

**THE EFFECT OF BALANCED FUNDS AND BUDGET RESCUE CALCULATIONS ON THE HUMAN DEVELOPMENT INDEX WITH CAPITAL EXPENDITURE AS AN INTERVENING VARIABLE IN DISTRICT/CITIES IN WEST JAVA PROVINCE 2019-2021**

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**ABSTRACT**

The study aims to test the influence, balance funds and SiLPA on the human development index with capital expenditure as an intervening variable. The study used saturated sampling, with a total of 81 samples. The data used are the General Allocation Fund, Special Allocation Funds, Fund for Results, Capital Shops (BM), and Human Development Index derived from the APBD realisation report and the District/City Development Index Table in the West Java Province in 2019-2021. This study uses double linear regression analysis and path analysis. The results of this research are balancing funds and the remainder more calculations of the budget influence on capital expenditures. balance fund and the rest more calculation of budget influences on human development index. capital expenditure is not influenced on the index of human development. funds of balance influence indirectly on the development index of humans through capital spending. Remaining more budget calculations do not indirectly affect the human development index through capital spending. The size of R Square influence of Balance Fund and SiLPA on Capital Purchases is 52.6%. The influence of Balance Funds, SiLPA, and Capital Purchases on the Human Development Index was 41.9%.

**Keywords:** balanced funds, budget rescue calculations, capital expenditure, human development index

**INTRODUCTION**

Based on the concept of the 1996 Human Development Report, national development strategies should be able to increase human resources sustainably. The concept of human development prioritizes four elements including productivity, exploitation, sustainability and empowerment. The aim of the Human Development Index is to measure how much human development achievements are based on several fundamental factors of the quality of life of a society. As a measure of quality of life, the Human Development Index is built through three dimensions of a basic approach namely: decent life, knowledge and long and healthy life. ([www.bps.go.id](http://www.bps.go.id)). These three elements cannot stand alone, but influence one another.

The relationship between economic growth and human development is reciprocal, that is, when economic growth occurs it will affect human development, where the economic growth of a society is a parameter of development activities, because economic growth can be used to measure the development of a country in the economic sector. The quality of economic growth affects the well-being of society. Economic growth is usually associated with reducing poverty, increasing human development and expanding employment opportunities. The success of human development is inseparable from the important role of governments inining the effectiveness and efficiency of poverty reduction policies and programmes and jointly promoting the acceleration of economic development in priority sectors or economic activities that have development potential, such as fisheries, agriculture and trade and services. The key to boosting economic growth in the region is to increase investment, which can be done, among other things, by improving the availability of adequate infrastructure, both qualitatively and quantitatively, and by creating legal certainty.

Certainly in construction requires costs, so in this case the government also needs to support the existence of costs that are channeled, namely with the presence of the Public Allocation Fund, Special Allocation Funds, Funds for Results, as well as the rest of the Budget Calculation to increase the Purchase of Capital that has an important impact on increasing the Human Development Index. The first source of receipt is the Allocation Fund. The general allocation fund is a fund that comes from the State budget of income and spending with the aim of expanding the financial capacity between regions to finance the needs of the region in order to implement decentralization. The use of the General Allocation Fund is expected to be used to improve the standard of life of the community through the development and improvement of local services through capital planting. Human development succeeds when society's living conditions improve, so larger allocations to improve quality of life are considered rather than larger assignments to community development.

There are several research results that have tested the relationship of Balance Funds, More Budget Calculation and Capital Expenditure to the Human Development Index. Some of them are the research carried out by I Made Pradana Adiputra (2018) stated that the general allocation

fund, the special allocation Fund, and the Fund for Results have no impact on the quality of human development through the allocation of capital spending. Atwal Arifin (2022) show that the Special Allocation Funds have an influence on the Human Development Index, while the General Allocation Fund and the Profit Fund do not have an effect on the human development Index. Mudrika Alamsyah Hasan (2018) stated that the General Allocation Fund affects the allocation of capital purchases. Special allocation funds do not affect the allocation of capital expenditure. The General Allocation Fund has no influence on the Human Development Index. Claudia Melgiana (2020) stated that the General Allocation Fund and Special Allocation Funds have no influence on the Human Development Index. I Gusti Ngurah Putu Teguh Pratama (2017) Research results show that the original income of the region and the rest of the budget calculation have a positive and significant impact on the human development index through capital purchases.

## **THEORETICAL REVIEW AND HYPOTHESIS**

### **Effect of balance funds on capital purchases**

Capital purchases are related to the implementation of regional autonomy, the region must effectively use the funds it has to organize the governance and development of its region, including through its allocation for investment. Change in capital spending has to do with the increase in the decline in the receipt of balance funds, which means that every change in the allocation of the balance fund budget in a certain year will be followed by a change in capital expenditure.

### **The impact of the rest is more than the calculation of the budget on Capital Purchases**

The remaining budget calculations of the previous budget year included excess receipt of original income of the region, excess reception of balance sheet funds, exceeding other receipts of legitimate regional income, the excess of financing receipt, spending savings, obligations to third parties until the end of the year has not been settled, and the remaining funds of further activity. In addition to receiving financing from the remainder of more budget financing, the Regional Government has sufficient funds in order to organize local government and improve public services by allocating optimal funds for capital spending budgets. More Budget Financing that comes from increased income performance and efficiency of local spending, is a fresh fund that can be used by the Regional Government to increase the Budget of Capital Shopping in an effort to improve public services.

### **The impact of balance funds on the Human Development Index**

The Human Development Index (HDI) is a comparative measure of life expectancy, education and standard of living in all countries in the world. HDI is used to determine whether a country is advanced, developing or backward and to measure the impact of economic policies on quality of life. The balance fund can help the region to improve the quality of its human resources. The Balance Fund improves the quality of education, increases the standard of living of people, and allows people to live healthy lives and have a longer life expectancy.

### **The impact of the rest is more than the calculation of the budget on the Human Development Index**

Human development is a process of multiplying the choices that humans have. The most important choice is to live long and healthy, to acquire knowledge, and to have access to the resources needed to live a decent life. ([www.bps.go.id](http://www.bps.go.id)). The quality of human development can be measured through the Human Development Index. The use of the rest of the calculation of the budget in an area that is allocated through capital spending is expected to improve the quality of human development in the area.

### **The impact of capital purchases on the Human Development Index**

Government Regulation No. 71 of 2010 on Government Accounting Standards defines capital spending as budget spending for the acquisition of fixed assets and other assets that benefit more than one accounting period. Capital purchases are one of the government instruments used as a driver of regional development, the use of which is used to finance investments or infrastructure / markets such as public facilities such as hospitals, schools, puskesmas, roads and irrigation, street lighting, and others. This means proving that by allocating more budget spending to Capital Shopping, the level of community welfare will also increase.

### **Effect of the Balance Fund on the Manusai Development Index with Capital Purchases**

According to the Regulation of the Balance Fund No. 55 issued by the Government of the Republic of Indonesia in 2005, Article 1 states that the balance fund is a fund from the income and expenditure budget revenues of the state channeled to the region to finance the needs of the region in the framework of implementation of decentralization. Article 2 stipulates that the compensation fund consists of: the General Allocation Fund, the Special Allocation Fund and the Fund for Results. The size of the balance fund is determined annually in APBN. By allocating more budget to Shopping Capital, the level of community welfare will also increase. Capital purchases are one of the government instruments used as a driver of regional development, the use of which is used to finance investments or infrastructure / markets such as public facilities such as hospitals, schools, puskesmas, roads and irrigation, street lighting, and others. Thus expected by doing development against the region, then the economy of the region will also be

propelled and moved and encourage increased production and expansion of jobs. Furthermore, there will be an achievement of an improved decent standard of living and an increase in the ability to meet the needs of society, which means that the well-being of society will also increase.

### **The impact of the rest is more of a budget calculation on the Human Development Index with Capital Purchases**

In addition to receiving financing from the remainder of more budget financing, the Regional Government has sufficient funds in order to organize local government and improve public services by allocating optimal funds for capital spending budgets. More Budget Financing that comes from increased income performance and efficiency of local spending, is a fresh fund that can be used by the Regional Government to increase the Budget of Capital Shopping in an effort to improve public services. The use of the rest of the calculation of the budget in a region is allocated through capital expenditures in an effort to improve public services, to improve the quality of education, improve the standard of life of the community, as well as the community can live healthy and have a longer life expectancy so that it can improve quality of human development in the area.

### **DATA ANALYSIS TECHNIQUE**

Hypothesis testing is carried out with dual linear analysis and path analysis. This research model is cast in the following linear equation:

Model of Regression Equation I

$$BM = \alpha + \beta_1 DP + \beta_2 SiLPA + e$$

Model of Regression Equation II

$$IPM = \alpha + \beta_1 DP + \beta_2 SiLPA + \beta_3 BM + e$$

IPM = Human Development Index

BM = Capital Purchases

DP = Balance Fund

SiLPA = The rest is more budget calculation.

A = constant

$\beta$  = coefficient of regression

e = Error

## **RESULT AND DISCUSSION**

### **Effect of balance funds on capital purchases**

The test results of the first hypothesis (H1) show that the Balance Fund has a significant value of 0,000. The result shows that  $0,000 < 0,05$ . **The first hypothesis is accepted.**

Capital purchases are related to the implementation of regional autonomy, the region must effectively use the funds it has to organize the governance and development of its region, including through its allocation for investment. Change in capital spending has to do with the increase in the decline in the receipt of balance funds, which means that every change in the allocation of the balance fund budget in a certain year will be followed by a change in capital expenditure.

### **The impact of the rest is more than the calculation of the budget on Capital Purchases**

The test results of the second hypothesis (H2) showed that SiLPA had a significant value of 0,000. The result shows that  $0,000 < 0,05$ . **The second hypothesis is accepted.**

In addition to the receipt of funding from the remainder of budgetary financing (SiLPA), the Regional Government has sufficient funds in order to organize the local government and improve public services by allocating optimal funds for capital spending.

### **The impact of balance funds on the Human Development Index**

The test results of the third hypothesis (H3) show that the Balance Fund has a significant value of 0,000. The result shows that  $0,000 < 0,05$ . **The third hypothesis is accepted.**

The balance sheet fund consists of the general allocation fund, the special allocation fund, and the income fund. Each of these funds has different uses. The balance fund can help the region to improve the quality of its human resources. The Balance Fund improves the quality of education, increases the standard of living of people, and allows people to live healthy lives and have a longer life expectancy.

### **The impact of the rest is more than the calculation of the budget on the Human Development Index**

The test results of the fourth hypothesis (H4) showed that SiLPA had a significant value of 0,000. The result shows that  $0,000 < 0,05$ . **The fourth hypothesis is accepted.**

Kosim (2017) stated that "If there is a budget surplus at the end of the period then the remaining budget will no longer hang out, but can be used as a source of financing for the next budget year that falls into the category of Budget Surplus Financing (SiLPA)". The use of SiLPA in an allocated area can improve the quality of human development in the area.

### **The impact of capital purchases on the Human Development Index**

The test results of the fifth hypothesis (H5) showed that the variable Purchase Capital Allocation had a significant value of 0.213. The result showed that  $0,213 > 0,05$ . **The fifth hypothesis was rejected.**

Capital purchases are one of the government instruments used as a driver of regional development, the use of which is used to finance investments or infrastructure / markets such as public facilities such as hospitals, schools, puskesmas, roads and irrigation, street lighting, and others. This means proving that the Government of Kab/Kota Java West has not yet allocated more budget to Shopping Capital. In addition, Capital Shopping sometimes takes more than a year to feel its benefits, so the effects of Capital Shopping that is issued can not be directly felt by the community.

### **Effect of the Balance Fund on the Manusai Development Index with Capital Purchases**

The test results of the sixth hypothesis (H6) showed that the direct impact given by the Balance Fund on IPM was -0,643. Whereas the indirect influence of the Balance Fund through the Purchase of Capital on IPM is (0,059) which means that the value of direct influence is smaller than that of indirect impact. That is, because the indirect influence is greater than the direct influence so that the hypothesis 6 of the influence of the Balance Fund on the Human Development Index through Capital Purchasing is **accepted**.

One part of the balance fund is the general allocation fund. Special allocation funds are allocated to fund public services in the district/city area in order to reduce the gap between international public services. Expenditures allocated from special allocation funds are mostly expenditure allotted to capital purchases. Therefore, special allocation funds will have a significant impact on increasing capital spending in order to improve public services in the area. The use of special allocation funds in the allocation of capital spending optimally will be able to improve aspects in the field of education, health, social, and public services. Thus expected by doing development against the region, then the economy of the region will also be propelled and moved and encourage increased production and expansion of jobs. Furthermore, there will be an

achievement of an improved decent standard of living and an increase in the ability to meet the needs of society, which means that the well-being of society will also increase.

### **The impact of the rest is more of a budget calculation on the Human Development Index with Capital Purchases**

The test results of the seventh hypothesis (H7) showed that the direct influence given by the rest was more estimated on the human development index of 0.480. Whereas the indirect influence remaining over the calculation of the budget through the Purchase of Capital on the human development index is 0,081 which means that the value of direct influence is greater than the amount of indirect impact. That is, because the direct influence is greater than the indirect influence so that the hypothesis of the 7 remaining influence over budget calculations on the Human Development Index through Capital Purchases was **rejected**.

The use of the rest of the calculation of the budget in a region is allocated through capital spending in an effort to improve public services, is expected to improve the quality of education, the standard of life of the community is increased, as well as the community can live healthy and have a longer life expectancy so that it can improve quality of human development in the area. The results of the research showed that the remaining funds over the calculation of the budget allocated to Capital Expenditure have not been used for anything that is not directly related to the quality of human development. This is also demonstrated in the first hypothesis that showed the significant influence of the Balance Fund on the Human Development Index.

## **CONCLUSION AND ADVICE**

### **Conclusion**

The results of this study showed that balance funds and other budget calculations influenced capital spending and the Human Development Index in part. Capital purchases have no effect on the human development index. Balance funds do not directly affect the human development index through capital spending. The rest of the budget calculation has a direct impact on the human development index through capital spending.

### **Advice**

The suggestion in this study is that it is best for further research to use samples in other areas and can also add other variables that influence the Human Development Index to get more representative results.



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