

**THE EFFECT OF ORIGINAL LOCAL GOVERNMENT REVENUE (OLGR)
AND CAPITAL EXPENDITURE ON HUMAN DEVELOPMENT INDEX (HDI)
IN BALIKPAPAN CITY GOVERNMENT**

Case Study in Balikpapan City Government and Central Bureau of Statistics of Balikpapan City

from 2015 – 2019

A Thesis

**Presented as Partial Fulfilment of The Requirements
to Obtain the Bachelor Degree in Accounting Department**



By
FACHRULLAH

Student Number: 14312437

**INTERNATIONAL PROGRAM
ACCOUNTING STUDY PROGRAM
FACULTY OF BUSINESS AND ECONOMICS
UNIVERSITAS ISLAM INDONESIA
YOGYAKARTA
2021**

DECLARATION OF AUTHENTICITY

Herein I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgment. All quotations are cited and listed in the bibliography of the thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, 26 November, 2021



Fachrullah

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THESIS APPROVAL PAGE

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Content Advisor

Dr. Mahmudi, S.E., M.Si., CA., CMA

November 19, 2021

Language Advisor

Alfi Zakiya, S.Kom., S.Pd

November 19, 2021

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By:

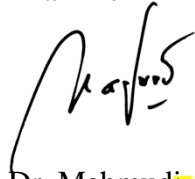
FACHRULLAH

Student Number: 14312437

Defended before the Board of Examiners
on November 26, 2021 and Declared Acceptable

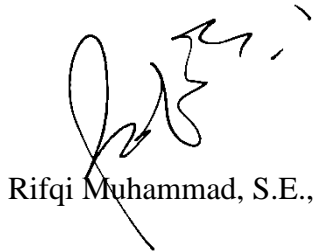
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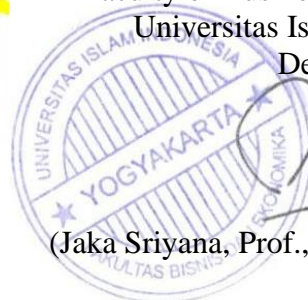


Rifqi Muhammad, S.E., M.Sc., Ph.D.

November 26, 2021

November 26, 2021

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International Program
Faculty of Business and Economics
Universitas Islam Indonesia
Dean



(Jaka Sriyana, Prof., Dr., S.E., M.Si.)

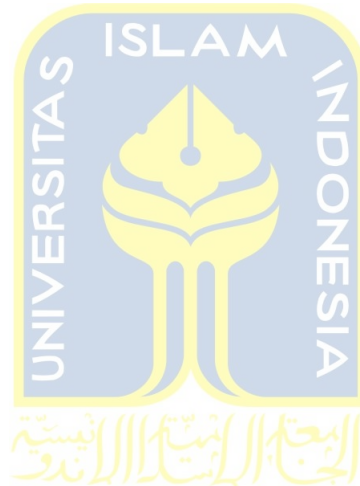
FOREWORD

Praise and gratitude to the presence of God Almighty who has given His mercy and grace, so that the author can complete the writing of the thesis entitled "**The Effect of Original Local Government Revenue (OLGR) and Capital Expenditure on Human Development Index (HDI) in Balikpapan City Government**". In the preparation of this thesis, the author has received a lot of guidance, assistance, and support from various parties. For that, on this occasion the author would like to express his gratitude.

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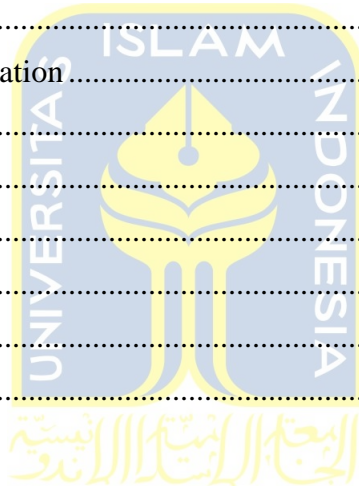
Writer,

Fachrullah

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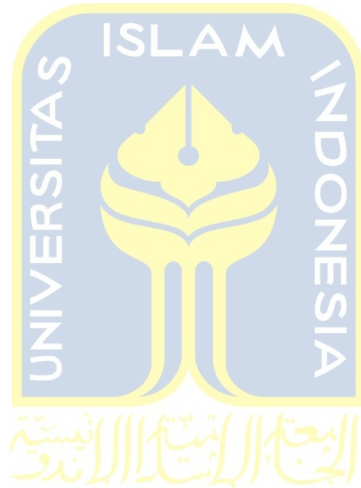
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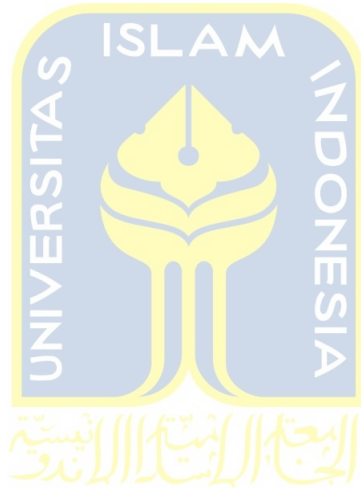
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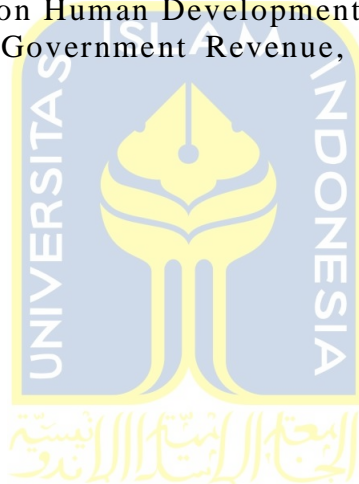


ABSTRACT

The purpose of this research is to find out and analyze the effect of Original Local Government Revenue (OLGR) and Capital Expenditure (CE) on Human Development Index (HDI). This research method used quantitative methods, testing methods with multiple regression analysis by testing classical assumptions before getting the best research model. The variables in this research were Original Local Government Revenue and Capital Expenditures as the independent variables and the Human Development Index as the dependent variable. The data in this research were secondary data obtained from the Central Statistics Agency.

The results of this research indicated that Original Local Government Revenue and Capital Expenditure simultaneously had significant effect on Human Development Index. Partially Original Local Government Revenue also had significant effect on Human Development Index. Meanwhile, Capital Expenditures had no effect on Human Development Index.

Keywords: Original Local Government Revenue, Capital Expenditure, Human Development Index



ABSTRAK

Tujuan penelitian ini adalah untuk mengetahui dan menganalisis pengaruh Pendapatan Asli Daerah (PAD) dan Belanja Modal (BM) terhadap Indeks Pembangunan Manusia (IPM). Metode penelitian ini menggunakan metode kuantitatif, metode pengujian dengan analisis regresi berganda dengan menguji asumsi klasik sebelum mendapatkan model penelitian terbaik. Variabel dalam penelitian ini adalah Pendapatan Asli Daerah dan Belanja Modal sebagai variabel bebas dan Indeks Pembangunan Manusia sebagai variabel terikat. Data dalam penelitian ini merupakan data sekunder yang diperoleh dari Badan Pusat Statistik.

Hasil penelitian ini menunjukkan bahwa Pendapatan Asli Daerah dan Belanja Modal secara simultan berpengaruh signifikan terhadap Indeks Pembangunan Manusia. Secara parsial Pendapatan Asli Daerah juga berpengaruh signifikan terhadap Indeks Pembangunan Manusia. Sedangkan Belanja Modal tidak berpengaruh terhadap Indeks Pembangunan Manusia.

Kata Kunci: Pendapatan Asli Daerah, Belanja Modal, Index Pembangunan Manusia



CHAPTER I

INTRODUCTION

1.1. Background Problem

Balikpapan city is Balikpapan City is one of the cities in East Kalimantan Province based on the Balikpapan Basic Law administratively, based on Law 27 of 1959 concerning Stipulation of Emergency Law Number 3 of 1953 concerning the Establishment of Level II Regions in Kalimantan (State Gazette of the Republic of Indonesia Number 1820), where The Municipality of Balikpapan is designated as one of the second level regions in the Province East Kalimantan together with the Level II Regions of Kutai, Berau, Bulungan, Pasir, and Samarinda city.

The term municipal or autonomous area is changed to Regency Dati II or Kotamadya Dati II based on Law No. 5 of 1974 on the Principles of Government in the Regions. Then based on Government Regulation Republic of Indonesia Number 21 of 1987 concerning the Determination of Territorial Boundaries Municipalities of Level II Regions of Samarinda, Municipalities of Level II Regions Balikpapan, Kutai District and District Level Regions II Pasir, the term Balikpapan Municipality changes to become Municipality Balikpapan Level II Region. Since the enactment of Law Number 22 In carrying out government functions, the City of Balikpapan continues to encourage increase in Original Local Government Revenue (OLGR) to finance public spending, Growth Human Development, and an increase in capital spending in each the year.

1.2. Geographical Aspect

a. Location and Region Characteristics

The areas of Balikpapan which comprise 503,3 km² of land areas is located between 116,5° East Longitude and 117,0° East Longitude and between 1,0° South Latitude and 1,5° South Latitude. Balikpapan divided into 6 (Six) districts then 34 sub districts. Those districts are Balikpapan Selatan, Balikpapan Timur, Balikpapan Utara, Balikpapan Tengah, Balikpapan Barat and Balikpapan Kota. (BappedaLitbang, 2015)

Tabel 1.1 Area and Number of Urban Villages of Balikpapan City

No	Kecamatan	the Capital of the District	Number of Sub-Districts	An area
1	East Balikpapan	Manggar	4	137,14
2	West Balikpapan	Margasari	6	179,93
3	North Balikpapan	Muara Rapak	6	132,15
4	Middle Balikpapan	Gunung Sari Ilir	6	11,05
5	South Balikpapan	Sepinggan	7	37,78
6	Balikpapan City	Klandasan Ulu	5	10,20
Balikpapan City			34	503,3

Source: BappedaLitbang. Balikpapan, 2019

The Human Development Index (HDI) is an important indicator for measure success in efforts to build the quality of human life in it is the community or the population, the HDI describes how the population can be can access development results, including income, health, Education and so on.

The Human Development Index was first introduced by United Nations Development Program (UNDP) in 1990, using the method calculations and in 2010 it was revised or known as the new HDI, Due to revisions, the HDI calculation method is used to date.

The Human Development Index is formed by three basic dimensions that is; Long life and healthy life (a long and healthy life), knowledge (knowledge) and a decent standard of living. Long live and a healthy life is described by Life Expectancy at Birth (LEB), knowledge is measured through the indicator of Old School Expectations (OSE), and the Average Length of Schooling (ALS), while the standard of living is described by Per capita expenditure is adjusted, the value of which is determined from expenditure per capita and purchasing power parity. With power parity purchase is calculated according to the prices prevailing in Balikpapan, so that the value This adjusted per capita expenditure has a regional comparison other.

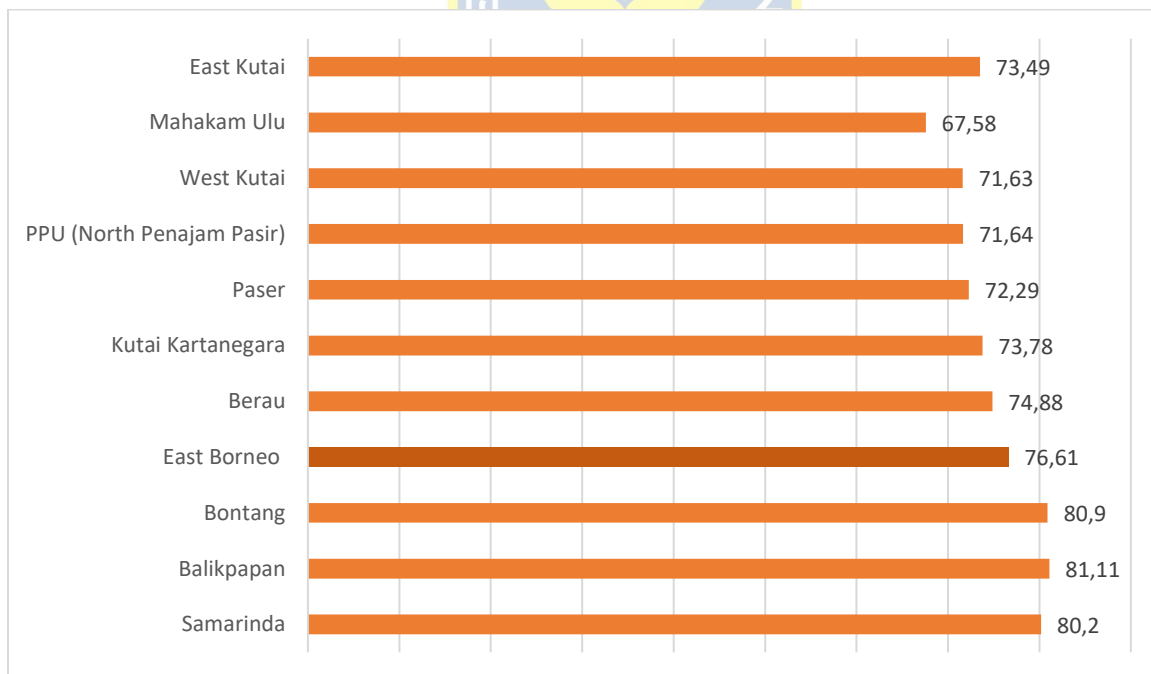


Figure 1.1. Human Development Index

Source: Human Development Index in Balikpapan City 2019, processed from the results of the census, surveys, and various other sources

Based on the information from the figure, it can be seen that in the three cities in East Kalimantan, the HDI score has reached more than 80. Meanwhile, the HDI achievement in the seven districts ranges from 67.58 - 74.88. When compared between Samarinda City and Kabupaten Mahakam Ulu, there is a wide difference in the HDI achievement. This may imply that regions with higher HDI numbers have better human development, in terms of health, education, and the economy. These three components are the key to the high and low HDI figures in an area. (Nur & Wahid, 2019)

In general, the human development of the city of Balikpapan continues to experience progress during the 2015 - 2019 period as follows:

Table 1.2
Human Development Index, Life Expectancy, Average Years of Schooling, Expectations for School Years, and Annual Per Capita Expenditure for the City of Balikpapan, 2015-2019

No.	Component	2015	2016	2017	2018	2019
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Human Development Index	78.18	78.57	79.01	79.81	80.11
2.	Life Expectancy (Years)	73.95	73.96	73.97	74.18	74.41
3.	Average Years of Schooling (Years)	10.44	10.54	10.55	10.65	10.67
4.	Expectation of Old School Years (Years)	13.46	13.59	13.75	14.12	14.13

5.	Expenditure Per Capita Per Year (Thousand Rupiah)	13,705	13,883	14,254	14,557	14,791
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Source: BPS in Balikpapan City 2019

As Shown in Table 1.2, Balikpapan City Human Development Index (HDI) from 2015 from 78.18 each year has increased in 2019 to 80.11 or an average growth of 0.6 percent per year. In the 2018-2019 HDI period Balikpapan City grew 0.38 percent, the growth in that period was lower when compared to the increase in the 2017-2018 period of 1.01 percent, during the 2015 to 2019 period, the City of Balikpapan's HDI showed positive growth, and there is a change in the status of human development from high category level becomes very high level or category. Balikpapan City to become one of the cities that achieved the status of human development by Very High category Together with 37 other districts / cities in Indonesia.

In order to carry out the functions and authorities of local governments in the form of implementing fiscal authority, each region must be able identify potential and identify the resources it has. The regional government is expected to be better able to explore sources finance, particularly to meet government financing needs and development in the region through Original Local Government Revenue (OLGR). The demand for an increase in Original Local Government Revenue (OLGR) is getting bigger along with the increasing number of delegated government authorities to the region.

Original Local Government Revenue as regional revenue originates from within the treated area and should always be improved optimally as possible in order to realize the spirit of local independence

Independent is defined as a strong passion and determination to build their own area by not merely depending on facilities or factors originating from outside. Although it is understandable that central balancing fund is the largest portion of the autonomous region (district / city), the ability to own regional original income is small, so it is still needed financial assistance. Original Local Government Revenue in the group Regional income is a type of income consisting of taxes regional levies, the results of separated regional wealth management, and other legitimate local revenue, as the development of OLGR as follows:

Table 1.3
Development of Original Local Government Revenue of Balikpapan City

Year	OLGR (rupiah)	%
2015	539.892.356.090,00	107,24
2016	555.608.000.000,00	100,79
2017	568.575.283.786,00	107,68
2018	678.500.000.000,00	95,34
2019	688.424.448.700,00	110,99

Source: Summary of the Realization of Balikpapan City APBD for 5 Years

As shown in table 2, it can be seen that the development of Balikpapan City OLGR has increased or exceeded annually from the target set in each year, in 2017 the target Original Local Government Revenue exceeded the target, amounting to 107, 68 percent, but the target of original local government revenue when compared to the year 2018 the set target could not be achieved, namely 95.34 percent or a decrease of 14.56 percent, this decline occurred resulting

from adjustments to the enforcement of Regional Regulations, where something is wrong one tax component experienced a sizeable increase in rates in 2019, Balikpapan City OLGR exceeded the target set, namely amounting to 110.99 percent in that period,

Regional Revenue and Expenditure Budget (RREB) is a regional government work plan that includes: all government revenues or receipts and expenditures or expenditures regions, both provinces, districts, and cities in order to achieve the target development in a period of one year expressed in units of money and approved by the DPRD in a statutory regulation called the Regulations Area. (Badrudin, 2017)

The higher it is financial authority owned by the region, the higher the role Original Local Government Revenue (OLGR) in the regional financial structure, as well otherwise. Local governments allocate funds in the form of a budget capital expenditures in the APBD to add fixed assets, are as follows Capital Expenditure Development in table 3:

Table 1.4
Development of Capital Expenditure in Balikpapan City
2015 – 2019

Year	Capital (Rupiah)	%
2015	1.350.357.208.051,00	
2016	749.079.572.550,00	76.33
2017	554.543.944.655,00	81.49
2018	746.392.285.321,00	81.50
2019	824.025.063.194,00	83.46

Source: Summary of the Realization of Balikpapan City APBD for 5 Years

From Table 3, it can be seen that the development of capital spending experiencing fluctuation so that every year it has increased. In 2016 realized capital expenditure was only Rp. 749.07 billion or 76.33 percent, when compared to 2019, both from large numbers the capital expenditure budget can be realized as much as Rp. 824.02 billion or by 83.46 percent.

This capital expenditure allocation is based on regional needs facilities and infrastructure, both for the smooth implementation of government tasks as well as for public facilities. Therefore, in an effort to improve quality of public services, local government should change shopping composition. So far, regional spending has been used more for routine shopping that is relatively less productive. Better utilization of spending allocated for productive things, for example to do activities development, then government revenue should be more for public service programs, this argument implies its importance allocating spending for various public interests. Based on description on the background, the purpose of this research is to analyze "The Effect of Original Local Government Revenue and Capital Expenditure on Human Development Index in Balikpapan City Government "

1.3. Identifications of Problem

Based on the background of the problem above, research problem is as follows:

1. How does the Human Development Index (HDI) influence indicators which are used to see the development progress of human in an area or in the city of Balikpapan?

CHAPTER 2

THEORITICAL BASIS

2.1. Human Development Index

2.1.1. Definition of Human Development Index (HDI)

Human development is a process of expanding people's choices. In principle, human choices are numerous and change all the time. But at all levels of development, there are three most basic choices, namely to live a long and healthy life, to obtain education and to have access to the resources needed to live a decent life. If these three basic things are not owned, then other options cannot be accessed (Nur & Wahid, 2019)

2.2. Measurement of Human Development

Human resource development is a major of HRM function consisting not only training and development but also career planning and development activities, organization development, and performance management and appraisal (Mondy & Martocchio, 2016). Human development uses measurements already introduced by UNDP in 1990, namely the Human Development Index (HDI). In the 1990 Human Development Report, three indicators that form the human development index were introduced namely long life and healthy life, knowledge, and a decent standard of living. Of the three of these dimensions, the four indicators used in calculating the HDI are derived, namely life expectancy (UHH), literacy rate (AMH), combined participation rates Gross Domestic Product (GER), and Gross Domestic Product (GDP) per capita (Nur & Wahid, 2019)

Human Development Index become an indicator that is essential for the development perspective. There are benefits in HDI (Human Development Index) as follows:

- to measure success in an effort build the quality of human life (society / population),
- to determine the rank or level of development of a region / country,
- HDI is strategic data because apart from being a measure of performance The government, HDI is also used as one of the allocators for determining the General Allocation Fund (DAU). (Nur & Wahid, 2019)

2.3. Dimension Measurement Indicator

It was introduced by UNDP in 1990, that Human Development Index introduce three HDI forming indicators. Which are a long and healthy life, knowledge, and a decent standard of living. From that indicators, four indicators used in calculating HDI were derived, life expectancy at birth (UHH), literacy rate (AMH), a combination of gross enrollment rate (GER), and Gross Domestic Product (GDP) per capita.

2.3.1. Health Indicator

The first dimension that forms HDI is longevity and healthy life as measured by life expectancy (UHH) at birth. Life expectancy at birth is an indicator that can reflect the health status of an area, both from facilities infrastructure, access, and health quality.

2.3.2. Educational Indicator

After seeing the first dimensions of forming HDI, namely longevity and life healthy, here will be a look at the dimensions of knowledge measured by the level of education. The general definition of education can be interpreted as a method for develop skills, habits and attitudes that are expected to make a person better. Education can be used as a step for get a

decent life and come out of all forms of ignorance and poverty. The higher a person's education level, it is hoped that the smarter will be, more creative and can enjoy a better life. In this case, an indicator which is used to measure the level of education is the average length of schooling (mean years of schooling) and expected years of schooling

2.3.3. A Decent Standard of Living

The progress of economic development in an area will have an impact on the level of welfare enjoyed by the community or its inhabitants. Getting better economic development in a region is expected to increase spending or the income of its residents. The dimensions of the standard of living deserve to be reflected by indicators adjusted per capita expenditure.

2.4. Original Local Government Revenue (OLGR)

2.4.1. Definition of Original Local Government Revenue (OLGR)

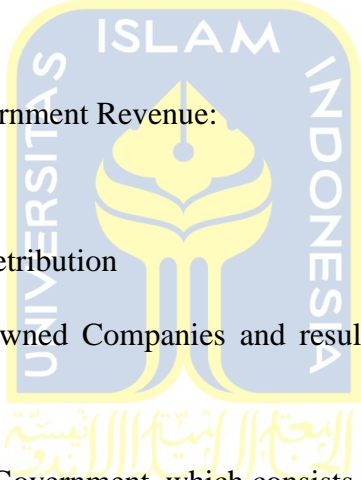
According to Mardiasmo (2018), revenues sourced from the sector of regional taxes, regional levies, the results of regionally owned companies, the results of separated regional wealth management, and other legitimate regional original revenues. Original Local Government Revenue (OLGR) is all regional revenues sourced from the regional economy itself (Halim & Kusufi, 2014)

According to Mahmudi (2016) Original Local Government Revenue (OLGR) consist of:

1. Local Tax Revenue
2. Local Retribution Revenue
3. Revenue from the Management of separated Regional Assets
4. Others legitimate Original Local Government Revenue

Original Local Government Revenue is part of the source of regional income as regulated in Law No.33 of 2004 as one of the sources income in relation to the implementation of regional autonomy. Original Local Government Revenue must be truly dominant and able to bear the necessary workload until the implementation of regional autonomy is not financed by subsidies or from donations from third parties or regional loans.

In accordance with Law No.33 of 2004 concerning Financial Balance between the Central Government and local government article 6 stated the Original Local Government Revenue. The areas are as follows:

- 
1. Own Original Local Government Revenue:
 - a. Local Tax Results
 - b. Results of Regional Retribution
 - c. Result of Regional Owned Companies and results of regional asset management others are separated.
 2. Revenue comes from the Government, which consists of:
 - a. Donations from the government,
 - b. Other contributions as regulated by laws and regulations,
 - c. Other legal income.

2.5. Capital Expenditure

Capital expenditure is one of the regional government expenditures that is useful for the general public and provide benefits for more than one year.

Types of capital expenditure can be categorized into five main categories, namely:

1. Land capital expenditure
2. Capital expenditure on equipment and machinery
3. Building and capital expenditure
4. Capital expenditures for roads, irrigation and networks
5. Other physical capital expenditures **(Badrudin, 2017)**

2.6. Framework of Thought

The role of public sector accounting, auditing and control is growing in the context of the New Public Management (NPM) concept of development, accountability and public finance sustainability. Public sector accounting, auditing and control have become not only a subject of great interest for the professional and scientific audience, but also a subject of general public interest as well. **(Vašiček & Roje, 2019)**

Accounting frameworks are not just conceptual frameworks designed by standard setters and the ensuing financial reporting standards. Accounting frameworks also refer to the underlying legislation of the jurisdiction in which the conceptual frameworks and financial reporting standards are made applicable, which legislation would ideally aim to consolidate good governance and oversight structures **(Caruana, 2019)**

Like accounting, the topic of accountability itself is vast and has formed the basis of many a research paper. When it comes to the public sector, accountability goes hand-in-hand with what we perceive to be the role of government. However, the definition of accountability is not so easy to specify. Historically, a central question of the sovereign power is whether or not the sovereign is accountable to law and public judgement (**Pilcher & Gilchrist, 2018**).

Fiscal independence can be implemented through the management of the Regional Revenue and Expenditure Budget (RREB) which consists of Regional Revenue and Expenditure. Sources of regional revenue consist of Original Local Government Revenue (OLGR), Balanced Funds and other legitimate revenues. The source of OLGR comes from the region, which consists of local taxes, local levies, and management results

Based on Law Number 23 of 2014 concerning Regional Government in lieu of Law Number 33 of 2004 "Regional Revenue and Expenditure Budget" hereinafter abbreviated as APBD is the Regional annual financial plan stipulated by Regional Regulation. that in order to implement Article 155 of Government Regulation Number 58 of 2005 concerning Regional Financial Management, it is necessary to stipulate Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management. Regional Revenue and Expenditure Budget, hereinafter abbreviated as RREB, is the annual financial plan of the Regional Government which is discussed and jointly approved by the Regional Government and DPRD, which is further stipulated by Regional Regulation.

Based on the Regulation of the Minister of Home Affairs Number 59 of 2007 concerning Amendments to the Regulation of the Minister of Home Affairs Number 13 of the Year 2006 concerning Guidelines for Regional Financial Management, Provisions Article 52

capital expenditure is expenditure for goods / services budgeted for expenditure. The Regional Revenue and Expenditure Budget (RREB) used for expenditures made for the procurement of tangible fixed assets which has a useful value of more than 12 months to be used in government activities. The value of tangible fixed assets which is budgeted in capital expenditure equal to the purchase price / build asset plus all the expenditure that is related to asset development procurement until the asset is ready used.

To increase accountability and discretion in spending Regional Revenue and Expenditure Budget (RREB), sources potential reception areas must be maximally explored within corridors of applicable laws and regulations, including among others are local taxes and levies that have been wrong for a long time one main element of Original Local Government Revenue (OLGR).

Human development carried out by the government creates an independent human being who is able to contribute to the sustainability of national development in all regions. Indicators of human development can be seen from three general provisions, namely Life Expectancy Rate, Education Level, and Decent Life Level.

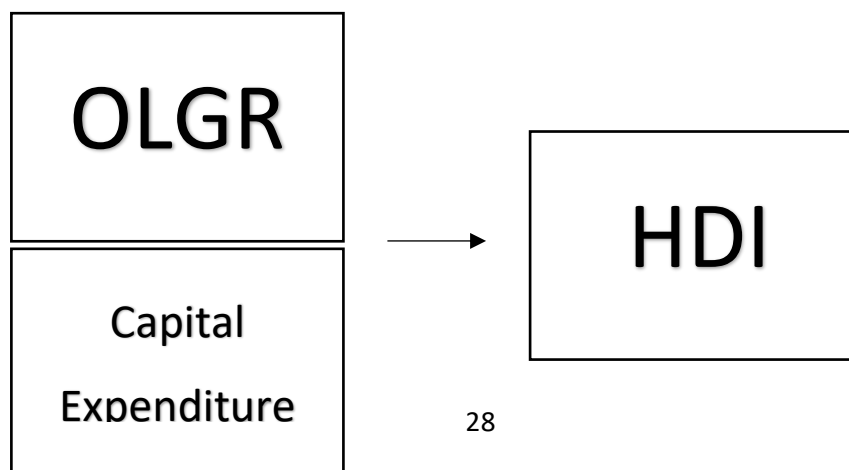


Figure 2.1 Framework of Thought

OLGR : Original Local Government Revenue (X1)

Capital Expenditure (X2)

HDI : Human Development Index (Y)

2.7. Research Hypothesis

Hypotheses can be explained from various points of view, for example etymologically, technically, statistically, and so on.

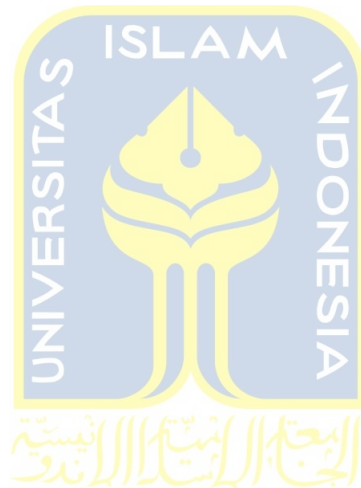
The hypothesis is a temporary answer to the research problem formulation, where the research problem formulation has been stated in the form of questions. The hypothesis is said to be temporary because the answers given are only based on theory (Sugiyono, 2019)

State the hypothesis as a presumption or assumption that must be tested through data or facts obtained by means of research. (Dantes, 2012)

Based on the theory and conceptual framework that has been described and explained previously in Image 2.5., the research hypothesis is formulated as follows: OLGR and Capital Expenditure have a simultaneous and partial effect on HDI which consist of :

H1 : Original Local Government Revenue (OLGR) influences Human Development Index (HDI)

H2 : Capital Expenditure influences Human Development Index (HDI)



CHAPTER III

RESEARCH METHOD

3.1. Research Design

In this study the authors used quantitative methods. According to Sugiyono (2016) the notion of quantitative methods is that quantitative methods can be interpreted as a research method based on the philosophy of positivism, used to research on certain populations or samples, data collection using research instruments, data analysis is quantitative / statistical, with the aim of testing hypotheses that are has been established.

3.2. Operational Variable

Variables is anything in the form determined by the researcher to be studied; thus, information is obtained and then conclusions can be drawn (Sugiyono M. P., 2016).

- a. Independent variables are variables that affect or cause changes or the emergence of the dependent variable (dependent) (Sugiyono, 2016). Independent valuables in this study are Original Local Government Revenue (OLGR) and Capital Expenditure
- b. The dependent variable is the variable that is affected or that is the result, because of the independent variable (Sugiyono, 2016). Dependent variable in this study is Human Development Index (HDI)

3.3. Method of Collecting Data

The research used by the author is a quantitative methods. Quantitative research is a research method based on the positivist philosophy used to research on certain populations or samples (Sugiyono, 2016). The data source used by the author in this study is primary data,

namely, the data that the researcher collected himself directly from the first source or the place where the object of the research was carried out. (Siregar, 2013). And also Secondary data, which is data that has been collected by other parties Secondary data to support primary data obtained through publications and information issued by organizations or companies, including magazines, journals, articles as well as from various previous research results related to the discussion in this thesis.

3.3.1 Data Collection Technique

In this thesis, writer uses library research (library research), which is a data collection method by searching and studying data or information through scientific journals, reference books and publication materials available in libraries and existing data in related agencies such as Balikpapan city's Government office and Central Bureau of Statistic. It begins by identifying key words, which is useful in locating materials in an academic library at a college or university. These key words may emerge in identifying a topic or may result from preliminary readings (Creswell & Creswell, 2018). With this research, data is also collected by means of documentation techniques. Documentation technique is data collection by taking data from documents, balance sheets or written evidence in the form of data reports, especially data regarding the Effect of Original Local Government Revenue on Human Development Index in Balikpapan City Government

3.4. Data Analysis Technique

The Data of source that has been collected, then processed by using statistic method as follows:

3.5. Classic Assumption Test

a. Normality Test

The data normality test is carried out before the data is processed based on the proposed research models. Normality test aims to determine whether confounding or residual variables have a normal distribution. As a basis, the t test and F test assume that the residual value follows a normal distribution. If the significant value <0.05 means the data distribution is not normal, but if the significant value > 0.05 means the data distribution is normal. If this assumption is violated, the regression model is considered invalid by the number of samples

b. Heteroscedasticity Test

Heteroscedasticity is the residual variance that is not constant in the regression so that the accuracy of the prediction results is doubtful. The basis for the decision to find out whether the data used in the study was not detected heteroscedasticity were as follows:

- a. If there is a certain pattern, such as the dots that form a certain regular pattern (wavy, widened then narrowed), then heteroscedasticity occurs.
- b. If there is no clear pattern, such as the dots spreading above and below the 0 on the Y axis, there is no heteroscedasticity.

3.6. Regression Test

a. Simple Linear Regression Analysis

Simple linear regression is linear regression that involves only two variables (variables X and Y). Simple linear regression analysis is used to show the relationship between the dependent variable (Y) and the independent variable (X). with this simple regression analysis, it can be seen the effect of original local government revenue on the human development index. The simple regression equation is:

$$Y = \alpha + \beta X$$

Which :

Y : Human Development Index, (%)

X : Original Local Government Revenue, (Rp)

α : Constant

β : Regression coefficient

To get the values a and b, the formula is used :

$$a = \frac{(\sum Y)(\sum X^2) - (\sum X)(\sum XY)}{n(\sum X^2) - (\sum X)^2}$$

$$b = \frac{n(\sum XY) - (\sum X)(\sum Y)}{n(\sum X^2) - (\sum X)^2}$$

b. Determinant Coefficient R² (R Square)

Identification of the determinant of R² serves to determine the significance of the variable. The determinant coefficient shows the size of the contribution of the independent variable (X) to the dependent variable (Y). The coefficient of dissemination with the symbol R² is the proportion of variability in a data computed based on a statistical model. The next

definition states that R^2 is the variability ratio of modeled values to the variability of the original data values. In general, R^2 is used as a measure of how well the regression line approaches the original data values created by the model. If R^2 is equal to 1, then the number represents a regression line with perfect data.

c. Significant Test (Test -t / t-test)

Hypothesis test used is one way by comparing the value of t count with t table. The stages are:

1) Initial Hypothesis

- a. H_0 : Original Local Government Revenue (OLGR) does not influence Human Development Index
- b. H_1 : Original Local Government Revenue (OLGR) influences Human Development Index

2) Determine the level of significance = α

The real level / degree of confidence used is $\alpha = 10\%$ with:

$$df = n - k$$

Which :

d : Degree of Freedom

n : number of samples

k : Number of regression coefficients + constants

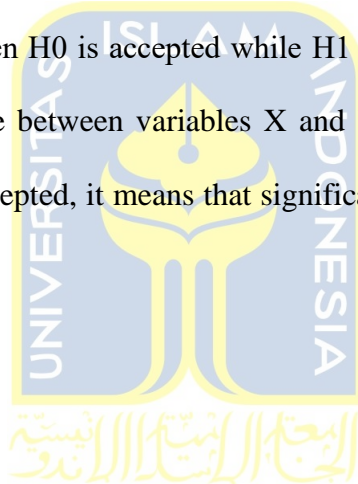
3) Determining the decision area, namely the area where the null hypothesis is accepted or not. To find out the truth of the hypothesis the following criteria are used:

- a. H_0 is accepted if $t \text{ count} \leq t_{\alpha / 2} (n - k)$, meaning that the independent variables do not influence the dependent variable.
 - b. H_0 is rejected if $t \text{ count} \geq t_{\alpha / 2} (n - k)$, meaning that the independent variables influence the dependent variable.
- 4) The formula for t (count) is:

$$t_{\text{count}} = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

5) Assumption

- a. If $t \text{ count} < t \text{ table}$, then H_0 is accepted while H_1 is rejected, meaning that does not significantly influence between variables X and Y. If $t \text{ count} > t \text{ table}$, then H_0 is rejected and H_1 is accepted, it means that significantly influences between variables X and Y



CHAPTER IV

RESEARCH RESULTS AND DISCUSSION

4.1. Research Overview

Balikpapan City is one of the cities in East Kalimantan Province. The history of Balikpapan City cannot be separated from Oil, namely Mathilda oil well, the first drilling well on February 10, 1897 at the foot of Mount Komendur on the east side of Balikpapan Bay. The name of this oil well comes from the names of the children of JH Menten and Firma Samuel and Co, who won the drilling concession rights appointed by the Dutch East Indies government who had contracted Balikpapan from the Kutai Sultanate.

As time goes by, Balikpapan has developed into an "Oil City" with a large oil production of 260 thousand barrels per day. The development of the oil industry has built Balikpapan into an industrial city. However, at this time, Balikpapan is no longer a drilling-oriented Oil City but an oil processing service that processes crude oil from around Balikpapan, namely Sepinggan, Handil, Bekapai, Sanga-sanga, Tarakan, Bunyu and Tanjung as well as crude oil imported from the country.

4.2. Classic Assumption Test

4.2.1 Normality Test

The normality test aims to test whether in the regression model, the dependent variable and the independent variable both have a normal distribution or not. A good regression analysis model should be normally distributed or close to normal. The data distribution is normal, if the probability value is > 0.05 . In the table labelled Tests of Normality, you are given the results of the Kolmogorov-Smirnov statistic (Pallant, 2016). Conversely, if the value is smaller than 0.05, it

means that the data is not normally distributed. In this research, the normality test used SPSS *Statistic 26*. The following are the results of the normality test:

Table 4.1
Normality Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		5
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	12.58926318
Most Extreme Differences	Absolute	.216
	Positive	.216
	Negative	-.205
Test Statistic		.216
Asymp. Sig. (2-tailed)		.200 ^{e,d}

a. Test distribution is Normal.

b. Calculated from data.

Source: Secondary data processed, 2021

Based on the results of the normality test in the table, it can be concluded that this regression model was normally distributed, because the probability value generated was 0.200 which was greater than 0.05. So, this regression model was feasible for further analysis.

4.2.2 Multicollinearity Test

The multicollinearity test aims to determine whether there is a correlation between the independent variables in the regression model. A good regression model should not have a correlation between independent variables. To test the multicollinearity used Variance Inflation Factor (VIF). The research data is declared multicollinearity free if $VIF < 10$. The multicollinearity test of this research variable uses the SPSS *Statistic 26* application. The following are the results of the multicollinearity test:

Table 4.2**Multicollinearity Test Results****Coefficients^a**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Original Local Government Revenue	.839	1.192
Capital Expenditure	.839	
		1.192

a. Dependent Variable: HDI

Source: Secondary data processed, 2021

Based on the results of the multicollinearity test in the table, it can be seen that the tolerance and VIF of all variables > 0.1 and < 10 based on interpretation: The table above showed that the value of VIF Original Local Government Revenue X1 and Capital Expenditure X2 was $1.192 < 10$ and the tolerance value was $0.839 > 0.01$; thus, the data did not occur multicollinearity. Therefore, it can be concluded that the regression model equation does not contain multicollinearity problems, which means that there is no correlation between the independent variables, so it is feasible to use it for further analysis because the tolerance value is below 1 and the VIF value is far below 10.

4.2.3 Heteroscedasticity Test

The heteroscedasticity test aims to regress between the independent variables and the absolute residual variable, where if the sig value is > 0.05 , the decision making in the simple linear regression test can refer to two things, namely:

- if the significance value < 0.05 , it means that the variable X affects the variable Y
- If the significance value is > 0.05 , it means that the variable X has no effect on the variable Y

If there is heteroscedasticity, it means that the variance of the variables in the model is not the same (constant). The heteroscedasticity test of this research variable uses the SPSS *Statistic 26* application. The following are the results of the heteroscedasticity test.

Table 4.3
Heteroscedasticity Test Results

Model		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	7341.993	91.055		80.632	.000
	Original Local Government Revenue	9.815E-10	.000	.960	8.049	.015
	Capital Expenditure	-2.088E-11	.000	-.064	-.540	.643

a. Dependent Variable: HDI

Source: Secondary data processed, 2021

Based on the results of the heteroscedasticity test in the table, the results of the Original Local Government Revenue (X1) were 0.015, Capital Expenditure (X2) was 0.643 which was greater than 0.05; thus, it means that there was no heteroscedasticity because the significance level was more than 0.05.

4.2.4 Multiple Regression Analysis

Multiple regression model is used to test the effect of two or more independent variables on one dependent variable. The multiple linear regression test in this study uses the SPSS *Statistic 26* application. Here are the results of the multiple linear regression test:

Table 4.4
Multiple Linear Regression Test Results

Model		Coefficients ^a			Sig.
		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	
1	(Constant)	7341.993	91.055		.000
	Original Local Government Revenue	9.815E-10	.000	.960	.015
	Capital Expenditure	-2.088E-11	.000	-.064	.643

a. Dependent Variable: HDI

Source: Secondary data processed, 2021

Based on the table above, the regression model obtained is as follows:

$$Y = 7341.993 + 9.815E-10 X_1 - 2.088E-11 X_2$$

From the regression equation above, it can be explained as follows:

1. The constant of 7341.993 indicated that if the independent variables (Original Local Government Revenue and Capital Expenditure) were assumed to be changing (constant), the value of Y (HDI) was 7341.993.
2. The coefficient of the Original Local Government Revenue (X₁) variable was 9.815E-10. The positive regression coefficient of the HDI independent variable (X₁) indicated that HDI had a positive relationship to the IPM. The regression coefficient of 0.960 means that for every 1 percent increase in regional OLGR, the HDI will increase by 0.960 percent. And every 1 unit increase in the difficulty level variable, the HDI will increase by 9.815E-10 units assuming other variables change or are constant.

3. The coefficient of the Capital Expenditure (X2) variable was $-2.088E-11$, The negative regression coefficient of the Capital Expenditure independent variable (X2) indicated that Capital Expenditure had a negative relationship on IPM. The regression coefficient of -0.064 means that for every 1 percent increase in Capital Expenditure, the HDI will decrease by -0.064 percent. And every 1 unit decrease in the difficulty level variable, the IPM will decrease by $9.815E-10$ units assuming other variables change or are constant.

4.3. Hypothesis Testing Results

4.3.1 T Test (Partial)

The t-statistical test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable. This hypothesis test aims to determine whether there is an effect of Original Local Government Revenue and Capital Expenditure on the dependent variable individually on HDI. The results of the t-test using the SPSS 26 program are as follows:

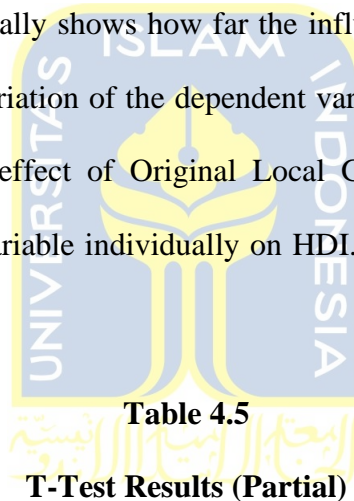


Table 4.5

T-Test Results (Partial)

Coefficients^a						
Model	Unstandardized Coefficients		Standardized Coefficients	Sig.	t	Information
	B	Std. Error	Beta			
1 (Constant)	7341.993	91.055		.000	80.632	
Original Local Government Revenue	$9.815E-10$.000	.960	.015	8.049	H ₁ supported
Capital Expenditure	$-2.088E-11$.000	-.064	.643	-.540	H ₂ supported

Source: Secondary data processed, 2021

a. T-test on the Original Local Government Revenue variable

The results of the significance test on the Original Local Government Revenue variable had a significant value of 0.015 which means it was smaller than 0.05, thus the first hypothesis was supported, meaning that X1 influences Y

b. T-test on the variable Capital Expenditure

The results of the significance test on the Capital Expenditure variable had a significant value of 0.643, which means that it was bigger than 0.05, thus the second hypothesis was not supported, meaning that X2 did not influence Y.

4.3.2 Coefficient of Determination

The coefficient of determination is used to determine the contribution between the independent variable and the dependent variable. The value of R^2 lies between 0 to 1 ($0 \leq R^2 \leq 1$). The purpose of calculating the coefficient of determination is to determine the effect of the independent variable on the dependent variable. In this study using the SPSS *Statistic 26* application. From the results of data analysis, the following results were obtained:

Table 4.6
Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.988 ^a	.976	.952	17.804

a. Predictors:(Constant), Capital Expenditure, Original Local Government Revenue

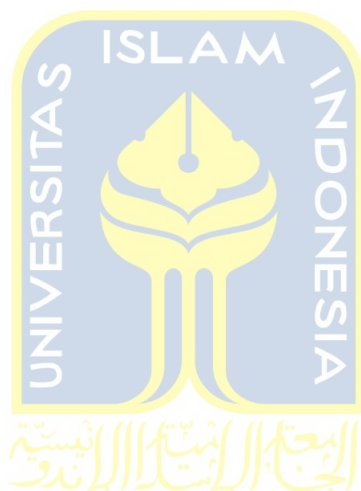
Source: Secondary data processed, 2021

Based on the table, the results show that the Adjusted R Square value is 0.988, this means that Capital Expenditure, Original Local Government Revenue is 98.8%, after adjusting for the sample and independent variables explaining the magnitude of the correlation value of R, which is 0.988. From the output, the coefficient of determination (R Square) is 0.988 which implies that the effect of the independent variable (Original Local Government Revenue and Capital Expenditure) on the dependent variable (HDI) is 98.8%. While the remaining 1.2% is explained by other variables outside the study.

4.4. Discussion

Original Local Government Revenue comes from regional original economic sources and can be owned and used by the local government. The bigger the contribution that can be provided by Original Local Government Revenue to the RREB means that the more dependence of local governments on central government assistance. OLGR had positive and significant effect on the human development index. The OLGR hypothesis had a positive effect on HDI received. The results of statistical tests showed that the effect of OLGR on HDI was 0.960 or 96%. The amount of OLGR contribution to HDI showed the results of local government efforts in advancing human development in districts/cities in Balikpapan City.

The results of statistical analysis showed that the Capital Expenditure had a significant negative effect on HDI. Thus, the Capital Expenditure hypothesis had a positive effect on IPM was rejected. The magnitude of the effect of Capital Expenditure on the HDI was -0.064 or -6.4%, Capital Expenditure cannot be felt directly, but the benefits can be felt in a fairly long period of time.



CHAPTER V

CLOSING

5.1. Conclusion

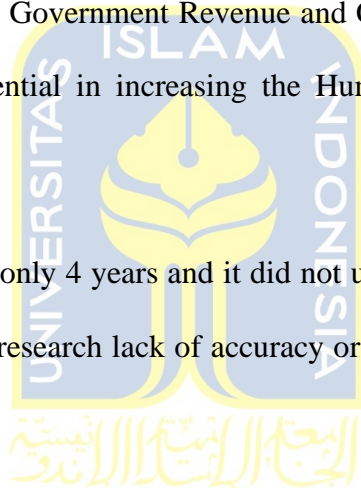
Based on the results of data analysis, hypothesis testing, and research discussions, it can be concluded that Original Local Government Revenue (OLGR) and Capital Expenditures had an effect on Human Development Index (HDI) both simultaneously and partially in the Balikpapan city from 2015-2019. Original Local Government Revenue (OLGR) and Capital Expenditures had a significant positive effect on Human development Index (HDI), while Capital Expenditures had a significant negative effect on Human Development Index (HDI).

The purpose of this study is to determine and analyze so that it is known the effect of Original Local Government Revenue and Capital Expenditure on the Human Development Index. The conclusions obtained from this study are as follows:

1. Simultaneous hypothesis testing shows that Original Local Government Revenue and Capital Expenditure influences the Human Development Index in Balikpapan City
2. Partial hypothesis testing Original Local Government Revenue influences on the Human Development Index in the City of Balikpapan
3. Partial hypothesis testing Capital Expenditure does not influence on the Human Development Index in the City of Balikpapan

5.2. Suggestion

1. It is recommended that future studies use more complete data and a longer time span so that the magnitude of the influence of Original Local Government Revenue and Capital Expenditures on the Human Development Index is more tested. Capital Expenditure data should be separated by allocation by sector so that it can be seen which ones have a short-term and long-term role in increasing the Human Development Index.
2. Further research can use a regression model with a lag of more than a year so that it can be seen whether Original Local Government Revenue and Capital Expenditures in the longer term are increasingly influential in increasing the Human Development Index or even decreasing.
3. The observation period was only 4 years and it did not use time lag or distance (time lag). This caused the data in this research lack of accuracy or inaccuracy; thus, the results were less than optimal.



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APPENDIX

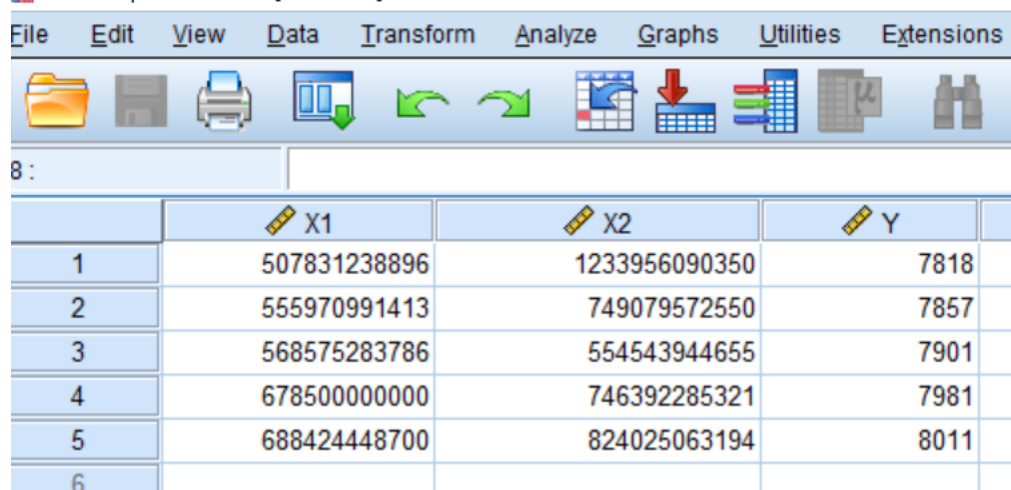
Appendix 1: RREB report from 2015 – 2019

Uraian	APBD 2015	APBD 2016	APBD 2017	APBD 2018	APBD 2019
Pendapatan Asli Daerah	507,831,238,896	555,970,991,413	568,575,283,786	678,500,000	688,424,448,700
Belanja Modal	1,233,956,090,350	749,079,572,550	554,543,944,655	746,392,285,321	824,025,063,193

Appendix 2: SPSS 16

data skripsi fahrul.sav [DataSet1] - IBM SPSS Statistics Data Editor

File Edit View Data Transform Analyze Graphs Utilities Extensions



	X1	X2	Y
1	507831238896	1233956090350	7818
2	555970991413	749079572550	7857
3	568575283786	554543944655	7901
4	678500000000	746392285321	7981
5	688424448700	824025063194	8011
6			

→ NPar Tests

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		5
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	12.58926318
Most Extreme Differences	Absolute	.216
	Positive	.216
	Negative	-.205
Test Statistic		.216
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.



Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7341.993	91.055		80.632	.000		
	Regional Original Income	9.815E-10	.000	.960	8.049	.015	.839	1.192
	Capital Expenditure	-2.088E-11	.000	-.064	-.540	.643	.839	1.192

a. Dependent Variable: HDI

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.988 ^a	.976	.952	17.804

a. Predictors: (Constant), Capital Expenditure, Regional Original Income