

Effect of Original Local Government Revenues, General Allocation Funds, Special Allocation Funds, Share Funds, Other Legal Revenues, Budget Surplus/Deficit to Human Development Index Through Capital Expenditures: Case Study of Regencies/Municipalities in Indonesia

— *Review of* —
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 — *Research* —

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ABSTRACT

The research purpose is to analyze the effect of Original Local Government Revenues, General Allocation Funds, Special Allocation Funds, Share Funds, Other Legal Revenues, Budget Surplus/Deficit to Human Development Index through Capital Expenditures. The research used secondary data from Statistics Indonesia and Finance Ministry of Indonesia. Variables are Realized Regional Budgeted Report and Budgeted Revenues, Expenditures and Human Development Index of Regencies/Municipalities in Indonesia year of 2010 to 2012. Path analysis was used to test the hypothesis. The empirical results showed that the Original Local Government Revenues, General Allocation Funds, Special Allocation Funds, Other Legal Revenues, and Budget Surplus/Deficit directly influenced Human Development Index. Share Funds did not influence Human Development Index, while Original Local Government Revenues, General Allocation Funds, Special Allocation Funds, Share Funds, Other Legal Revenues, and Budget Surplus/Deficit influenced Human Development Index Revenues through Capital Expenditures.

Keywords: Government Revenues, General Allocation Funds, Budget Surplus/Deficit, Capital Expenditures

1. INTRODUCTION

It has been over one-decade reform era in Indonesia signed by Law Number 32 The Year 2004 about Regional Government and Law Number 33 The Year 2004 about Financial Balanced Between Central and Regional Government. Reform era is the beginning of regional autonomy, which is a delegation of authority from central government to regional government to manage regional resources optimally.

It is mentioned in Law Number 32 The Year 2004, that regional autonomy is rights, authority, and obligation autonomy regional to rule, manage and govern its regional government and local society importance according to law and regulation. The

central government does not rule directly the financial management of regional government but delegates that authority to regional government. The authorities are the authority to earn revenue and allocate expenditures accordance to the potency and needed of regional government. As mentioned in Law Number 32 The Year 2004 Article 21 and 22, rights and obligations established in the form of working plan of regional government consists of revenues, expenditures, and financing managed by the regional financial management system. That working plan was legalized by regional regulation as Regional Budgeted.

Regional/municipalities budget set through budgeting process starts in March and will be legalized by Rule of Regional/Municipalities Government by December. The process involved not only the government but also executive which represent by Society Representative Board. According to the research done by Harryanto (2017) in the budgeting process, organizational fairness, budget satisfaction have significantly affected the performance of the budget. However, organizational fairness is more emphasized on procedural and distributional fairness, which have significant influence. This study implies that the relationship between the local government budgeting process and budget performance is significantly influenced by the behavior of the actors involved in it. Therefore the local government budgeting must be mediated by society watch through public hearings.

Autonomy era has changed financial governance from centralizing to decentralize which demands the regional government to optimize the regional potency optimally in order to increase revenue resources called Original Regional Government Revenues. As mentioned in Law Number 33 The Year 2004 the central government will transfer Balanced Budget, consisting of General Allocation Funds, Special Allocation Funds, and Share Funds. The purpose of Balanced Budget is to decrease the fiscal gap between Central Government and Regional Government also between Regional Governments. Balanced Budget is used by regional government effectively and efficiently for social welfare and equalization of development.

The important factor of regional autonomy is regional that government that has the task to allocate expenditures in accordance with the need and priority of its own regional. Fulfilling the need for infrastructure, health, and education facilities are the main function of regional government. It can be established in capital expenditure allocation, which is fixed assets. Capital expenditure allocate based on the regional need of infrastructure public facilities and government facilities. The lower capital expenditures can influence working performance of government bodies.

Regional autonomy era has been one decade, the reach of its success can be seen through Indonesia quality human development. Some measurements of welfare society are human development stage, society knowledge stage, numbers of life expectancy, and welfare stage. Society development stage can be measured by Human Development Index. The diversity of natural resources and human resources potency between regions has caused Human Development Index that is different from one region to another one. The success of development programs held by the regional government also determined lower and higher reach of human development in one area (Statistics Indonesia, 2013).

This research broadens the prior research done by Halim and Syukriy (2003), Prakoso (2004), Halim and Syukriy (2006), Darwanto and Yustikasari (2007), Harianto and Adi (2007), and Siswantoro and Kusnandar (2012) whom their research are the influenced of Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, Budget Surplus/Deficit, and Special Autonomy Funds

to Human Development Index with Capital Expenditures as Intervening Variables. Those researchers only used Regencies/Municipalities in Java, Bali, and Papua.

2. PROBLEM FORMULATION

The importance to research Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, Budget Surplus/Deficit, and Others Revenue to Human Development Index with Capital Expenditures as Intervening Variables is to know how far the success of regional government increasing social welfare through capital expenditures allocation, therefore the problem of this research area:

1. How do the Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, Budget Surplus/Deficit, and Others Revenue influence Human Development Index?
2. How do the Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, Budget Surplus/Deficit, and Others Revenue influence Human Development Index through Capital Expenditures?

3. HYPOTHESES FORMULATION

Capital expenditures are the expenditures of the budget to earn fixed assets and another asset which give benefits more than one period of accounting. Capital expenditures are land, building, equipment, and intangible expenditures. While according to Directorate General of Treasury Regulation Number 33 The Year 2008, capital expenditures are the expenditures to form capital which increased fixed assets or other assets which have benefit more than one period of accounting that include the maintenance expenditures which maintain or increase the age of assets, increase capacity and quality of assets.

Human Development Index (HDI) is a measurement used to measure the achievement of human development in a regional (Statistics Indonesia, 2013). Based on international scale, HDI is categorized into four, which are high category ($HDI > 80$), upper middle category ($66 < HDI < 80$), lower middle category ($50 < HDI < 66$), and low category ($50 < HDI$). If it is measured by international scale for the year of 2010, 31 of 33 provinces in Indonesia are in the upper middle category of HDI, while the other 2 provinces in the lower middle category. Based on the research data, HDI distribution in almost all provinces is relatively homogenous. The variance of human development between provinces showed inequality development in many development sectors (BPS, 2011).

The achievement of human development is measured by three essential aspects, which are long life and healthy life, knowledge, and feasible standard of life. The health aspect is represented by numbers of life expectations, education aspect reflected by Indicator Numbers of Reading Capabilities and Average School Time, while the feasible standard of life aspect is represented through Expense per Capita per Year Indicator (Statistics Indonesia, 2011).

According to Law Number 33 The Year 2004, Original Local Government Revenue (OLGR) is revenue that withheld based on regional regulations in accordance with the legislation. OLGR consists of a. Local Taxes; b. Retributions; c. Revenue of Regional Government Corporate and Management of Separated Regional Government

Wealth and d. Others Local Government Revenue. OLGR aims are to give discretion to regional government to optimize funding for the implementation of Decentralization.

The central government distributes Balanced Budget to the regional government with the purpose to assist the regional government funding its authority, to reduce inequality funding resources between central government and regional government, and to reduce disparity government funding between regional governments. Balanced Budget consists of Share Funds, General Allocation Funds, and Special Allocation Funds. General Allocation Fund is fund transfer from the central government to regional one that is intended to reduce the fiscal gap and the equalization of fiscal capacity across regions in order to support the independence of local governments in carrying out its functions and duties to serve the public. General Allocation Funds of a regional is determined by the amount of fiscal gap which is the sum of financial need and fiscal capacity according to Law Number 33 The Year 2004.

According to Law Number 33 The Year 2004, Special Allocation Funds is a fund earned from revenue in State Budget allocated to the regional government with the purpose to meet special programs belong to regional government authority and accordance to national priority. Special Allocation Fund is specially allocated to fulfill infrastructure basic service for society below certain standards or to stimulate regional development.

While Share Funds according to Law Number 33 The Year 2004 is the funds earned from revenue in State Budget allocated to the regional government based on the number percentage with the purpose is to fund the need of regional government in term of decentralization. Share Funds consists of taxes and natural resources. Central government allocates Share Funds from natural resources using counting based.

Basically, State Budget is arranged by considering the ability of regional financial. In terms of the expenditures bigger than revenues, therefore the source of financing deficit is Surplus State Budget (Law Number 33 The Year 2004. While Others Revenue gives opportunities for regional government to earn other revenue such as grants and emergency funds.

3.1. The Effect of Original Local Government Revenue to Human Development Index

In autonomy era and fiscal decentralization, the regional government must be able to optimize its regional potency to increase Original Local Government Revenue (OLGR). Central government always pushed the regional government to optimize every potency in each region. By the increasing of OLGR, regional government independency will be established. Regional government is able to use OLGR for expenditures adjusted with the need of society. To fulfill the need for society it will stimulate increase of Human Development Index continuously

Some researchers have been done to examine empirically the effect of OLGR on Capital Expenditures. The research done by Abdullah and Halim (2003) showed that OLGR influenced positively to regional expenditures. While Prakoso (2004), Darwanto and Yustikasari (2007), Kusnandar and Siswanto (2012) showed that OLGR positively and significantly influenced the Capital Expenditures.

The research of Setyowati and Suparwati (2012) showed that OLGR positively influenced to HDI through Capital Expenditure allocation. In the other way, the research by Adiputra, Dwiyantari, and Darmada (2015) showed that OLGR influenced HDI but

OLGR did not influence the Quality of Human Development through its Capital Expenditures. Therefore the first hypotheses are:

H_{1a}: Original Local Government Revenue influences the Human Development Index

H_{1b}: Original Local Government Revenue influences the Human Development Index through Capital Expenditures

3.2. The Effect of General Allocation Funds to Human Development Index

Prior research by Kuncoro (2007) it is mentioned that Original Local Government Revenue (OLGR) only 20% high funding regional government expenditures. Independence for the regional government has not fully implemented since the government still depends on fund flow from central government, especially Special Allocation Funds. Special Allocation Funds used by the regional government for Indirect Expenditures which should be allocated for capital expenditures.

Some research literature that are tested the effect of General Allocation Funds to Capital Expenditures showed that General Allocation Funds have proven empirically influenced Capital Expenditures. Research done by Abdullah and Halim (2003) found empirical evidence that long-term transfer was influenced the Capital Expenditures and reduces the amount of transfer might cause decreasing Capital Expenditures. Some researchers done by Prakoso (2004), Abdullah and Halim (2006), Darwanto and Yustikasari (2007) showed that General Allocation Funds significantly and positively influenced the Capital Expenditures.

The research by Christy and Priyo (2009) showed that General Allocation Funds was influenced by Capital Expenditures and Capital Expenditures was influenced Human Development Index. While research done by Setyowati and Suparwati (2012) showed that General Allocation Fund negatively insignificant influenced the Human Development Index. Research was done by Adiputra, Dwiyantari, and Darmada (2015) showed the same result as Setyowati and Suparwati, which are General Allocation Fund not influenced the Human Development Index directly or indirectly through Capital Expenditures allocation. Therefore the second hypotheses are:

H_{2a}: General Allocation Funds influence the Human Development Index

H_{2b}: General Allocation Funds influence the Human Development Index through Capital Expenditures

3.3. The Effect of Special Allocation Funds to Human Development Index

Special Allocation Funds for regional has a purpose to fund special programs in accordance with the national priority. Education, health, and infrastructure are regional government responsibility in terms of national priority. Through Special Allocation Funds, the disparity infrastructure facilities and human quality between regional governments will be minimized.

Research done by Darwanto and Yustikasari (2007) showed that Special Allocation Funds do not influence Capital Expenditures. Setyowati and Suparwati (2012) research showed that Special Allocation Funds negatively significant influenced Human Development Index. Meanwhile, research by Adiputra, Dwiyantari, and Darmada (2015) showed that Special Allocation Funds did not influenced the Human Development Index directly or indirectly through Capital Expenditures. Therefore the third hypotheses are:

H_{3a}: Special Allocation Funds influence the Human Development Index

H_{3b}: Special Allocation Funds influence the Human Development Index through Capital Expenditures

3.4. The Effect of Share Funds to Human Development Index

Share Funds are taxes earned by regional government and management of separated regional government wealth. The number of Share Funds are the difference between one region to another one depending on the amount of tax and management of separated regional government wealth. A region which has the bigger amount of tax and management of separated regional government wealth would receive Share Funds bigger than a region with less tax and management of separated regional government wealth. Share Funds as part of Balanced Budget could be allocated to regional government Capital Expenditures.

The research result done by Adiputra, Dwiyantari, and Darmada (2015) showed that Share Funds are not influenced the Human Development Index directly or indirectly through Capital Expenditures. Therefore the fourth hypotheses are:

H_{4a}: Share Funds influence the Human Development Index

H_{4b}: Share Funds influence the Human Development Index through Capital Expenditures

3.5. The Effect of Budget Surplus/Deficit to Human Development Index

According to Law Number 33 The Year 2004, regional revenue in terms of decentralization consists of Regional Government Revenue and Regional Government Financing. Regional Government Financing consists of:

1. Regional Government Financing Receipt:
 - a. Last Fiscal Year Budget Surplus/Deficit
 - b. Transfer From Reserved Fund
 - c. Income of Separate Property

Sales Results:

- a. Receipt Of Loans and Bonds
- b. Income of Separated Selling Assets
2. Local Government Financing Expenditures:
 - a. Transfer to Reserved Fund
 - b. Equity

In terms of Regional Budgeted to be the deficit, the government is allowed to use Budget Surplus stated by Government Regulation about Regional Budgeted. As one of the components of regional government revenue, Budget Surplus can be used for Capital Expenditure to establish society welfare.

Research done by Adiputra, Dwiyantari, and Darmada (2015) it showed that Budget Surplus/Deficit did not influence the Human Development Index through Capital Expenditures. Therefore the fifth hypotheses are:

H_{5a}: Budget Surplus/Deficit influenced the Human Development Index

H_{5b}: Budget Surplus/Deficit influenced the Human Development Index through Human Development Index

3.6. The Effect of Others Revenues to Human Development Index

Stated in Law Number 33 The Year 2014, the regional government has some revenue resources besides Original Regional Government Revenues and Balanced

Funds, they are Other Income. The Other Income consists of grant revenue and emergency fund. Grant for the regional government from the foreign country must be agreed by central government. The central government allocates emergency fund from State Budget for force major case caused by natural disaster and/or extraordinary condition that beyond the ability of Regional Government. Therefore the sixth hypotheses are:

H_{6a}: Others Revenues influence the Human Development Index

H_{6b}: Others Revenues influence the Human Development Index through Human Development Index

4. RESEARCH METHOD

The population of this research is regency/municipality government in Indonesia. The sampling method is Purposive Sampling Method, the sample was selected based on certain the availability of data and information that needed from the year 2010 until 2012. The data of research is secondary data from Statistics Indonesia and Indonesian Directorate General Finance Ministry. The data are Realization Budgeting Report and State Budget Regencies/Municipalities in Indonesia, and Human Development Index of Regencies/Municipalities year 2010 to 2012.

5. DATA ANALYSIS

Path analysis is used as a method to test research variables by software SPSS verse 22. Path analysis is the use of regression analysis to approximate causality relationship between variables prior set based on theory (Ghazali, 2012). This research used level of confidence for 95% means α (level of significance) is 0.05. That level showed if p or p value < 0.05, so it means that independent variable significantly influenced dependent variable. Regression equation as follows:

1. Regression Equation 1

$$\text{HDI} = \alpha + \beta_1 \text{OLGR} + \beta_2 \text{GAF} + \beta_3 \text{SAF} + \beta_4 \text{SF} + \beta_5 \text{BS} + \beta_6 \text{OI} + e$$

2. Regression Equation 2

$$\text{HDI} = \alpha + \beta_1 \text{OLGR} + \beta_2 \text{GAF} + \beta_3 \text{SAF} + \beta_4 \text{SF} + \beta_5 \text{BS} + \beta_6 \text{OI} + \beta_7 \text{CE} + e$$

Where:

α	= constant
$\beta_1, \beta_2, \beta_3$	= regression coefficient
HDI	= Human Development Index
OLGR	= Original Local Government Revenues
GAF	= General Allocation Funds
SAF	= Special Allocation Funds
SF	= Share Funds
BS	= Budget Surplus/Deficit
OI	= Others Income
CE	= Capital Expenditures
e	= error

6. RESULTS AND DISCUSSIONS

6.1. Results

Adjusted R Square (Adj. R^2) regression equation 1 shown in table 1 is 0.251, it means that 25.1% Human Development Index is explained by Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, Budget Surplus/Deficit, and Others Income.

Table 1
Determinant Coefficient Regression Equation 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504 ^a	.254	.251	4.55553

Statistically partial tested of regression equation 1 is shown in table 2:

Table 2
Hypothesis Partially Tested of Regression Equation 1

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	73.434	.287		255.588	.000
	OLGR	3.456E-9	.000	.094	2.865	.004
	GAF	1.640E-9	.000	.097	3.591	.000
	SAF	-1.057E-7	.000	-.479	-17.942	.000
	SF	1.127E-9	.000	.069	1.781	.075
	BS	-3.415E-9	.000	-.124	-2.998	.003
	OI	1.371E-8	.000	.311	8.852	.000

The statistical calculation showed that Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Budget Surplus/Deficit, and Others Income has the level of significant below $\alpha = 0.05$. It means Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Budget Surplus/Deficit, and Others Income partially positively significant influenced the Human Development Index. While Share Funds has the level of significant above $\alpha = 0.05$, means Share Funds do not significantly influenced Human Development Index.

Adjusted R Square (Adj. R^2) in table 3 is 0.292. It shows that 29.2% Human Development Index is explained by Original Local Government Revenues, General Allocation Funds, Special Allocation Funds, Budget Surplus/Deficit, Others Income, and Capital Expenditures.

Table 3
Determinant Coefficient Regression Equation 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.543 ^a	.295	.292	4.43013

Statistically partial tested of regression equation 2 is shown in table 4:

Table 4
Hypothesis Partially Tested of Regression Equation 2

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	73.772	.282		261.783	.000
	OLGR	6.541E-9	.000	.177	5.362	.000
	GAF	3.560E-9	.000	.211	7.257	.000
	SAF	-1.024E-7	.000	-.464	-17.842	.000
	SF	5.369E-9	.000	.327	6.986	.000
	BS	-4.157E-9	.000	-.151	-3.743	.000
	OI	1.345E-8	.000	.305	8.928	.000
	CE	-1.146E-8	.000	-.349	-9.216	.000

The statistical calculation showed that Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, Budget Surplus/Deficit, Others Income, and Capital Expenditures has the level of significant below $\alpha = 0.05$. It means that Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Fundas, Budget Surplus/Deficit, and Others Income partially positively significant influence the Human Development Index through Capital Expenditures.

6.2. Discussions

6.2.1. The Effect of Original Local Government Revenue to Human Development Index

Based on t-test on Regression Equation 1, Original Local Government Revenue statistically influenced directly to Human Development Index. Therefore Hypothesis 1a, Original Local Government Revenue, is accepted. While based on t-test on Regression Equation 2, Original Local Government Revenue statistically influenced to Human Development Index through Capital Expenditures which means hypothesis 1b is accepted.

The result of this research is supported an empirical research done by Setyowati and Suparwati (2012) which is the Original Local Government Revenue positively influenced to Human Development through Capital Expenditures. In contrary, this research result did not support prior research done by Adiputra, Dwiyantari, and Darmada (2015) that showed Original Local Government Revenue influenced to Human Development Quality, but Original Local Government Revenue did not influenced the Human Development Quality through Capital Expenditures.

Original Local Government Revenue is a revenue earned by the regional government by optimizing the regions potency and natural resources. The ability for each region to earn Original Local Government Revenue is different. That difference caused the reach of Human Development Index every region different. Allocation spending Original Local Government Revenue dedicate for regional government programs to reach society welfare. Capital Expenditures by regional government dedicate to support daily society's activity so the quality of life increases. Road and bridge are some examples of regional government capital expenditures that gives the daily activity of society to get the higher quality of life. Directly or indirectly allocation through Capital Expenditures by regional government is proven increasing the Human Development Index in every region.

6.2.2. The Effect of General Allocation Funds to Human Development Index

Based on t-test on Regression Equation 1, General Allocation Fund statistically influenced directly to Human Development Index. Therefore Hypothesis 2a, General Allocation Funds influenced to Human Development Index, is accepted. While based on t-test on Regression Equation 2, General Allocation Funds statistically influenced by Human Development Index through Capital Expenditures which means hypothesis 2b is accepted.

The result of this research is supported the empirical research done by Christy and Priyo (2009) which is General Allocation Funds influenced the Capital Expenditures and Capital Expenditures influenced the Human Development Quality. In contrary, this research result did not support some prior research done by Setyowati and Suparwati (2012) that showed General Allocation Funds negatively insignificant to Human Development Index. The other research done by Adiputra, Dwiyantari, and Darmada (2015) showed that General Allocation Funds did not influenced the Human Development Index directly also did not influence through Capital Expenditures.

General Allocation Funds are generally used most for Direct Expenditures regional government, the rest is allocated for Indirect Expenditures. Direct Expenditures by the regional government are able to push regional government's working performance to serve the society especially giving full access to health, education, and workforce. The increasing service to society is expected to increase society's long live and healthy life as one of aspects the Human Development Index.

6.2.3. The Effect of Special Allocation Funds to Human Development Index

Based on t-test on Regression Equation 1, Special Allocation Fund statistically influenced directly to Human Development Index. Therefore Hypothesis 3a, Special Allocation Funds influenced to Human Development Index, is accepted. While based on t-test on Regression Equation 2, Special Allocation Funds statistically influenced by Human Development Index through Capital Expenditures which means hypothesis 3b is accepted.

The result of this research is supported empirical research done by Setyowati and Suparwati (2012) which is Special Allocation Fund negatively significant influenced the Human Development Index. In contrary, this research result did not support some prior research done by Adiputra, Dwiyantari, and Darmada (2015) showed that Special Allocation Funds did not influence the Human Development Index directly also did not influenced through Capital Expenditures.

Special Allocation Funds is one of Balanced Budget from central government to regional government and in accordance with the national priority. Government's

national priorities are health, education, and infrastructure. Human Development Index is formed by three basic elements, they are long life and healthy life, knowledge, and feasible standard of life (Statistics Indonesia, 2016). Infrastructures were built and funded from Capital Expenditures, therefore Special Allocation Funds can increase society health condition through health facilities development, education facilities fulfillment by build elementary schools and junior high schools buildings. The increasing of education and health facilities indirectly will increase long-lived and healthy life also feasible standard of society's life in regions. Special Allocation Funds allocated to fulfill three basic elements of Human Development Index are proven increase Human Development Index directly or indirectly through Capital Expenditures.

6.2.4. The Effect of Share Funds to Human Development Index

Based on t-test on Regression Equation 1, Share Funds statistically did not significantly influence directly to Human Development Index. Therefore Hypothesis 4a, Share Funds influenced to Human Development Index, is rejected. While based on t-test on Regression Equation 2, Share Funds statistically influenced to Human Development Index through Capital Expenditures means hypothesis 4b is accepted.

The result of this research supports empirical research done by Adiputra, Dwiyantari, and Darmada (2015) showed that Share Funds did not influence the Human Development Index directly or indirectly through Capital Expenditures.

The regional government with rich of natural resources and high tax revenue will earn big Share Funds from central government. The Share Funds allocated for infrastructure development and regional government's programs. The programs are to fulfill the need of society and accordance with the potency of each region. By running the program, the feasible standard of society's life will be arises as Human Development Index increase.

6.2.5. The Effect of Budget Surplus/Deficit to Human Development Index

Based on t test on Regression Equation 1, Budget Surplus/Deficit statistically influenced directly to Human Development Index. Therefore Hypothesis 5a, Budget Surplus/Deficit influenced to Human Development Index, is accepted. While based on t test on Regression Equation 2, Budget Surplus/Deficit statistically influenced to Human Development Index through Capital Expenditures means hypothesis 5b is accepted.

The result of this research supported empirical research done by Adiputra, Dwiyantari, and Darmada (2015) showed that Share Funds did not influence the Human Development Index directly or indirectly through Capital Expenditures. However, this research result did not support the research done by Adiputra, Dwiyantari, and Darmada (2015) showed that Budget Surplus/Deficit did not influence Human Development Index.

Budget Surplus/Deficit that is not used in last year can be used in the recent year. Although the amount of Budget Surplus/Deficit not as much as Original Local Government Revenue and Balanced Funds, the regional government has the authority to allocate the fund to build infrastructures through Capital Expenditures. Fulfillment of infrastructure for society will be able to increase three aspects of Human Development Index, which are long life and healthy life, knowledge, and feasible standard of life.

6.2.6. The Effect of Others Income to Human Development Index

Based on t-test on Regression Equation 1, Other Income statistically influenced directly to Human Development Index. Therefore Hypothesis 6a, Others Income influenced to Human Development Index, is accepted. While based on t-test on Regression Equation 2, Others Income statistically influenced to Human Development Index through Capital Expenditures means hypothesis 6b is accepted.

Revenue which can't be classified as Original Local Government Revenue or Balanced Funds is categorized as Other Income. The allocation of Other Income is to establish government's programs in accordance the need of regional government and national priority. Programs that reached the right target will give the maximum result for the increasing of social welfare.

7. CONCLUSIONS

Conclusions in this research are:

1. The result of regression analysis of Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, and Other Income are influenced directly by Human Development Index.
2. Share Fund is the only variable that is not significantly influence the Human Development Index.
3. The result of regression analysis of Original Local Government Revenue, General Allocation Funds, Special Allocation Funds, Share Funds, Budget Surplus/Deficit, and Others Income are the variables that influenced the Human Development Index through Capital Expenditures.
4. Regional government's programs and development of infrastructure have the purpose to fulfill the need of society that will increase three aspects of Human Development Index, which are long life and healthy life, knowledge, and feasible standard of life.

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