (in trillion rupiah)



	2012	2013	2014	2015	2016
PAD	112,75	140,27	180,64	215,47	229,63
Balance Funds	381,07	432,79	481,73	499,74	605,02
Other Legitimate Income	83,26	109,28	134,49	178,31	196,86

Source :Data of Regional Government Budget Directorate General of Regional Finance (processed), 2017

In the picture aboveGeneral Allocation Fund has an average increase of 19,76% annually. Meanwhile, the average increase in the Balancing fund is 12,42% annually. Although, the rate of increase in balancing fund is smaller than General Allocation Fund, the portion of balancing fund is more dominant each year.

Directorat general of fiscal balance-ministry of finance states that although fiscal capacity is rising, its presentage (regional finance) is still about 20% of total regional budgetthroughout Indonesia. Then, local taxes and levies are only about one-fifth of the total capacity. That is, dependence on transfer funds is still high around 80% (Business Indonesia). In addition to using the variable of Locally-Generated Revenue and Balancing Fund (General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund) which refers to the research conducted by Nurdin, et al (2014) about the flypaper effect analys on General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, and Locally-Generated Revenue on district/municipal spending in west java, researchers used one additional variable that is Gross Regional Domestic Product (GRDP) that reflects economic growth in an area. If economic growth increase then the income received will increase which means the allocation of regional spending will be greater. The GRDP variable refers to Iskandar (2012) study of flypaper

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effect on unconditional grant. So, researchers interested in preparing research with the title "TheImpact Of Flypaper Effect And Gross Regional Domestic Product Toward Regional Expenditure" (empirical study on provinces in Indonesia 2014-2016). Refering to the background of the above research problems proposed are as follows: a) whetherthe General Allocation Fund have a effect on regional expenditure on provinces in Indonesia, b) whether the Special Allocation Fund have a effect on regional expenditure on provinces in Indonesia, c) whether the Revenue Sharing Fund have a effect on regional expenditure on provinces in Indonesia, d) whether the Locally-Generated Revenue have a effect on regional expenditure on provinces in Indonesia, e) whether theGross Regional Domestic Product have a effect on regional expenditure on provinces in Indonesia, f) whether happen flypaper effect on provinces in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Stewardship Theory

Donaldson and Davis in Raharjo (2010) explained that Stewardship Theory describes a situation in which managers are not motivated by individual goals, but motivated by goals or target related to the interest of the organization. Based on these explanation, this theory illustrates the strong relationship between satisfaction and the success of the organization in achieving its target or objectives. Public sector organization have a purpose to provide service to the public (public) and can be accountable to the public. Thus, (Stewardship Theory) can be applied in a special model of public sector organization.

Regional Autonomy

Law number 32 of 2004 article 1: defines regional autonomy as the right, authority, and obligation of autonomous regions to regulate and manage their own governmental affairs and the interests of local communities in accordance with the laws and regulations. Salawali, et al (2016) states that the purpose of the provision of regional autonomy is to provide opportunities for regions in regulating and managing their own households to improve the efficiency and effectiveness of governance for public services and development implementation.

Fiscal Decentralization

Law number 33 of 2004 on financial equilibrium between the central government and the regional government states that decentralization is the hand over of authority by the central government to autonomous regions to regulate and manage government affairs within the system of the Unitary State of the Republic of Indonesia. One form of implementation of fiscal decentralization in Indonesia is the creation of Regional Revenue Budget, which is a major fiscal policy instrument to demonstrate capacity and regional capabilities (Salawadi, et al 2016).

Flypaper Effect

Flypaper Effect according to Iskandar (2012) is a condition where government spending caused by transfer funds has a larger stimulus compared to government expenditure caused by own income. Nurdini, et al (2014) states that flypaper effect occurs when the influence given by equalization or transfer fund (General Allocation Fund, Special Allocation Fund, and Revenue Sharing Fund) on regional expenditure is greater than the effect of Locally-Generated Revenue on regional expenditure.

Hypothesis Development:

1. General Allocation Fund with regional expenditure:

The allocation of General Allocation Fund in a particular area is based on the size of a fiscal gap in a region, which is the differences between fiscal need and fiscal capacity. Regions with large fiscal potential but smaller fiscal needs will obtain relatively smaller General Allocation Fund allocation. Likewise, region with little fiscal potential but large fiscal needs will recive a relatively large of General Allocation Fund allocation.

The greater the fiscal needs of an area, then the regional spending in the regions will be even greater (Nurdini, et al 2014). If there is an increase in the allocation ofGeneral Allocation Fund, then the expenditure issued by the government will also increase (Jolianis, 2014). The research conducted by Jolianis (2014), Kusumadewi and Rahman (2007), Iskandar (2012), Amalia, et al (2014) states that the relationship betweenGeneral Allocation Fund to spending is positively significant. Based on the explanation, the hypothesis formulation in this research is:

Hypothesis 1 :General Allocation Fund has positively effect on regional expenditure in province in Indonesia.

2. Speciall Allocation Funds with regional expenditure

Speciall Allocation Funds is one part of the transfer fund which is of relatively smaller value and can oly be used in funding special activities that are part of the national priority program which is the

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regional affairs.Speciall Allocation Funds is allocated to finance the needs of public facilities and infrastructures that have not reached certain standards, or are useful for accelerating development in an area. It means thatSpeciall Allocation Funds as a part of regional income is needed to meet the need for more specific regional expenditure. (Amalia, et, al 2015). The research conducted by khoiri and hasan (2015), amalia et al (2015), liando (2017), yuliana et al (2017), rosminar et al (2017) states thatSpeciall Allocation Funds is positive significanly influenced the regional expenditure on province in indonesia.

3. Revenue Sharing Fund with regional expenditure

Revenue Sharing Fund is one of the regional revenues whose funds are sourced from taxes and natural resources, the amount of Revenue Sharing Fund depends on the contribution of local governments in generating revenues derived from local taxes and natural resources. TheRevenue Sharing Fund received by the regional government has a greater percentage of revenue than the central government.Revenue Sharing Fund will be used by each region for the dvelopment and improvement of community/social welfare, which is realized through regional expenditure. So, the bigger theRevenue Sharing Fund then the greater the spending area (Nurdini, et al 2014). The reasearch conducted by Yusriadi (2010), Sasana (2010), Sukartono (2010), Iskandar (2012), Basri and Riswandi (2014), states thatRevenue Sharing Fund has positively and significant influence on regional expenditure. Based on the explanation, the hypothesis that can be formulated is :Hypothesis 3: Revenue Sharing Fund has positive effect on regional expenditure on provinces in Indonesia.

4. Locally-Generated Revenuewith regional expenditure:

The hypothesis proposed by Maimunah and Akbar (2008) suggest that local revenues (especially taxes) will have an impact on local government expenditure spending, or better know as tax spend hypothesis. Areas with high Locally-Generated Revenue will have expenditures for high regional expenditure allocations (Jolianis, 2014). The higher Locally-Generated Revenue obtained by the region, the higher the ability of the region in order to meet its own needs without relying on the central government (Nurdini, 2014). The research conducted by Iskandar (2012), Sasana (2010), Salawali et al (2015), Khoiri and Hasan (2015) were Locally-Generated Revenue has a significant positive effect on regional expenditure. Based on these explanation, the hypothesis that can be proposed is:

Hypothesis 4 : Locally-Generated Revenue has a positive and significant effect on regional expenditure on the province in Indonesia.

5. Gross Regional Domestic Product with regional expenditure:

Gross Regional Domestic Product has a functional relationship with Locally-Generated Revenue, because Gross Regional Domestic Product is a function of Locally-Generated Revenue, the higher the Gross Regional Domestic Product per capita in an area, the potensial source of revenue in the area will also be higher (Thamrin in Iskandar 2012). Economic growth reflected throughGross Regional Domestic Product is one of the important goals of central and regional government that encourage economic development. Economic development can be characterized by an increase in productivity and income per capita population that can be reflected by the improvement of public services both facilities and infrastructure that can support economic activities. This is realized through regional expenditure. If economic growth increase, it will increase the regional expenditure to improve and equip facilities and infrastructure so that economic growht in the future will get better (Jaya and Dwirandra, 2014). The research conducted by Sasana (2011), states thatGross Regional Domestic Producthas a positive effect on regional expenditure of regency/city in west java. The similar research conducted by maimunah and akbar (2008), states that Gross Regional DomesticProduct has a positive effect on regional expenditure on provinces in Indonesia.

6. Fypaper Effect with regional expenditure

Fypaper effect according to Iskandar (2012) is a condition where the stimulus to regional expenditure caused by changes in transfer funds from the central government is greater than the stimulus caused by the original incomeof the region. Nurdini, et al (2014) thates that if Locally-Generated Revenuegives more influence to regional expenditure than the effect given by balancing fund (General Allocation Fund, Special Allocation Fund, and Revenue Sharing Fund) to regional expenditure is called "Flypaper Effect". While this is contrary to the concept of decentralization and regional autonomy that requires regional government to be more indpendent and less dependent on central government (Iskandar, 2012). According to Jatmiko (2016) the occurrence of the Flypaper Effect reflects that the area is are not yet self-sufficent. The research conducted by sasana (2010) shows the result that flypaper effect occurs, meaning that regional expenditure is more dominated by General Allocation Fund revenue is different from revenue of Locally-Generated Revenue. This is in line with the research conducted by Nurdini, et al (2014), Iskandar (2012), Salawali, et al (2016) and Jatmiko (2016), which states that flypaper effect accurs in each area studied. Based on the above explanation, the hypothesis proposed are:

hypothesis 6: there is a flypaper effect on regional expenditure in the province of Indonesia.

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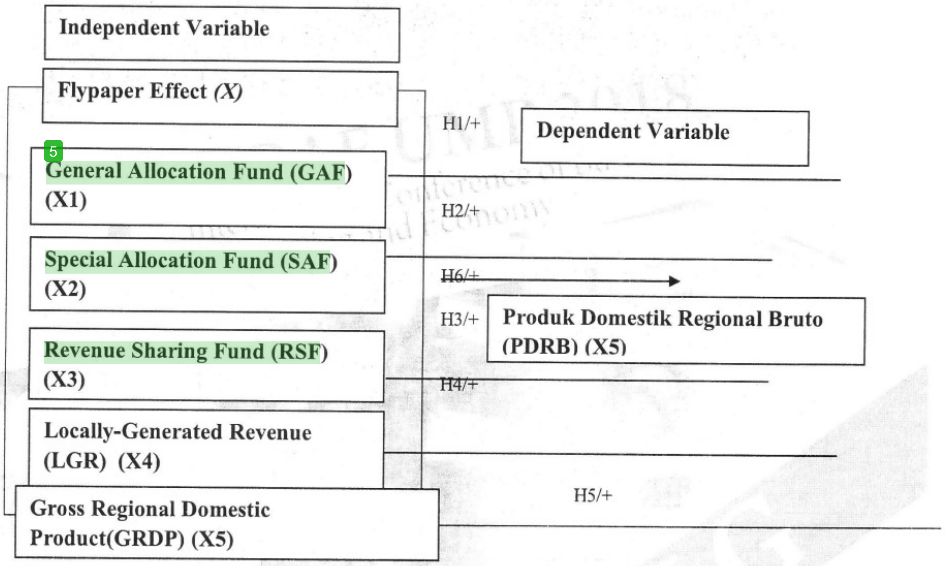
Figure: 3
Research Model



RESEARCH METHOD

The research method used in this research is descriptive method that aims to create a systematic, factual and accurate description of the facts. The population/subject investigated is the province in Indonesia until 2016. The object studied in this research are variable data of General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, Locally-Generated Revenue, and Gross Regional Domestic Product (GRDP) as independent variable.The dependen variable uses the variable data of Regional Expenditure on the realization report of Regional Revenue and Expenditure Budget. Types and data sources, the type of data used in this study is secondary data. Secondary data is data already available and collected by other parties. The data taken from this research comes from the realization report of provincial of Regional Revenue and Expenditure Budget 2014-2015. The data will be used to support the variable used in this study. The sampling techique used is purposive sampling which uses certain consideration, namely: a) provincial government which has publised the realization report of Regional Revenue and Expenditure Budget for 3 consecutive year that is 2014-2016, b) provincial government in Indonesia which has data of Gross Regional Domestic Product during 2013-2015 on website of Central Bereau of Statistic.

Sampling technique, the collection of data in this research using documentation method by collecting all secondary data and all information used to solve the problems that exist in this research.Data collection of Regional Revenue and Expenditure Budget is realization report on the website of Ministry of Finance Directorate General of Fiscal Balance of central and regional government is www.djpk.depkeu.go.id and data of Gross Regional Domestic Product on website of central Bereau of Statistic that is www.bps.go.id. Data analysis method used is multiple linear regression analysis by using SPSS. Data analysis techniques, data analysis methods used in this study as a procedure or technique to test the hypothesis that has been proposed. The method used is descriptive statistical analysis, classical assumption test (normality test, multicolinearity test, autocorrelation test, heteroscedasticity test). While the hypothesis test in this study using multiple linear regression analysis, t test, f test, and test coefficient of determination.

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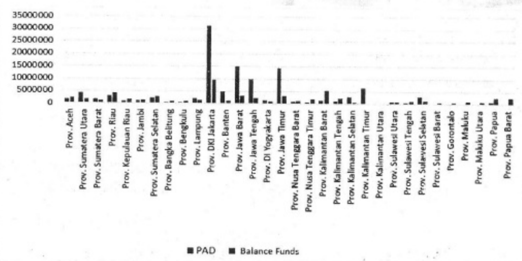
RESULTS AND DISCUSSION

Based on the criteria described in previous chapter, out of 34 provinces in Indonesia recorded in the Ministry of Home Affairs up to 2016, there were 32 samples of provinces.This is because there are 2 Provinces that have not published their Regional Revenue and Expenditure Budget, namely Southeast Sulawesi and Bali in 2016. Data taken from the realization report of Regional Revenue and Expenditure Budget for each region are Locally-Generated Revenue and Balancing Funds (General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund).Here is the composition of Locally-Generated Revenue and Balancing Funds in 32 Provinces in Indonesia of 2014-2016. Based on the following figure it can be seen that in 2014, the composition of Locally-Generated Revenue in some provinces is much larger than the composition of balancing funds, such as DKI Jakarta, West Java and East Java.While some other provinces have a larger balance of funds compared to the composition of Locally-Generated Revenue, such as Aceh, Riau, West Kalimantan, Papua and West Papua.

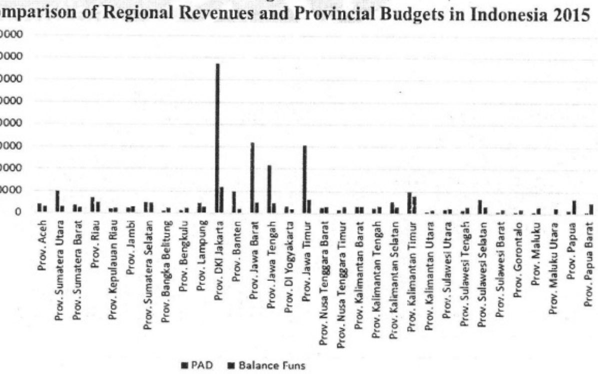
Figure 4.
Comparison of Locally-Generated Revenue and Provincial Balancing Fund in Indonesia Year 2014



Source: Data is processed from Realization Report of Regional Revenue and Expenditure Budget Year 2014

Based on the data from the figure below, it can be seen that there are several provinces that experienced a decrease in balancing funds and increasing the amount of Locally-Generated Revenue significantly from the previous year, such as DKI Jakarta, West Java, Central Java and East Java. In addition, there are still some Provinces whose funding composition is greater than the composition of Locally-Generated Revenue.

Figure 5.
Comparison of Regional Revenues and Provincial Budgets in Indonesia 2015



Source: Data is processed from Realization Report of Regional Revenue and Expenditure Budget Year 2015

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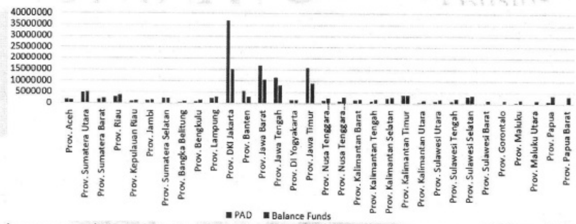
Picture: 6
Comparison of Regional Revenues and Provincial Budgets in Indonesia 2016



Source: Data is processed from Realization Report of Regional Revenue and Expenditure BudgetYear 2016

Based on the above picture and comparison in the previous two images, namely in 2015 and 2014, it can be seen that the composition of Locally-Generated Revenue and balancing funds as a source of regional revenue has always fluctuated in every province for the last 3 years.There are some provinces that have larger Locally-Generated Revenue than counterpart funds, whereas in some other provinces the balance of funds is greater than the amount of Locally-Generated Revenue.So researchers have not been able to conclude whether there Flypaper Effect on the province in Indonesia. Therefore it is necessary to test using the data of all variables in order to know whether or not the flypaper effect occurs.Research on 32 Provinces in Indonesia for 3 consecutive years produce 96 data that can be processed, in data processing there are 17 data of outlier province so that data can be processed is as much as 79 data of province.

Researchers perform logarithm data on General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, and Locally Generated Revenue and regional expenditure variables. This is because the data of these five variables have a very long range of values to Gross Regional Domestic Product data. The descriptive statistical test presented in this research is about minimum value, maximum value, mean value and standard deviation for General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, and Locally Generated Revenue(in millions of rupiah) and Gross Regional Domestic Product as well as dependent variable that is Regional Expenditure (RE). Descriptive statistical test results are presented in the table below:

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GAF	79	20568.00	1866548.00	1042815.3418	346210.36682
SAF	79	1038.00	7596342.00	542547.0633	1261587.93907
RSF	79	20767.00	4194971.00	555585.7215	785830.74243
LGR	79	11834.00	17042895.00	2688954.4304	3616014.63786
GRDP	79	-10.15	12.52	4.9881	3.57085
RE	79	642365.00	27621964.00	4953792.3038	4701976.06384
Valid N (listwise)	79				

Hypothesis Testing Results

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Table 2.
Multiple Linear Regression Analysis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.064	.503		14.036	.000
	GAF_LN	-.038	.040	-.035	-.938	.352
	SAF_LN	.096	.015	.209	6.525	.000
	RSF_LN	.058	.020	.106	2.891	.005
	LGR_LN	.486	.023	.822	20.715	.000
	GRDP	-.030	.007	-.149	-4.348	.000

a. Dependent Variable: Regional Expenditure (RE_LN)
Source : Output SPSS 16, 2018

Based on Table 4.7. above, obtained the regression equation as follows:

$$\mathbf{BD = 7{,}064 - 0{,}038X_1 + 0{,}096\,X_2 + 0{,}058\,X_3 + 0{,}486\,X_4 - 0{,}030\,X_5 + e}$$

1. General Allocation Fund to Regional Expenditure

The result of hypothesis testing shows that the variable of General Allocation Fund has no effect on regional expenditure with sig value 0,352> α (0,05) and negative sign.The General Allocation Fund is a balancing fund sourced from theRegional Revenues and Provincial Budgets whose allocation aims to smooth the financial capacity of the regions to finance their expenditure needs as a form of decentralization implementation.However, according to Iskandar (2012) the General Allocation Fund has an adverse impact on the flow of transfers, as local governments tend to use General Allocation Fund with a larger amount than using their own local funds to finance their spending needs.While this is contrary to the principle of decentralization that expects independence from each region with no longer dependent on the central government. The rejection of the first hypothesis shows that the provincial government no longer uses General Allocation Fund as the primary source to finance spending needs.This study supports previous studies conducted by Susilo and Adi (2007), Shiddieqy and Afriana (2013), Nur (2015), Sriwahyuni (2010) and Setyorini (2013).

2. Special Allocation Fund to Regional Expenditure

The result of the second hypothesis testing shows that the Special Allocation Fund has a positive and significant impact on regional expenditure in the Province of Indonesia with the sig value of 0.000 <α (0.05) and is positive.The Special Allocation Fund is only used to finance the expenditure needs of national priorities and become regional affairs related to the social welfare, such as spending on public services and the provision of adequate facilities and infrastructure so that later investors are interested to invest their capital in the area. The more investors who invest their capital, it can increase the regional income that can be used to finance the needs of the region, so that the opportunity for the area to be more developed will be greater.The results of this study support previous research of Khoiri and Hasan (2015), Liando (2017), Amalia., Et al (2015), Sasana (2011) and Yuliana., Et al (2017).

3. Revenue Share Fund on Regional Expenditure

The result of the third hypothesis test shows that the revenue sharing has positive and significant impact to regional expenditure on the province in Indonesia with the sig value of 0.005 <α (0.05), and is positive. Revenue Sharing Fund is one of the balancing funds derived fromRegional Revenues and Provincial Budgets revenues and the allocation is different from General Allocation Fund and Special Allocation Fund, which is based on the percentage of revenue share in accordance with the contribution of local governments to the central government whose source comes from taxes and natural resources, each region in Indonesia.Therefore, the amount of Revenue Sharing Fundallocation is based on the success of a region in the income tax and natural resources of each region. If a region gets a substantial local tax revenue and natural resource management results, then the allocation of Revenue Sharing Fundwill also be large.Similarly vice versa if local tax revenue and the results of natural resource management small, then the Revenue Sharing Fund received is also small. The potential of each province in Indonesia varies, so the income of Revenue Sharing Fund in each Province also varies. The results of Revenue Sharing Fund receipts can be used to improve the development and prosperity of each region.Development and other expenditures related to regional wealth management will have an

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effect on the size of regional expenditure. So the greater the Revenue Sharing Fund, the greater the expenditure of the region. This research supports previous researches, namely Mulyati and Yusriadi (2017), Nurdini., et al (2014), Sukartono (2010), Basri and Riswandi (2014), Sasana (2010), Inayati and Setiawan (2017) , and Iskandar (2012).

4. Local Revenue on Regional Expenditure

The result of the fourth hypothesis test shows that the local revenue is positive and significant to the regional expenditure in the province in Indonesia with the sig value of 0.000 <α (0,05) and positive sign.Locally-Generated Revenue is one of the sources of regional revenue that is used to meet the needs of regional spending. Regional expenditures shall be undertaken by the Regional Government for the activities of governance, regional development, public services, and enhancement of the regional economy so as to enrich its community which is a manifestation of the implementation of decentralization.The implementation of decentralization in Indonesia requires every local government to become an independent region and not dependent on the Central Government. According to Halim (2007) to minimize regional dependence on the center, the original revenue should be the largest source of finance in terms of financing local expenditure needs.Therefore, the greater the regional budget, the greater the Locally-Generated Revenue that must be owned by the area. Increasing the amount of Locally-Generated Revenuein the Province in Indonesia each year illustrates the performance of the region which also increases annually in exploring the potential possessed by the region to be Locally-Generated Revenue.One of the biggest sources of Locally-Generated Revenueis local taxes, so if there is an increase in Locally-Generated Revenuethen the awareness of taxpayers to pay taxes also increases. Furthermore, the task of local government is to improve public facilities so that people benefit from the taxes that have been paid. The results of this study are consistent and in line with previous research conducted by Maimunah and Akbar (2008), Nurdini,et.al (2014), Iskandar (2012), Jolianis (2014), Sasana (2010), Kusumadewi and Rahman (2007), Afrizawati (2012), Khoiri and Hasan (2015).

5. Gross Regional Domestic Product to Regional Expenditure

The result of the fifth hypothesis test shows that Gross Regional Domestic Product (GRDP) has no effect to regional expenditure on Province in Indonesia with sig value of 0.000 <α (0,05) and negative regression coefficient. The rejection of the fifth hypothesis may be due to a less significant economic growth that does not result in a source of revenue that can be allocated for expenditure allocations.In addition, this does not mean that the economic growth reflected by theGross Regional Domestic Product is not a reference in the budget preparation process in Regional Revenue and Expenditure Budget,because according to Tuasikal (2008) there are certain other factors that can affect the budget such as the process of formulating the General Policy of Budgetin every region which in addition to paying attention to the macro economic condition of the region also pay attention to the political and social conditions in the region.In addition, in table1. Descriptive statistics can be seen that the average economic growth for 3 years is 4.9881%. Where the percentage of economic growth is still low, so naturally if GRDP does not positively affect the regional expenditure.The results of this study support previous research by Dewi and Suyanto (2015) The results of his research prove that economic growth is reflected through GRDP does not affect the capital expenditure. This is because economic growth can be created from infrastructure or good facilities and infrastructure, where infrastructure and infrastructure come from capital expenditures. While in this study, local governments do not allocate capital expenditure on target. This research supports previous research conducted by Tuasikal (2008), Jaya and Dwirandra (2014), Darwanto and Yustika (2007), Putro (2010) and Adiwiyana (2011).

Coefficient of Determination Table. 3 Coefficient Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969[a]	.940	.936	.18035

a. Predictors: (Constant), GRDP, LGR_LN, GAF_LN, RSF_LN, SAF_LN
b. Dependent Variable: Regional Expenditure (RE_LN)
Source: Output SPSS 16, 2018

Based on the above table, the adjusted value of R ^ 2 is 0.936, which means that 93.6% of regional expenditure variable can be explained by 5 independent variables General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, Locally-Generated Revenue and Gross Regional Domestic Product (GRDP), Meanwhile the rest (100% - 93.6% = 6.4%) is explained by other variables outside the research model.

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6. Flypaper Effect to regional expenditure

The coefficient of determination test is also used to test the sixth hypothesis (H_6) whether or not flypaper effect in the province in Indonesia. According to Nurdini, et al, (2014) flypaper effect testing is done by comparing the adjusted R Square variable General Allocation Fund (GAF),Special Allocation Fund (SAF), and Revenue Sharing Fund (RSF) with adjusted value R Square Locally-Generated Revenue (LGR) variable. If the adjusted R Square value of GAF, SAF, and RSF variables is greater, then the sixth hypothesis (H_6) is accepted. The result of comparison between determination coefficient test (GAF, SAF, and RSF) with LGR to regional expenditure is presented in the table below:

Table 4.
Comparison of coefficient test results
Determination of GAF, SAF, and RSF with
LGR to Regional Expenditure

Variabel	Adjusted R Square
GAF	0.497
SAF	
RSF	
LGR	0.898

Source: Secondary data processed, 2018

Based on the above table, the adjusted R Square (GAF, SAF, and LGR) simultaneously to the regional expenditure of 0.497 which means that GAF, SAF, and RSF simultaneously affect the regional expenditure of 49.7%. Meanwhile, the adjusted R Square LGR to regional expenditure is 0.898 which means that LGR has an effect on regional expenditure of 89.8%. Based on the results of the comparison, it can be seen the simultaneous effect of GAF, SAF, and RSF on local expenditure is smaller than the effect of LGR on regional expenditure (0.497 <0.898).So the sixth hypothesis (H6) is rejected, and states that there is no flypaper effect phenomenon in the province in Indonesia. Flypaper effect is a condition in which the influence given by balancing funds (GAF, SAF, RSF) on regional expenditure is greater than the effect of LGR on regional expenditure. This is, of course, contrary to the principle of decentralization and the principle of autonomy that demands the independence of local governments not to rely on the central government.

Based on the results of research conducted in 32 Provinces in Indonesia, found the fact that there is no flypaper effect that reflects that during the year 2014-2016 in general the province in Indonesia has been financially independent because it is able to rely on its own local finance in running the wheels of government , because the provincial government in 2014-2016 has been able to optimize the Locally-Generated Revenue which is then used as the main source in financing the needs of regional spending. This study supports the research of Kang and Setyawan (2012), Liando (2017), Khoiri and Hasan (2015), Rahmawati (2015), and Mentayani., Et al (2015).

CONCLUSIONS, LIMITATIONS, SUGGESTIONS AND IMPLICATIONS

Conclusion:

Based on research on 32 samples of Provincial Government in Indonesia during 2014-2016, it can be concluded as follows:

1. General Allocation Funds and Gross Regional Domestic Products have no effect on regional expenditure on Provinces in Indonesia.
2. Special Allocation Funds, Revenue Sharing Funds, Local Original Income have a positive and significant impact on regional expenditure on the Province of Indonesia.
3. Viewed from the Adjusted R Square value of lesser funding (GAF, SAF, RSF) compared to Adjusted R Sqiare LGR, it is concluded that no flypaper effect occurred in Indonesia Province within 2014-2016 period.

Further Research Suggestions:

Based on the conclusions generated in this study, the authors convey some suggestions that are expected to be useful for further research, including:

1. Further research is expected to expand or expand the sample such as researching the districts / cities in Indonesia so that the results of his research is expected to provide knowledge about which areas are already independent or not.
2. Further research is expected to use other methods in research such as direct interviews with related parties in the preparation of Regional Revenue and Expenditure Budget.

3. Further research is expected to use more diverse independent variables, in terms of size or other types of local revenue as well as other non-financial variables such as aspects of government budgeting policy as well as public policy aspects.

Limitations of Research:

Researchers realize that there are still many weaknesses and shortcomings in this study. Causedby the existence of some limitations of research, including:

1. The information contained in this research is incomplete, because in testing the hypothesis only uses data taken from the realization of Regional Revenue and Expenditure Budget report of each Province, so it is not followed by reality or problem which actually happened in that province.
2. Lack of variables that cause the increase or decrease of Locally-Generated Revenue and Balancing Fund.
3. Lack of factors that support the reason why economic growth in Indonesia is still considered low.

Implications:

Based on the results of research that has been done, is expected to provide a beneficial impact for the parties interested tekait. The implications that arise are as follows:

1. The Provincial Government is expected to continue to maintain in order to avoid flypaper effect by continuing to optimize the original opinion of the region used to finance the needs of shopping in the coming years so as to achieve the objectives of decentralization optimally.
2. Provincial Government is expected to continue to improve its performance by performing its duties well as community stakeholders so as to create a conducive and prosperous community.
3. Provincial Government is expected to channel regional expenditure well to provide public services for the community in the form of infrastructure, facilities and good infrastructure and in accordance with predetermined standards.

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