Effect of Local Revenue Elasticity and General Allocation Fund on Local Expenditure Allocation (Studies in District/City of Sulawesi Tenggara 2013)

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ABSTRACT : *This study aimed to examine the effect of Local Revenue (LR) and General Allocation Fund (GAF) to Expenditure Allocation of District/City in Southeast Sulawesi province. This research uses quantitative approach. Panel data used are Financial Data Archive of South East Sulawesi Province from 2007 to 2011. Data analysis method is Multiple Regression. This study results indicate that Local Revenue (LR) does not have significant effect on Direct Expenditure Allocation. It is identified that LR has not contributed on Direct Expenditure. General Allocation Fund (GAF) shows positive effect on Direct Expenditure Allocations. This means Direct Expenditure Allocation could run with General Allocation Fund (GAF) Research results showed that LR and GAF affect on Indirect Expenditure Allocation. This means that both independent variables is able to show a positive effect on Indirect Expenditure Allocation in Southeast Sulawesi*

KEYWORDS: *Local Autonomous, Local Revenue (LR), General Allocation Fund (GAF), Local Expenditure Allocation*

I.   INTRODUCTION

Reform of public sector that accompanied by democratization demands became a global phenomenon, including in Indonesia. Democratization demands led to demands in Transparency and Accountability aspect. Both aspects are considered important in government management, and management of State and Local Finance. Law No. 32 of 2004 and Local Government Act No. 33 of 2004 on Financial Balance between Central and local government became the legal basis that brought a fundamental change in pattern of relations between Central and local government as well as Central and Local Finance. The two Acts create reaction and different views from one local to other Regions. Local government with large natural resources welcomed Autonomous Local welcomed with many hope. Conversely, areas with poor natural resources respond with a sense of worry and anxiety. That concern is understandable, since implementation of local autonomy and fiscal decentralization brings consequences for local government to become more independent in financing system and determining direction of local development, in accordance with priorities and interests of local communities. Essential thing for local development are to decide local vision and mission and planning activities as well as goals development within local budget. This local government action plan is outlined within numbers and maximum limits for periodic budget (Halim, 2002). Budgets can also be interpreted as annual financial plan that approved by local government Legislative Council (Regulation No.24 of 2005).

Government Regulation No. 58 of 2005 states that budget is an annual financial plan of local government that discussed and agreed upon local government and parliament, and set a local regulation to strengthen local financial management itself. Financial Decentralization is a consequence of local government to carry out their functions effectively and getting freedom to make decision in public sector spending. It requires financial resources support from Local Revenue (LR), Fund Balance, Local Loan, and other legitimate income (Halim, 2009). Local revenue optimization efforts should be supported by local government to improve Public service quality (Mardiasmo, 2002). Local Revenue (LR) is different for any Regions. Local with industrial advance and abundant natural resources tend to have greater revenue than local with poor natural Resources. Therefore, original income inequality is occurred. On one hand, local with very rich of natural resources have a high revenue, and on other hand, local with local natural resources has a low LR. Here is an overview of Local Revenue (LR) in Southeast Sulawesi Province.

Table 1. Composition of Local Revenue (LR) Southeast Sulawesi Province in 2007- 2011 (In Billions of Rupiah)

LR Proportion	2007	2008	2009	2010	2011
local $_{Tax}$	99.492.41	150.462.00	171.402.00	202.929.00	262.509.00
Retribution	16.656.20	19.790.10	40.525.60	51.035.76	18.543.86
State Companies Earning	8.904.92	11.732.02	4.871.00	14.103.89	13.488.19
Other Legal LR Revenue	15.331.39	114.618.72	6.602.62	71.291.18	51.628
Total LR	140.365.46	296.603.45	223.128.48	339.360.81	51.628.56
Average	35.091.00	74.250.86	55.782.12	84.840.20	346.169.83

Data source: Local Revenue and Expenditure Budget of North Sulawesi, *2012*

Table 1 shows that LR composition of Southeast Sulawesi, when looked from LR structure, become major barometer of local autonomy implementation success to support local self-reliance creation. Financing sources that submitted to local will be manifested through strong revenue structure. LR is financing source that actually collected from Local itself to reflect real conditions. The LR structure strongly suggests that Local has strong financing capability.

General Allocation Fund (GAF) and various transfers from central government should support implementation of governance and development in Region. Bigger local government expenditure for Public Services with lower local revenues growth rate (fiscal capacity) create fiscal gap in a Region. Therefore, Government of Regency/City made efforts to improve fiscal capacity to reduce financing dependence from center in order to address fiscal gap and to encourage regions self-reliance

Table 2. Local **Expenditure Growth of Regency and City Expenditure in Southeast Sulawesi Years 2007-2011 (In billions of dollars)**

Regency/ City	2007	2008	2009	2010	2011	Growth
Bombana	259.372.	320.337.	317.773.	279.240	373.283	33.67%
Buton	371.056	459.493	466.397	522.397	522.108	17.72%
North Buton		100.772	247.052	334.656	365.764	9.29%
Kolaka	493.560	571.050	596.364	609.925	676.021	10.83%
North Kolaka	281.831	327.061	374.609	364.231	409.257	12.36%
Konawe	279.867	395.599	252.462	512.435	662.320	29.24%
Konawe Selatan	389.589	464.844	461.591	469.473	575.163	22.5%
North Konawe	_	114.901	328.548	378.855	390.923	0.79%
Muna	487.093	516.201	554.016	560.029	646.646	15.46%
Wakatobi	290.527	388.145	331.378	360.961	389.190	7.82%
Bau-bau	318.573	376.156	372.544	358.155	451.092	25.9%
Kendari	385.607	445.194	507.202	602.076	684.117	13.6%
Jumlah	3.557.026	4.479.759	4.809.942	5.361.151	6.238.459	

Data source: local Revenue and Expenditure Budget of North Sulawesi *2012, processed*

Table 2 shows Expenditure growth of each district/city in Southeast. Growth in each local is uneven. Most Regions showed high growth and some other local showed low growth. This makes a very significant difference that indicates a gap of financial capability between Regions. Keynes theory states that budget is one driving machine of Economic and Expenditure that contained in budget are directed to support governance, development and social development. Budget role as a driver and one determinant to achieve macroeconomic and local target is directed to overcome the obstacles. The main problems are a challenge to create an agenda of prosperous and independent society. Budget management policy is focused on optimizing the function and benefits of income, expenditure and financing to achieve annual targets within development agenda.

Local autonomy role must be recognized as a paradigm transformation in development implementation and local governance. Local government has a wider autonomy to manage local economic resources

independently and responsibly to improve people welfare in Region. The main goal is to deliver Local Autonomy to improve public services and promoting local economy. It means the existence of Local Autonomous is required to be independent, event also independent in financial trouble. Central government also gives grants in form of General Allocation Fund (GAF) that transferred to local government. In practice, transfers from central government become main funding source to finance local government operations; where by local government is reported in budget calculations. This transfer purpose is to reduce fiscal gap between governments and ensure the achievement of minimum service standards in all country (Maemunah, 2006).Act 32 of 2004 states that to implement authority of local government, Central Government will transfer the Fund Balance that comprise of General Allocation Fund (GAF), Special Allocation Fund (SAF), and DBH that consists of taxes and Natural Resources.

In addition to Matching Grant, local government also has its own sources as Local Revenue (LR). Local Income is used to finance local expenditure needs that very small and varies between regions, ie less than 10% to 50%. Most of Province finances the expenditure less than 10%. Imbalance of local tax distribution because local tax has many variation Main factor for Local to promote economic growth is to increase investment by increasing adequate infrastructure, both in quality and quantity, and create legal certainty. In an effort to increase local autonomy, local governments are required to optimize revenue potential owned and one of them is giving lager proportion of capital expenditure for productive sectors development in Local (Harianto and Adi, 2007)..When rolled Autonomous Local, it hoped local government become increasingly independent to implement to govern and developing local through its own territory management. According with principle of money follows function, where each Local has different financial ability to fund its activities, this raises fiscal imbalance between one local to another. Therefore, to address fiscal imbalance, government allocates funds from state Budget to fund local decentralization implementation. One matching grant of government is General Allocation Fund (GAF). The allocation emphasis is on equity and justice that consistent with government affairs implementation (Law 32/2004). Fund transfer from central government to local government could be expected to finance expenditure allocation in the region. Therefore, local able to implement all their own affairs because of financing sources has also been submitted. If such a mechanism has been established then ideals of local autonomy can be realized.

II.   REVIEW OF LITERATURE
Agency theory states that agency relationship is an agreement (contract) between two parties, namely principal and agent, where principal authorizes agent to make decisions on behalf of principal (Jensen and Meckling, 1976). Agency theory said there is difference in interest between agent and principal, so that agent may not always act in interest of principal. Scott (2000) and Wake (2009) explains that agency theory is a branch of game theory that studying a contractual model to encourages agent to act for principal when agent interest could conflict with principal interests. Principals delegates responsibility of decision making to agent. Authority and responsibility between principal and agent is arranged in employment contract by mutual consent. In fact, principal gives authority to agent that often causes contradictory goal problems between principal and agent. With authority owned, management can act only to benefit himself at expense of principal interests. This occurs because of differences in information held by both parties create asymmetric information. Mursalim (2005) in Wake (2009) stated that more information that owned by the agent can trigger agent to take action in accordance with wishes and interests to maximize his utility. Principal would difficult to control effectively the actions taken by management because they have little information. Successful implementation of local autonomy is determined by various factors. One them is performance of local government (Syaukani, 2005). Although performance of local government is not the most dominant factor in determining implementation success of local autonomy but important to improve performance of local authorities. It should also be carried out simultaneously with other enhancement factor, suggests causal relationships to implement local autonomy and local government Performance can makes significant result. Both conditions affect each other. In addition, implementation of local autonomy is influenced by local authorities performance. Local government Performance is also affected by implementation of local autonomy. Consistent with local autonomy spirit, performance is measured by local ability to organize and manage his own household. Kaho (1997) said that one of important criteria to determine Local real ability to organize and taking care their region is self-supporting in finance. This means that finance is an essential factor to assess ability to implement local autonomy. Local government is expected to set a reasonable, efficient and effective local expenditure (Aslym, 1999).

Local Revenue (LR) ideally should become principal source of local revenue; other sources of income can be volatile and tend out control of local authorities. Through authority possessed local hope to increase revenue, while taking into account the economic aspect, efficiency, and neutrality. Authority levy local taxes 11 and 28 types of levies (Halim, 2009). According Brahmantio (2002) Excessive local levies in short term may

increase local income, but in long run can reduce economic activity, which in turn will lead to decreasing the original income. Local Revenue (LR) is an all revenues derived from original source local economy. Original income groups are separated into four types, namely (Halim, 2002):
1. Local, namely local tax revenue derived from taxes.
2. Retribution, namely income derived from Local Levies.
3. Local-owned enterprises revenue and wealth local management revenue that separated from enterprise and separated local wealth management.

LR performance is measured through Elasticity Size, Share and Growth the combination of indexation of a third size of Financial Capability Index (FCI) was also used in assessing local performance in input management. Furthermore National Oversight Agency stated that elasticity is ratio of revenue growth with GDP growth. This ratio examines sensitivity or elasticity of LR to local economic development. Share is LR ratio to local expenditure (apparatus and Local expenditure for public services). This ratio measures how far local ability to finance officials and local public service activities. This ratio can be used to look at capacity of local financial capability, and a growth rate of revenue growth at year i and year i-.

Technical explanation contain focus, and key performance indicators that are used for Performance Evaluation of Local Autonomy that explained in PP. 8 of 2008 that: "The ultimate goal of local autonomy with the parameters is indicate high international human qualities that measured by human development index (HDI). HDI is used to check weather aspects used to measure the ability of implementation of local autonomy can be justified". Thus HDI should ideally be one indicator of local performance measurement that viewed from outcomes side. Law no. 25, 1999, is an important form of transfer General Allocation Fund (GAF) and Special Allocation Fund (SAF), in addition revenue sharing. Transfer is a consequence of unequal distribution of Financial Capability and Local Economics. In addition, the purpose of transfer is to reduce financial gap horizontally between regions, reducing the vertical center-local disparities, overcoming the effects of inter-local public services, and to create a stabilization of economic activity in Region.

Transfers or grants from Central Government can be broadly divided into two, namely the non-matching grant and a matching grant. Both grants are used by local governments to meet Routine and Development Expenditure. Routine expenditure is expenditure for every fiscal year and generally do not result in physical form (example: Expenditure Employee salaries and honoraria), while development expenditure generally makes Physical development, as roads, highways, bridge, building, electricity and drinking water networks, and so on. Development expenditure includes non-physical are education, health care, and maintenance of public security. Balance budgeting concept ensure Local government to submit a balanced budget to legislature prior to budget of current fiscal year, but does not regulate how the expenditures should be prioritized or how components is specified within expenditure (Holzt-Eakin et al, 1994). Therefore, local governments can do smoothing over spending-expenditure because there is no rule that effectively used to prevent it. Essence of these findings is to show change in total Expenditure (Routine and Development) as a result of changes in grants or transfers from central government. General Allocation Fund is derived from the state budget that funds allocated to bring equality between local financial capabilities to finance the expenditure requirement. Government Regulation No. 55 Year 2005 on "Fund Balance" states that total number of local GAF shall be allocated on basis of fiscal gap and allocation basis. Fiscal gap is fiscal needs minus fiscal capacity of Local. It is Calculated based on number of civil servants salaries Region. Fiscal need is the need to carry out the functions of local funding for basic public services. Financing requirements consecutively measured by the number of population, land area, Construction Cost Index, Gross Domestic Product per capita, and Human Development Index. Local fiscal capacity is the local funding source that derived from the LR and Share Fund. Based on above components with reference of Government Regulation No. 55 Year 2005 on "Fund Balance", allocations to Local calculated using the formula:
$GAF = FG + BA$ where
GAF = General Allocation Fund
FG = Fiscal Gap
BA = Basic Allocation

BA is calculated from number of Civil Service Local salaries including base salary, family allowances, and office allowances in accordance with the Civil Service payroll regulations including rice allowance and income tax benefits (Article 21).FG is obtained based on difference between Fiscal Needs (FN) with Fiscal Capacity (FC). The formulation can be written as follows:
$FG = FN – FC$,
Where,

FG: Fiscal Gap
FN: Fiscal Needs
FC: Fiscal Capacity
FN = TPR (IP + IW + HDI + CCI) + IPDRB per capita,

The second parameter is used as an indicator to measure the financial disparities level between regions in order to finance the implementation of decentralization. The smaller index value, the better level of inter-local equalization in financial capabilities. Article 69 of PP. 55/2005 concerning "Fund Balance" states that GAF formula is used at starting fiscal year 2006.According to Regulation of Domestic Affairs Minister Number 13 Year 2006 on Guidelines for Financial Management, all Expenditure of Local Treasury Account will reduce equity funds. Expenditure is duty of Regions in one fiscal year and will not be gained back by Local payment. Local government Expenditure to be allocated in a fair and equitable manner so can be enjoyed by all communities without discrimination, particularly in provision of public services. Therefore, to be able to control level of efficiency and effectiveness of budget, then budget plan net to concern : (1) Establishment of clear goals and objectives, outcomes and benefits, as well as performance indicators to be achieved, (2) Determination of priority activities and calculating the load work, as well as unit pricing and rational. Expenditure meanings are different with by financing expenses. Local government will not get a refund of expenditure that has occurred, both in current fiscal year and next fiscal year. While financing expense is expenditure that will be received back payment in current budget year or the next fiscal year (Sembiring, 2010). PP. 58 Year 2005 explain Local Financial Management, Expenditure used in implementation of government affairs under authority of provincial or district/city consisting of obligatory functions and affairs of options that set with statutory provisions. Since implementation of local autonomy and decentralization Fiscal Year 2001 of Expenditure Budget, from year to year showed a significant increase, both in terms of scope of autonomy funds, or amount of Fund Allocation Autonomy.

Functions of Local Decentralization are to create an independent local through Act No. 32 of 2004 and Law no. 33 of 2004. Local government has full authority to care its own territory, especially policies regarding the management of Local Financial independence through a management based on local revenue (LR) which consists revenue of Local Taxes, Levies, Revenue from Local Company and other lawful income. And as well as managing the transfer of funds from Central Local of Matching Grant that called General Allocation Fund. Funds come from state budget. The function is to equalize fiscal capacity to their expenditure local that mainly focused on Expenditure of local government in a budget period. So there is some division of Expenditure Allocation that consists of direct and indirect Expenditure. Indirect Expenditure is expenditure that does not have a direct connection with the implementation of programs and activities, consisting of employee Expenditure, Interest Expenditure, subsidies, grants, social assistance, sharing expenditure, financial assistance and unexpected Expenditure).Direct Expenditure is expenditure that has a direct connection with programs and activities that include employee Expenditure, Expenditure goods and services and capital spending. Figure 1 identifies relationship of LR and GAF on local expenditure of Southeast Sulawesi.

Figure 1. Conceptual Chart
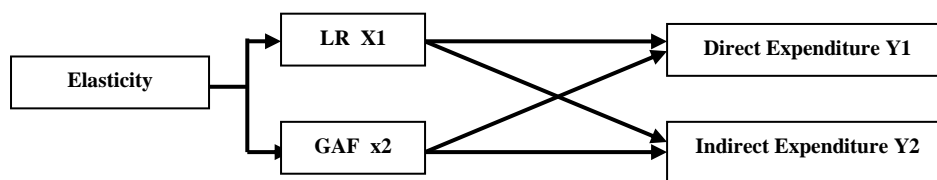
Research Hypothesis
H1. Local Revenue (LR) has positive effect on Direct Expenditure
H2. Local Revenue (LR) has a positive effect on Direct Expenditure
H3. General Allocation Fund (GAF) has positive effect on Direct Expenditure
H4. General Allocation Fund (GAF) has positive effect on indirect Expenditure

Analysis Method
This research explains ability of Local Autonomy to implement local autonomy, one that can be measured through Local Financial Performance.

1. Local financial performance is calculated by degree of fiscal decentralization between central and local government
2. Fiscal needs are calculated by per capita public services index (IPPP). Higher outcome needs greater fiscal or Regions.
3. Fiscal capacity is calculated by Gross Product Domestic Regional (GPDR) divided by Standar Fiscal capacity times 100%. Higher outcome means higher region capacity.
4. LR Performance is calculated based on LR growth, LR elasticity and LR Share (Musgrave, 1991)

Multiple regression analysis is used to analyze relationship between revenue (LR) and General Allocation Fund (GAF) to Expenditure Allocation (expenditure direct and indirect Expenditures). Hypothesis testing is done by regression analysis model in transformed log/ln. There are two regression equations, regression equation is:

$$Ln\Delta Y1 = \beta0 + \beta1\ X\Delta Ln1 + \beta2 X\Delta Ln2 + u1 \quad dan \quad Ln\Delta Y2 = \beta0 + \beta1\ X\Delta Ln1 + \beta2 X\Delta Ln2 + u2$$

Where:
$Ln\Delta Y1$ = Direct expenditure
$Ln\Delta Y2$ = Indirect expenditure
$X1$ = Local Revenue (LR)
$X2$ = General Allocation Fund (GAF)
$\beta1, \beta2$ = regression coefficient for each independent variables
u = error

III. RESULTS

This study illustrates independence of local government in to use their autonomy. One of them can be measured through Performance/Local Financial Capability. (Musgrave & Musgrave, 1980). Local Budget and Expenditure and Local Revenue for each district/city in Southeast Sulawesi Province can be seen in following table:

Table 3. Local Revenue and Expenditure Budget on Constant Price of District/City in Southeast Sulawesi 2007-2011 (billion rupiah)

District/City	2007	2008	2009	2010	2011
Bombana	333.442.16	360.926.76	388,847.36	420.091.30	451.715.12
Buton	551.529.72	599.530.34	651.117.38	701.295.71	777.363.45
North Buton	281.132.49	302.418.88	334.365.56	364.914.45	398.964.79
Kolaka	2.510.712.3	2.565.243.8	2.615.466.1	2.929.707.4	3.312.711.0
North Kolaka	730.488.90	757.097.61	810.680.13	869.332.95	964.857.52
Konawe	728.926.42	782.130.23	858.062.18	915.166.47	987.439.31
Konawe Selatan	769.992.47	842.201.95	940.558.87	1.031.842.4	1.115.032.7
Konawe Uatara	272.322.29	300.117.10	336.098.79	363.713.80	396.474.92
Muna	896.707.87	966.291.26	1.041.771.5	1.112.355.2	1.119.295.7
Wakatobi	192.585.88	206.469.33	234.698.97	261.673.09	288.961.09
Bau-bau	568.324.52	631.979.02	700.158.65	764.030.79	835.447.87
Kendari	1.475.506.0	1.630.316.9	1.823.950.8	2.001.870.9	2.203.292.2

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

Table 3 show that biggest Local budget is year in 2007-2011 where functions as a driver and one of determinants of targets and objectives achievement of local macroeconomic that directed to overcome various obstacles and fundamental problems. Budget management policy is focused to optimize functions and benefits of income, expenditure and financing to achieve achievement objectives based on annual development agendas

Table 4. Growth of Local Revenue and Expenditure Budget of District/City in Southeast Sulawesi 2007-2011 (billion rupiah)

District/City	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	Average
Bombana	8.24%	7.73%	8.03%	7.52%	7.88%
Buton	1.45%	8.60%.	7.70%	10.84%	7.14%
North Botun	7.57%	10.56%	9.13%	9.32%	9.14%
Kolaka	2.17%	1.95%	12.01%	13.07%	7.3%
North Kolaka	3.64%	7.07%	7.23%	8.91%	6.71%
Konawe	7.29%	9.70%	6.65%	7.89%	7.88%
South Konawe	9.37%	11.67%	9.70%	8.06%	9.7%
North Konawe	9.40%	11.98%	8.21%	9.00%	9.64%
Muna	7.75%	7.81%	6.77%	7.81%	7.53%
Wakatobi	7.20%	13.67%	11.49%	10.42%	10.69%
Bau-bau	7.78%	10.78%	9.12%	9.34%	9.25%
Kendari	10.49%	9.44%	9.75%	10.06%	10.54%
Average	6.86%	9.44%	8.81%	9.35%	

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

Tables 3 and 4 gives an overview on how local budget development for each District/City of Southeast Sulawesi year 2007-2011. Highest increase for average growth per year is in year 2008/2009 at Wakatobi District (13.67%) and North Konawe District (11.98%) in comparison with. This means that higher GDP growth rate of a local can means the management of revenue; expenditure and resources have high productivity.
Above calculation show *Product Domestic Regional Bruto (PDRB)* growth can describe local ability to manage its natural resources.

Table 5. Local Revenue (LR) Realization of District/City in Southeast Sulawesi year 2007-2011 (billion rupiah)

District/City	2007	2008	2009	2010	2011
Bombana	3.781.889,	12.327.518.	7.648.514.0	11.501.060.	14.714.757
Botun	9.315.009.	16.454.454.	13.982.856.	17.631.380.	16.048.695
Botun	_	1.071.427	4.024.276	5.107.744	5.539.520
Kolaka	20.209.047	24.698.876	35.356.172	32.529.383	37.472.899
North Kolaka	7.450.046	7.919.434	8.185.001	6.599.260	10.933.534
Konawe	31.979.762	8.640.919	12.774.849	16.115.724	22.125.721
Konawe selatan	7.487.731	13.168.360	6.450.727	11.441.750	12.562.810
North Konawe	_	2.336.576	3.831.717	3.062.732	7.647.158
Muna	20.227.859	18.540.970	15.558.529	14.827.227	16.202.790
Wakatobi	5.557.130	10.899.274	8.508.882	12.037.648	9.985.162
Bau-Bau City	15.115.403	22.308.185	15.915.987	20.961.288	22.025.271
Kendari City	28.159.253	30.371.489	33.848.814	46.736.680	62.800.131

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

Table 5 show Local Revenue growth of District/City in Southeast Sulawesi Province Year 2007-2011. Highest Local Revenue (LR) is Kendari City, where from year to year has increased, while the lowest Local Revenue (LR) is North Buton, because revenue generated by each local is highly dependent on local potential and local production factors. Limited supply of these factors cause the LR scale varies between regions.Alternative to increase Local Revenue (LR) in short-term is to dig Local Government Revenue (Pratiwi, 2007). Fiscal decentralization realization gives revenue sources for local that can be used in accordance with local potential.

Local Self-Reliance Ratio

      Local independence ratio aims to show how government's ability to finance its own local government activities, development, and service to society that has to pay tax liabilities and charges as a source of revenue needed by the Region, which can be formulated as follows:

Table: 6. Growth Revenue (LR) of District/City in Southeast Sulawesi 2007-2011

District/city	2007/2008	2008/2009	2009/2010	2010/2011	Average
Bombana	61.32%	37.95%	50.36%	27.94%	44.39%
Buton	76.44%	15.02%	26.09%	8.97%	31.63%
North Buton	_	73.37%	26.92%	8.45%	36.24%
Kolaka	22.21%	43.14%	7.9%	15.19%	22.08%
North Kolaka	6.3%	3.35%	19.37	65.67	23.67%
Konawe	72.98%	47.84%	26.15%	37.29%	46.06%
Konawe Selatan	75.86%	51.01%	73.37%	9.79%	52.20%
North Konawe	_	63.98%	20.06%	59.94%	47.99%
Muna	8.33%	16.08%	4.7%	9.27%	38.38%
Wakatobi	96.13%	20.93%	41.47%	17.05%	43.89%
Bau-bau	47.58%	28.65%	31.70%	5.7%	28.40%
Kendari	7.85%	11.44%	38.07%	34.37%	22.93%

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

      Table 6 shows that almost all regencies/cities in Southeast Sulawesi Province have Local Revenue (LR) growth. Average growth of each district per-year are Bombana district (44.39%), Buton district (31.63%), North Buton district (36.24%), Kolaka district (22:08%), North Kolaka district (23.67%), Konawe district (46.06%), South Konawe district (52.20%), North Konawe district (47.99%), Muna district (38.38%), Wakatobi district (43.89%), Bau-Bau City (28.40%), and Kendari district (22.93%). It means that higher the average percentage growth of revenue (LR) show higher self-sufficiency ratio illustrates level of community to participate in development of region. Higher they pay taxes and Levies will describe higher level of social welfare (Halim, 2008: 233).

Table 7. Comparison between Local Revenue (LR) and Total Local Revenue (TLR)
of District/City in Southeast Sulawesi Year 2007-2011

District/City	2007	2008	2009	2010	2011	Average
Bombana	1.35%	3.58%	2.36%	3.45%	3.45%	2.83%
Buton	2.36%	3.52%	3.08%	3.39%	2.51%	2.97%
North Buton	_	3.71%	2.58%	2.67%	2.70%	2.91%
Kolaka	4.02%	4.43%	6,45%	5.38%	5.22%	5.1%
North Kolaka	2.43%	2.24%	2.34%	1.85%	2.56%	2.28%
Konawe	5.84%	1.93%	2.46%	2.935	3.31%	3.29%
Konawe Selatan	1.88%	2.90%	1.44%	2.31%	2.16%	2.13%
North Konawe	_	3.46%	2.06%	2.21%	2.34%	2.51%
Muna	4.10%	3.81%	2.70%	2.65%	2.35%	3.12%
Wakatobi	1.82%	2.97%	2.47%	3.42%	2.44%	2.64%
Bau-bau	4.80%	6.28%	2.46%	5.55%	4.50%	5.11%
Kendari	7,18%	6.63%	6.99%	8.01%	9.01%	7.56%
Average	2.98%	3.78%	3.28%	3.65%	3.54%	

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

      Table 7 shows average Local Revenue (LR) growth is relatively small but namely 3.78%. Local District with smallest ratio of independence is South Konawe (2:13%) North Kolaka District (2:28%), Konawe District (2:51), and. Wakatobi District (2.64%). Higher Local Revenue (LR) growth with amount above 5% is Kolaka District (5.1%), Bau-bau District (5.11%), and Kendari District (7:56%).Variables that affect on degree

of local fiscal autonomy are local economic development level and central government assistance. Furthermore, to see the degree of Local Fiscal Autonomy using comparison between Revenue Tax Sharing and Non-Tax with Total Local Revenue (TLR), higher ratio indicates the higher degree of fiscal autonomy in respective regions.

Table 8. Comparison Revenue Tax Sharing and Non-Tax Results/Total Local Revenue (TLR)

District/City	2007	2008	2009	2010	2011	Average
Bombana	12.59%	32.49%	10.78%	11.10%	13.06%	15.82%
.Buton	16.27%	18.04%	17.91%	14.98%	18.84%	17.20%
North Buton	_	7.66%	18.07%	17.84%	21.75%	16.33%
Kolaka	6.29%	9.26%	11.43%	9.63%	12.06%	9.73%
North Kolaka	12.87%	11.41%	13.12%	10.83%	12.86%	12.01%
Konawe	14.45%	23.91%	33.17%	19.84%	24.08%	23.09%
Konawe Selatan	15.37%	16.10%	15.67%	14.06%	15.52%	15.34%
North Konawe	_	8.09%	15.42%	12.68%	1.38%	9.39%
Muna	18.69%	21.70%	26.35%	22.13%	26.98%	23.17%
Wakatobi	11.50%	16.82%	18.05%	15.43%	15.71%	15.39%
Bau-bau City	8.22%	12.27%	14.14%	12.75%	18.27%	13.13%
Kendari City	13.93%	13.75%	14.81%	14.28%	19.84%	15.32%
Average	11.09%	15.96%	17.41%	14.62%	16.69%	

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

Table 8 illustrates degree of fiscal autonomy of District/City in East Sulawesi Province in local autonomy implementation (2007-2011) to see comparison between the results of Tax and Non-Tax with Total Revenue Regions (TPD) Revenue Tax Sharing and Non-Tax Results/Total Local Revenue (TLR). Each district/city have very small increase but below 15%, North Konawe District (9:39%), Kolaka District (9.71%), North Kolaka District (12:01%), Bau-bau City (13:13%).Degree of Local Fiscal Autonomy can also be seen by a comparison between Contribution of Central Government (CCG) and Total Local Revenue (TLR): CCG/TLR. Higher ratio would indicate higher dependence of respective regions to central government, indicating lower degree of local autonomy.

Table 9. Comparison the Contribution of Central Government (CCG) and
Total Local Revenue (TLR) of District/City in Southeast Sulawesi 2007-2011

District/City	2007	2008	2009	2010	2011	Average
Bombana	42.38%	29.60%	71.97%	22.39%	6.61%	34.59%
Buton	48.26%	68.68%	26.59%	8.94%	3.32%	31.15%
North Buton	_	49.72%	15.55%	4.51%	4.96%	18.69%
Kolaka	25.68%	17.74%	14.72%	5.33%	6.66%	14.02%
North Kolaka	60.07%	9.09%	7.90%	8.78%	6.36%	18.44%
Konawe	25.05%	49.14%	13.75%	93.35%	2.51%	36.76%
Konawe Selatan	11.06%	10.59%	28.91%	17.76%	4.32%	14.52%
North Konawe	_	39.82%	37.82%	13.37%	10.88%	25.47%
Muna	20.39%	11.13%	7.42%	15.77%	3.58%	11.65%
Wakatobi	11.15%	60.96%	37.57%	5.03%	3.82%	27.78%
Bau-Bau City	_	43.37%	41.90%	26.35%	4.25%	29.98%
Kendari City	31.54%	60.96%	37.57%	5.03%	3.82%	27.78%
Average	22.96%	33.08%	25.75%	18.08%	5.08%	22.34%

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

Table 9 show all districts/cities have very high average value the Comparisons of CCG/TLR (20-30%), Konawe District (36.76%), Bombana District (34.59%), Buton District (31.15%), North Konawe District (25.47%), Kendari City (27.78%) and Bau-bau City (28.98%). These data show local dependence on central

government is still very high which also indicates that degree of fiscal autonomy is still very low. Variables affecting on degree of local fiscal autonomy is Local economic development level and central government assistance.

Ability (Share) LR

Share is ratio of LR to Local Expenditure (Local apparatus and public services expenditure). These ratios measure the ability of local finance personnel and activities of Local Public Service.

Table 10. Comparison of Total Revenue (TR) and Expenditure of District/Town in Southeast Sulawesi Province year 2007-2011

District/City	2007	2008	2009	2010	2011	Average
Bombana	17.31%	17.38%	11.67%	15.86%	14.215	15.28%
Buton	16.20%	11.61%	9.22%	9.39%	13.99%	12.08%
North Buton	_	18.83%	11.14%	10.60%	9.50%	12.51%
Kolaka	18.35%	9.74%	9,98%	9.90%	10.61%	11.71%
North Kolaka	19.95%	17.84%	9.31%	9.72%	10.43%	13.45%
Konawe	12.05%	11.12%	20.4%	17.00%	10.80%	14.27%
Konawe Selatan	11.02%	9.76%	9.67%	10.52%	10.90%	10.37%
North Konawe	_	13.39%	10.70%%	9.3%	10.28%	10.91%
Muna	4.63%	9.45%	10.30%	9.97%	10.62%	8.99%
Wakatobi	14.03%	9.43%	10.36%	9.75%	10.47%	10.80%
Bau-bau City	9.88%	9.31%	9.56%	10.54%	10.83%	10.02%
Kendari City	11.57%	12.87%	9.95%	9.68%	11.85%	11.185
Average	11.24%	12.56%	11.02%	10.67%	11.20%	

Data sources: Statistic Central Bureau (SCB) of East Sulawesi Province year 2013, Processed

Table 10 shows expenditures realization and local revenue realization. Smaller ratio means more efficient, and vice versa. It is assuming that expenditure is spent in accordance with their distribution and fulfilling the planning. In public service sector an activity is done rightly with minimum sacrifices. An activity is said to have been done efficiently if execution of such work has achieved results (outputs) and costs (input) with the lowest or minimal cost for the desired results

LR Elasticity (Tax Ratio)

To enrich this study information, researcher put LR elasticity of GDP per district/town in Southeast Sulawesi Province. National Development Planning Agency stated that growth elasticity is the ratio of Local Revenue (LR) with growth of Gross Domestic Product (GDP).This ratio examines sensitivity or elasticity of LR to economic development of a region. Fiscal position determination is looked at elasticity coefficient of Revenue to GDP. More elastic Revenue to GDP shows better financial structure of local.

Table 11. LR Elasticity of District/town in Southeast Sulawesi year 2007-2011

District/City	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	Average
Bombana	1.86	0.29	0.41	0.21	0.69
Buton	0.57	0.12	0.20	0.97	0.46
North Buton	_	2.91	2.25	0.81.	1.98
Kolaka	0.48	0.64	0.96	0.19	0.61
North Kolaka	0.22	2.37	1.40	0.56	1.19
Konawe	0.53	0.46	1.40	0.58	1.19
Konawe Selatan	0.79	0.45	0.75	1.23	0.80
North Konawe	_	0.76	0.23	0.95	0.64
Muna	0.22	0.32	0.54	1.02	0.52
Wakatobi	1.35	0.19	0.80	0.35	0.67
Bau-bau City	1.25	0.89	1.07	0.85	1
Kendari City	0.95	1.05	1.35	1.95	1.32
Average	0.82	0.88	0.96	1.20	

Sources: Data Processed Research, 2013.

Table 11 shows local revenue performance, especially LR. It can be measured by elasticity parameter. This parameter indicates local revenue is a response to GDP changes. According Sicat and Arndt (1991), magnitude of elasticity greater than one (E> 1) is elastic, smaller than one (E <1) is inelastic and equal to one (E: 1) is neutral. Calculation of Local Revenue Elasticity is based on definition of Rahmadi (1999). LR calculation of District/Southeast Sulawesi province for LR Elasticity on PDKB year 2007-2011 is follows.

a. Elasticity value less than one (E <1) means in-elastic. It is shown by district of Buton (0.46), Bombana (0.69), Kolaka (0.61), South Konawe (0.80), and North Konawe (0.60), Muna (0.62) and. Wakatobi (0.67). This means that local revenue sources change/increase is smaller than change/increase in GDP so Local Revenue (LR) are less able to finance all activities of government development expenditure.

b. Local which the value of elasticity (. E> 1) are district of Konawe (1.33), North Kolaka (1.19), North Buton (1.98), and Kendari City (1:32). This means that local revenue sources have a change or an increase greater than the change/increase in GDP.

c. Bau-bau district has an Elasticity value (E = 1). This means that local revenue sources have change/increase is proportional to change/increase in Gross Local Domestic Product (GDP).

d. Average Regency/City in Southeast Sulawesi Province from 2007-2009 are 0.82, 0.88 and 0.92. This means that local revenue sources have smaller change than the increase in Gross Domestic Product (GDP). Local Revenue (LR) has not been able to fund all activities of government development expenditure.

Regression Analysis

1. R^2 Value is 0.175. This means LR and GAF affects on Direct Expenditure Allocation with amount 17.5%, while 82.5% is influenced by other variables. Indirect Expenditure has 0.618. This means that LR and GAF affect 61.8%, while 39.2% is affected by other variables.

2. F value is 5,815, with a significance probability of 0.005. This means Simultaneous LR and GAF have significant affects Direct Expenditure Allocations.

3. F test statistic result was 44.457 with a significance probability F = 0.000 is smaller than α = 0.05. This means that simultaneously Local Revenue (LR) and General Allocation Fund (GAF) significantly affects on Indirect Expenditure Allocation.

4. T test (hypothesis) suggests that Local Revenue (LR) and General Allocation Fund (GAF) have a significant effect on Expenditure Allocation.

Table: 12. Parameters Significance Testing (t-statistic test)

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Signifikan.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	14.310	3.145		4.551	.000	8.008	20.612					
	LnPAD	.009	.067	.024	.136	.892	-.125	.143	.402	.018	.016	.420	2.383
	LnDAU	.438	.158	.496	2.779	.007	.122	.754	.514	.351	.321	.420	2.383

Dependent Variable: LnBL (if data Source In 2013)

H1 Testing: Local Revenue (LR) has a positive effect on Direct Expenditure Allocation.
        Partial test results showed that significance level of Local Revenue (LR) is 0.892 larger than 0.05. This means that Local Revenue (LR) individually does not affect on Direct Expenditure Allocation, therefore hypothesis 1 is rejected

H3: General Allocation Fund (GAF) has a positive effect on Direct Expenditure Allocation (DEA).
        Partial test results indicate that significance level of General Allocation Fund (GAF) is 0.007 smaller than 0.05. It means General Allocation Fund (GAF) individually has significant effect on Direct Expenditure Allocation (DEA), therefore hypothesis 3 is accepted.

Table: 13. Parameters Significance Testing (t-statistic test)

Coefficients												
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	-10.425	5.512		-1.891	.064	-21.471	.621					
LnPAD	.281	.117	.309	2.401	.020	.046	.515	.709	.308	.200	.420	2.383
LnDAU	1.127	.276	.525	4.079	.000	.573	1.681	.760	.482	.340	.420	2.383
a. Dependent Variable: LnBTL												

Dependent Variable: LnBTL (Source: Data were processed in 2013)

H2: Local Revenue (LR) has a positive effect on Indirect Expenditure Allocation (IEA).
        Partial test shows that significance level Local Revenue (LR) is 0.020 smaller than $\alpha = 0.05$. It means that Local Revenue (LR) individually affect Indirect Expenditure Allocation (IEA), therefore, hypothesis 2 is accepted.

H4: General Allocation Fund (GAF) has a positive effect on Indirect Expenditure Allocation (IEA).
        Partial test showed level significance of General Allocation Fund (GAF) is 0.000 smaller than $\alpha= 0.05$. It means that General Allocation Fund (GAF) individually affect on Indirect Expenditure Allocation (BTL), therefore hypothesis 4 is accepted.
Model estimation results can be written in following equation:
Indirect Expenditure Allocation = -10.425 + 0.281Ln PAD + 1.127LnDAU

        Variables of Local Revenue (0.009 LnLR) and General Allocation Fund (0.438LnGAF) has a coefficient with positive direction on direct expenditure. It showed that in Southeast Sulawesi General Allocation Fund (GAF) more likely to have a greater effect on Direct Expenditure Allocation.
a.   Elasticity coefficient of Local Revenue (LR) to Direct Expenditure Allocation is 0.009. Elasticity of LR is E <1. It means change/increase in Local Revenue (LR) is smaller than the increase in Direct Expenditure Allocation, with consequences LR are less able to fund all development activities or it does not strengthen government development through Direct Expenditure.
b.   Elasticity coefficient of General Allocation Fund (GAF) is more positive increases 0.438 where greater than to LR. Elasticity GAF is E <1. This means that changes/increase in General Allocation Fund (GAF) is smaller than the increase in Direct Expenditure, which means that (GAF/DAU) are less able to fund all activities of Direct Expenditure
The results of statistical calculations showed that two variables included into model significantly affects on Local Expenditure Allocation (indirect expenditure),
Indirect Expenditure = -10.425 + 0.281Ln PAD + 1.127LnDAU

Local Revenue (LR/PAD) with (0.281LnLR) and General Allocation Fund (1.127LnGAF) have a positive coefficient on indirect Expenditure. It is shown that Southeast Sulawesi was more likely that General Allocation Fund GAF) have greater effect direct expenses allocation

This means that amount General Allocation Fund (GAF/DAU) still have dominant effect on Local Expenditure Allocation (direct expenses).

a. Elasticity coefficient of Local Revenue (LR) increased positive at 0.281 with elasticity E <1. It means a change/increase in Local Revenue (LR) is less able to fund all indirect Expenditure.
b. Elasticity coefficient of General Allocation Fund (GAF) increased positive at 1.127 LnGAF where greater LR. It means GAF elasticity is E> 1. Change/increase of General Allocation Fund (GAF) is greater than increase of Direct Expenditure, which means that (GAF) expected to fund all activities of Direct Expenditure

IV.   CONCLUSION

[1] Revenue (LR) of Southeast Sulawesi Province from year 2007 to 2011 have not been able to provide a positive effect Direct Expenditure Allocation, with evidence from estimation results of (LR) that is equal to 0.892. This means the value is greater than significance level of α = 0.05 so can be concluded that Local Revenue (LR) individually do not affect on Local Expenditure Allocation (Direct Expenditures).
[2] Usage efficiency of General Allocation Fund to fund Local Expenditure Allocation (Direct Expenditure and Indirect Expenditures) is depicted through estimation results where GAF Significant has significant effect on Local Expenditure Allocation (Direct Expenditures and Indirect Expenditures). This means that funds are used effectively in expenditures allocation in Southeast Sulawesi.
[3] Research results illustrate that the increase in Local Revenue has not been able to contribute to changes in direct and indirect expenditure.
[4] Empirical result found that the change/increase in General Allocation Fund have a positive effect on Indirect Expenditure in Southeast Sulawesi Province.

Suggestion

[1] Southeast Sulawesi Province government should give more authority to local governments to manage their region. Local should be given greater authority to dig Potential Sources of Local Revenue to optimize efforts in improving Local Revenue and continue to search potential for Local Revenue sources.
[2] General Allocation Fund is expected to help Local Expenditure. But government of Southeast Sulawesi Province should not continue to rely on General Allocation Fund and more self-sufficient with increasing Local Revenue. Therefore, local government can manage to dig up source potential in their local.
[3] Southeast Sulawesi Provincial Government needs to encourage the Direct Expenditure Allocation. Direct Expenditure is budget of Program Planning. Local Planning run through Direct Expenditure Allocation. Local development planning aims to improve local competitiveness, which encourages growth in order to improve the livelihoods of Local Economic Communities.

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