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Influence analysis of capital shopping and local own-source revenue on non-food shopping

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Abstract

Purpose: The main purpose of this study was to examine the effect of Capital Expenditure and Local Own-Source Revenue (PAD) on Non-food Expenditure of the population; in North Central Timor Regency.

Research methodology: This research was a quantitative study that used time series data and located in North Central Timor Regency. Descriptive statistic and Multiple linear regressions were used as statistic tools. SPSS Version 23 was used for data analysis.

Results: The results of this study indicate that PAD has a significant effect on non-food shopping of the population in North Central Timor Regency.

Limitations: This study it only generalized the problem that occurred in North Central Timor Regency

Contribution: These findings could be very significant information to North Central Timor Regency.

Keywords: *Capital Expenditure, Local Own-Revenue, Non-Food Expenditure*

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1. Introduction

The formation of autonomous regions both provincial and district aims to accelerate the achievement of the welfare of the community through improved services, equity, and development outcomes while maintaining the integrity of the Unitary State of the Republic of Indonesia (NKRI). The formation of an autonomous region will result in acceleration in increasing the welfare of the people of an area. This is because; the development carried out is based on aspirations absorbed from the area according to the potential possessed in both natural resources and human resources. The regional wealth which is a source of revenue that has been managed by the central government will be delegated to regional management. Delegation of authority to manage wealth from the central government to the local governments is expected to accelerate the overall development goals because autonomous provinces and districts will be freer to use it in the corridor of applicable regulations while still taking into account environmental balance and sustainability (Law No. 22 of 1999).

Effective and efficient governance is the goal of applying the principle of deconcentration or delegation of limited authority from the central government to the local governments (Minister of Republic of Indonesia Regulation No. 39 of 2001). With the principle of deconcentration, local governments will play a role in maximizing the use of transfer of funds from the central government, one of which is capital expenditure. Capital expenditure made by the region will directly or indirectly have an impact on improving the welfare of the people of the area. Direct capital expenditure will cause the amount of money to spin up, and a follow-up effect or multiplier effect will occur, which will reduce poverty (Nurmaina, 2013).

Budget absorption which includes capital expenditure is often late; as seen in the first semester budget realization report by the finance ministry, where the budget absorption is only around 41.5

percent. (http://www.anggaran.kemenkeu.go.id/content/publikasi). This phenomenon does not only occur at the national level, but also occurs at the regional level; one of which is North Central Timor regency, one of the districts in East Nusa Tenggara Province, where at the end of semester 1, it only reached 37.5 percent, from the supposed 50 percent. This is because several important projects such as the construction of prayer parks with a budget of more than 97 billion failed to be implemented(https://kupang.tribunnews.com/2019/09/09/realisasi-anggaran-di-ttu-baru-mencapai-375-persen).

Failure to absorb capital expenditure will have an impact on the reduced amount of money circulating in the region, and will indirectly result in a decrease in PAD and non-food expenditure. Non-food expenditure is an indicator to measure the poverty line of a region's population from the ability to meet non-food needs, this is due to the consumption of non-food goods; and households need real income. The inability of households to meet the needs of non-food will cause poverty to increase. This study has a novelty element was added the non – food shopping as a new variable that makes different with previous research.

Based on the background of the problem above, the problem can be formulated as follows:
1. Does capital expenditure affect the non-food expenditure of the people of the North Central Timor Regency?
2. Does the regional income have an influence (PAD) on non-food expenditure?

The purposes of this study are:
1. To find out the significant influence between capital expenditure and non-food expenditure for residents of North Central Timor Regency.
2. To find out the significant effect of regional original income on non-food expenditure of the population of North Central Timor Regency.

2. Literature review and hypotheses development

2.1 Consumption Theory

The amount of household consumption or expenditure is determined by income. The greater the income received by a household, the consumption expenditure will also increase. This theory is known as the Absolute Income Hypothesis which is the opinion of Keynes (1936). The difference between income and expenditure or consumption of a household by Keynes (1936) is called Marginal Propensity to Consume (MPC). Household income can be obtained through remuneration in the form of rent or salary received by each household member. Household income indirectly depends on the level of income received through the supply of factors of production owned by the household.

Regulation of the Minister of Finance (PMK) number 101 / PMK.02 / 2011 concerning the classification of budgets; defines capital expenditures as expenditures made in the context of capital formation which is to add fixed assets / inventory that provide benefits over one accounting period, including expenses for maintenance costs that are to maintain or increase the useful life, and increase the capacity and quality of assets.

Spending done by the government through capital expenditure will cause the circulation of money in the area. Indirectly, the inhabitants of the area will benefit from the multiplier effect arising from receiving income from households by offering factors of production owned by households. The increase in income will be followed by an increase in purchasing power so that the fulfillment of the needs of both food and non-food commodities by households can be met.
(https://www.bps.go.id/subject/23/kemiskinan-dan-ketimpangan.html).

Capital shopping is very influential on a region's economic growth; economic growth will open up a lot of jobs, so that household income will increase through the supply of factors of production it has (Nurmainah, 2013). The poverty rate will decrease if the government maximizes budget absorption, especially capital expenditure. This is due to the existence of capital shopping; that the amount of money that rotates will increase;. An increase in the amount of money-spinning will cause purchasing power to increase (Paulus et al., 2019). Based on the description above sourced from previous researches, the following hypotheses can be arranged:

H1: Capital Shopping has a positive and significant effect on Non-Food Shopping

2.2 Effect of Local Own-Source Revenue on Non - Food Shopping

An increase in PAD can optimize and increase activity in sectors related to economic growth, such as the industrial and trade sectors, the service sector, and other sectors. Thus, increasing PAD can reduce poverty (Setiyawati & Hamzah, 2007). The results of a study conducted by Priatnasari: 2015 also showed that PAD had a significant effect on economic growth. Increased economic growth will cause increased purchasing power. Based on the results of the study, the following hypotheses can be arranged:

H2: Local Own-Sources Revenue influences Non-Food Shopping

3. Research methodology

3.1 Research location and time

The study was conducted in North Central Timor Regency. The reason for choosing this location is because the researcher wants to know the effect or impact of local capital expenditure and own-source revenue affecting the amount of consumption or expenditure of the community.

3.2 Types and source of data

The data used in this study were secondary data sourced from the Central Statistics Agency, in the form of a series of capital expenditure data, local own-source revenue and household consumption or expenditure, with a span of 11 years.

3.3 Research variables

The variables used in this study are independent and dependent. Consumption or expenditure is the dependent variable while the independent variable is capital expenditure and local own-source revenue.

3.4 Data analysis

The analytical method used in this study is a quantitative analysis that is an analysis that uses numbers and statistical calculations to analyze a hypothesis and requires several analytical tools. Data analysis activities in quantitative research include: grouping data based on variables and types of respondents, tabulating data based on variables from all respondents, presenting data for each variable studied, doing calculations to answer the problem formulation, and doing calculations to test hypotheses that have been proposed. There are several steps taken to test and analyze the hypotheses built in the study, namely the classic assumption test consisting of normality tests, multicollinearity and heteroscedasticity tests, and also multiple linear regression, and the Goodness of Fit Regression test.

1. Normality test.

A normality test is conducted to test whether in the regression model, the dependent and independent variables both have normal distributions or not (Ghozali, 2013: 160). Data testing was performed by the Kolmogorov Smirnov test. The residual value is normally distributed if the significance level is above 0.05; it means that there is no significant difference between the data to be tested and the standard normal data, which means the data tested is normally distributed.

2. Multicollinear Test.

Multicollinearity is a linear relationship between independent variables. Multicollinearity testing can be done by regression between the independent variables to see the value of tolerance or variance inflation factor (VIF) of each independent variable. If the tolerance value is less than 0.10 or the VIF value is greater than 10, then there is an indication of multicollinearity (Ghozali, 2013: 105-106).

3. Heteroscedasticity.

Heteroscedasticity test aims to test whether there is an inequality of variance from one observation to other residual remains in the regression model. Heteroscedasticity can be known through the Glejser test that is by regressing the absolute value of the residual from the model estimated against the independent variable. If the significant probability of each independent variable > 0.05, it can be concluded that heteroscedasticity does not occur in the regression model (Ghozali, 2013: 142).

4. Multiple Linear Regression

Multiple Linear Regression is a linear regression model with one dependent variable and two or more independent variables. This study consists of 1 dependent variable, namely non-food expenditure or consumption, and 2 independent variables, namely capital expenditure and local own-source revenue. The multiple regression model in this study can be described as follows:

The multiple linear regression model is described with the following equation:

$Y = \alpha + \beta 1\ X_1 + \beta 2\ X_2 + \beta n\ X_n + e$

Information:

Y = Non Food Expenditures
X1 = Capital Expenditures
X2 = Local Own-Source Revenue
α = Constant
β = Slope or Estimated Coefficient

5. Goodness of Fit Regression

The accuracy of the sample regression function in estimating the actual value can be measured by goodness of fit, namely the coefficient of determination (R2), the statistical value of F and t.

- ✓ The coefficient of determination (R2) is essential to measure how much the ability of all independent variables in explaining the variance of the dependent variable (Sugiyono, 2014: 154). The coefficient of determination is between zero and one. A small R2 value means that the ability of the independent variable to explain the dependent variable is very limited. A value of R2 close to one means that the independent variable provides almost all the information needed to predict the dependent variable.
- ✓ Statistical F Test. This test is used to determine the effect of independent variables together (simultaneously) on the dependent variable (Ghozali, 2013: 98). F test is done to test whether the regression model used is fit. The basis for decision making is to pay attention to the significant value F on the output of regression results using SPSS with a significance level of 0.05 (α = 5%). If the significance value is greater than α, then the hypothesis is rejected, which means the regression model is not fit. If the significance value is smaller than α, then the hypothesis is accepted, which means the regression model is fit.
- ✓ Statistical t-test. t-test shows how much influence one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2013: 98). If the significance value is greater than α then the hypothesis is rejected (the regression coefficient is not significant), which means that individually the independent variable has no significant effect on the dependent variable. If the significance value is smaller than α, then the hypothesis is accepted (significant regression coefficient), meaning that individually the independent variable has a significant effect on the dependent variable.

4. Results and discussions

1. Normality test

Regression models require residuals or confounding variables to be normally distributed. To test the regression model used in this study, whether the regression is normally distributed or not, the Kolmogorov-Smirnov test is used. Data is said to be normally distributed if the One-sample Kolmogorov Smirnov Test is greater than 0.05. Table 5.5 below shows that the data are normally distributed where the Asymp value. Sig. (2-tailed) is .200 greater than 0.05. The results of the normality test can be seen in Table 1 below :

Table 1. Normality Test

	Unstandardized Residual
Test Statistics	0.194
Asymp. Sig. (2-tailed)	.200[c,d]

2. Multicollinearity Test

A good regression model is that there are no correlations or relationships between independent variables. To test whether the regression model of this study is free from correlations between independent variables, a multicollinearity test is performed, which can be seen from the value of Variance Inflation Factor (VIF) and Tolerance. A regression model is considered multicollinearity free if the VIF value is below or equal to 10 and tolerance is above 0.10.

The results of tests conducted show that the regression model used in this study is free of symptoms of multicollinearity. VIF values and tolerance used as indicators of multicollinearity test can be seen in Table 2 below:

Table 2. Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	64010.603	21503.438		2.977	.018		
BM	-1.814E-6	.000	-.252	-1.098	.304	.554	1.805
PAD	4.836E-5	.000	1.023	4.454	.002	.554	1.805

a. Dependent Variable: NM

3. Heteroscedasticity Test

The variables used in a study are said to be free from heteroscedasticity if all the independent variables used are not statistically significant that affect the dependent variable. The Glejser test was used in this study to determine whether there is heteroscedasticity. Table 3 below shows that the independent variables used in this study are free from heteroscedasticity, where the value of sig. for the capital expenditure variable is 0.395 and PAD is 0.189, both of which are greater than the significance level specified at 5 percent or 0.05.

Table 3. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	42143.480	14244.817		2.959	.018
	BM	1.161E-8	.000	.742	.899	.395
	PAD	-1.550E-6	.000	-1.188	-1.438	.189

a. Dependent Variable: Abs_Res

4. Multiple Linear Regression Analysis

Multiple linear regression analysis was used to test the hypotheses built in this study. Based results of data using the *SPSS* 23 application were obtained as follows:

$Y = 2{,}977 - 1{,}098X_1 + 4{,}454X_2 + e$

Table 4. Regression TEST

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	64010.603	21503.438		2.977	.018		
BM	-1.814E-6	.000	-.252	-1.098	.304	.554	1.805
PAD	4.836E-5	.000	1.023	4.454	.002	.554	1.805

a. Dependent Variable: NM

First, the value of α or a constant of positive 2.977 means that if there is no capital expenditure and local income variable, non-food consumption tends to be constant. **Second**, the regression coefficient for variable X_1, namely capital shopping, is negative 1.098, meaning that if capital shopping increases by one unit, non-food shopping or consumption for the people of TTU Regency will tend to decrease with the assumption that the other variables are considered constant. **Third**, the value of the local own-source revenue variable in the above equation is positive 4.454, meaning that if the local own-source revenue in the TTU Regency increases by one unit, the non-food shopping or consumption of the community tends to increase.

5. Goodness of Fit Regression

The results of data processing as in table 5 show that first, the value of R_2 is 0.766, this figure shows that jointly the capital shopping variable and local own-source revenue affect the of non-food shopping items by 76.6 percent while the remaining 23.4 percent is influenced by other factors not included in the model.

Table 5. R^2test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.875[a]	.766	.708	33173.73593	.844

a. Predictors: (Constant), PAD, BM

b. Dependent Variable: NM

Second, the results of data analysis listed in table 6 below, show that the F count value is 13.098 with a significance level of 0.003 smaller than the significance level of 0.005 (α = 5 percent) indicating that the research model is feasible to use in proving the research hypothesis.

Table 6. F test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	28828670204.161	2	14414335102.080	13.098	.003[b]
	Residual	8803974046.021	8	1100496755.753		
	Total	37632644250.182	10			

a. Dependent Variable: NM

b. Predictors: (Constant), PAD, BM

4.1 Effects of Capital Expenditures on Non-Food Consumption

Household expenditure or consumption is influenced by the amount of income received. The greater the income, the higher the consumption and expenditure are. The source of household income comes from remuneration in the form of salary or rent received by each individual in the household. Increased household income can occur if there is a velocity of money or the multiplier effect of every expenditure made by the local government.

Based on research results obtained from the hypothesis test, it shows that the first hypothesis that capital expenditure is influential to non-food consumption is rejected or in other words, the capital expenditure variable does not have a significant effect on consumption or expenditure, especially non-food commodities of the people in North Central Timor Regency. This result is in line with a research conducted by Wulandari (2018), where capital expenditure for buildings and capital expenditure for irrigation roads and networks as well as other capital expenditures do not significantly influence economic growth. In addition, based on a research conducted by Sendouw et al (2017), capital expenditure, social spending, and economic growth has no influence on poverty levels in the city of Manado.

The results of the study which showed that the capital expenditure hypothesis towards non-food consumption were rejected, means that the special government spending on capital expenditure that occurred in TTU did not have a positive impact on society. It was in the sense that the multiplier effect did not occur every time there was a capital expenditure made by the district government of TTU.

4.2 Effect of Local Own- Source Revenues on Non-Food Expenditures

Local own-source revenue is one source of income from both provincial and district autonomous regions, which can then be used to finance development in the region concerned. The higher the PAD of an area, the greater the benefits obtained. The results of data analysis show that PAD has a significant effect on non-food expenditure from residents of North Central Timor Regency. This means that the higher the PAD received by the regional government of North Central Timor Regency, higher the purchasing power of the community towards non-food commodities will be.

This research is in line with a research conducted by Jolianis (2016) and Anwar (2016) where the results of the study show that PAD influences poverty,- higher PAD; tends to decrease poverty.

5. Conclusion

1. There is a positive and significant effect between an increase in local own-source revenue and non-food expenditure of the population in North Central Timor Regency, but capital expenditure does not have a significant effect on non-food expenditure.
2. The theoretical implication of this research is that household expenditure or consumption depends on the income received, following the theory of Absolute Income Hypothesis from Keynes (1936). However, the practical implications of this research can be used as a reference for local governments as one of the strategies to reduce poverty in TTU, through the optimization of expenditure through capital expenditure and revenue through Local Own – Source Revenue (PAD).
3. The conclusions that can be drawn from the overall results of this study are: expenditures made by the TTU local government through capital shopping have no significant effect on non-food shopping of the population in the TTU Regency Area the amount of local government revenue from TTU Regency through PAD affects non-food shopping.

Limitation and study forward

This study only identified local own-source revenue and non-food expenditure. Whatever the relation exists. The researcher can then add the unemployment rate variable as a moderating variable. This is to measure the extent to which the realization of capital shopping influences people's income.

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