

The Flypaper Effect in Central Java, Indonesia: Did it Happen or Not?

Muhammad Rasyid Ridho
Accounting Department
State Polytechnic of Malang
Malang, Indonesia

Nur Indah Riwijanti
Accounting Information System
Politeknik Negeri Malang
Malang, Indonesia

Nurafni Eltivia
Accounting Information System
Politeknik Negeri Malang
Malang, Indonesia

Abstract:- This research seeks to examine the impact of Local Own-Source Revenue and General Allocation Funds on Regional Expenditure Districts / Cities in East Java Province, as well as the effect of flypaper on Regencies / Cities in Central Java Province, between 2014 and 2020. The Regency / City in Central Java Province is the subject of this research. The information was gathered from documents. On Microsoft Excel 2019, the collected data is evaluated using Linear Regression. The results of the research of Local Own-Source Revenue have a big impact on Regional Expenditure. While the outcomes of the General Allocation Fund study have a big impact on Regional Expenditure. Based on the examination of all data, it can be concluded that there would be no flypaper effect in the Regencies / Cities of Central Java Province from 2014 to 2020. It is proposed that further study be more investigation using alternative research methods is needed.

Keywords:- *Local Own-Source Revenue (PAD), General Allocation Fund (DAU), Regional Expenditures, and Flypaper Effect.*

I. INTRODUCTION

Indonesia's decentralization system is manifested in a policy called regional autonomy. Local autonomy is the body that regulates all government operations in the region. The purpose of regional autonomy is nothing more than accelerating regional development and economic growth, improving the public interest, and improving public services.

The concept of decentralization applied by the central government in realizing regional autonomy still leaves problems. This is because this concept only focuses on the independence of the Regency/City so that there is an imbalance of development between regions. This imbalance occurs because there are regions that have a fairly large source of wealth, but there are also areas that lack resources.

The implementation of local autonomy is inseparable from financing. Central government funding for local governments is governed by Law No. 33 of 2004. Under this law, local financial resources are formed from the original local income and compensation fund. Local Own Source Revenue (PAD) is the revenue generated by local governments from various sources in the region, based on applicable regulations (Baldrick, 2015). Regional tax money, regional retaliation revenue, regional asset management revenue, and other legalized revenue are all examples of original regional income. A general allocation fund, a special allocation fund, and a profit-sharing fund currently make up the compensation fund. A general allocation fund, a special

allocation fund, and a profit-sharing fund currently make up the compensation fund. (Scouting, 2010).

As a result of the implementation of the regional autonomy policy, various effects have appeared. One of the effects that occur is the phenomenon of the flypaper effect. The flypaper effect occurs when the use of allocation funds to cover local spending is higher than the original local income. (Wahyuni & Supheni, 2017).

This flypaper effect shows regional independence as it only expects remittances from the central government. This is due to differences in the understanding of local and central governments regarding the use of transfer funds and the lack of creativity of local governments in their quest for wealth in their respective regions. Make local governments more dependent on transfer funds as the main source of funding for their operation.

Many studies on the flypaper effect in Indonesia have been carried out and there are different results. As stated by Amalia (2015) which states that there is no flypaper effect in Cities and Regencies in Banten Province in 2010 – 2013. However, this is different from the results of research conducted by Wahyuni and Supheni (2017), which states that there is a flypaper effect. effect in Nganjuk Regency in the period 2012 – 2016.

This study aims to determine the effect of Local Own-source Revenue and General Allocation Funds on Regional Expenditures, analyze and find out the phenomenon of the Flypaper Effect on Income (PAD), and General Allocation Funds (DAU) on Regency/City Regional Expenditures in Central Java Province.

II. LITERATURE STUDY

A. *Local Own-Source Revenue (PAD), General Allocation Fund (DAU), and Regional Expenditures*

The revenue obtained by the regional council from diverse sources in its jurisdiction based on the applicable regional legislation is referred to as Local Own-source Revenue (Baldrick, 2015). As a manifestation of the notion of decentralization, local revenue allows regions to explore finance options for implementing regional autonomy. Local Own-source Revenue can be grouped into Regional Taxes, Regional Levies, Results of regional wealth management, other legitimate PAD (Halim, 2014). Regional Original Income has a fairly close relationship. According to research conducted by Sasana (2010), Local Original Revenue has a considerable impact on Regional Expenditures. Salawali (2016) found the same thing: local own-source revenue had a significant impact on regional expenditures in 10

cities/regions in Central Sulawesi. Revenue has a substantial impact on regional expenditures As previously indicated, PAD has a considerable impact on regional expenditures in Bandung (Wati, 2017).

The General Allocation Fund is a fund that aims to evenly allocate the financial capacity of regions horizontally, to achieve equal financial capacity distribution across all areas (Baldric, 2015). The goal of this allocation fund is to divide it fairly, taking into account the region's potential, as well as its geographical location, population, and income level. Maintain a healthy balance in the management of local government when it comes to providing fundamental services to the community. The amount of the regional financial disparity, which consists of the difference between the region's demands and its potential, is used to calculate regional DAU (Rahmawati & Suryono, 2015). Regional Expenditures has a link with the General Allocation Fund. According to the results of Sasana's (2010) regression test, the DAU has a considerable positive value on Regional Expenditures. Research conducted by Devita (2014) The General Allocation Fund also has a considerable positive impact on Regional Expenditures, as shown. The General Allocation Fund has a considerable influence on Regency/City Regional Expenditures in East Java in 2015-2019, according to the F test (Ningsih, 2021).

All local government expenditures during the budget period are classified as regional expenses (Aprilla & Saputra, 2011). Regional expenditures are used to fund government affairs under the authority of the province or district/city, including required, elective, and affairs that can be carried out jointly by the government and regional governments or between regional governments, as established by legislation. Expenditures for the administration of required affairs are prioritized to protect and improve people's lives (Setiawan, 2017). These obligatory matters are fulfilled through fundamental services, educational services, health services, social amenities, and usable public facilities, as well as the development of a social security system. Improving people's lives can be accomplished through work performance to achieve basic service standards based on mandatory local government affairs and adherence to rules and regulations.

B. Flypaper Effect

The asymmetric or asymmetric response to increases and decreases in the utilization of transfer payments from the central government is known as the flypaper effect (Afriawati, 2012). The flypaper effect is a phenomenon that occurs as a result of differences in the understanding of the function of transfer funds between the central government and local governments (Wahyuni & Supheni, 2017). The central government provides transfer funds with the aim of financial equity between regions. Meanwhile, the regional government considers the provision of transfer funds to be aimed at meeting regional expenditure needs. This has caused the local government's response to rely more on transfer funds in its spending activities than on its regional revenue. The flypaper effect is a phenomenon that happens when the federal government and local governments have opposing views on how to transmit money. Because of this disparity, local governments enhance the use of transfer money to gain

profits in their regional expenditure activities while ignoring local income maximization. To put it another way, the discovery of the flypaper effect on budget allocation.

Previously, various studies have been conducted on the flypaper effect in various regions in Indonesia. As the results of research conducted by Saputri and Dul (2014) specifically, the DAU variable has a higher impact on Regional Expenditures than the PAD variable. This suggests that the flypaper effect can occur not only in low-PAD locations but also in areas with fairly high PAD. Between 2010 and 2013, no flypaper effect was reported in Banten Province's cities and regencies (Amalia, 2015).

Based on the explanation above, the hypothesis of this research is:

- H1: Regional Original Income has a significant influence on Regional Expenditures
- H2: The General Allocation Fund has a significant influence on Regional Expenditures
- H3: It is suspected that there will be a flypaper effect in the City/Regency in East Java Province in 2014-2020.

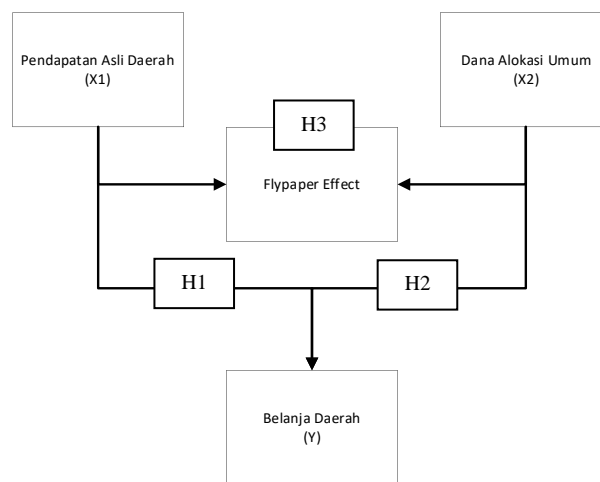


Fig. 1: Framework

III. RESEARCH METHODS

This research is a positivism paradigm, which is a study that explains the causal relationship with a quantitative approach (Sugiyono, 2016). The method of data collection in this research is the documentation technique of the data that is ready to be analyzed. Documentation is a method of gathering data through the collection of documents. The documents gathered could be in the shape of texts, photographs, or major works created by someone. (Sugiyono, 2017). While the data in this study is secondary and obtained from the website <http://www.djpk.kemenkeu.go.id>. The data is in the form of Local Government Financial Reports for the 2014-2020 fiscal year.

The population of this research is 29 regencies and 6 cities in Central Java Province. Then the sample was determined using the purposive sampling technique, namely the selection with certain criteria (Syahputra, 2020). Furthermore, the indicators of the sample are determined in the form of data availability that can support research. So that

a sample of 35 was formed, consisting of 29 districts and 6 cities in Central Java Province.

This research is a quantitative research using multiple linear analysis methods. The first analysis is carried out with descriptive statistics, this technique aims to describe the data as a whole (Fengju, 2013). Furthermore, using Analysis Techniques with Multiple Linear Regression model which aims to find the relationship between variables X and Y (Primary, 2021).

The next analysis technique uses the Multiple Linear Regression model which is used to find the relationship between the X variable and the Y variable (Rahmawati, 2019). This study uses the help of the Microsoft Excel 2016 program. The regression model used is as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where,

Y: Regional Shopping.

b₁, b₂: Regression coefficient

X₁: Local Revenue.

X₂: General Allocation Fund

e: Standard Error

IV. RESULTS

Variabel	N	Minimum	Maximum	Mean	Std Deviation
Pendapatan Asli Daerah	35	1.289	11.536	2.454	1.685
Dana Alokasi Umum	35	3.035	9.436	6.548	1.695
Belanja Daerah	35	5.900	27.688	14.067	4.303

Table 1: Results of Descriptive Statistical Analysis

Source: Processed data (2021)

Based on the data in table 1, it can be described that the total of all data processed in this study is 35 data. Between 2014 and 2020, the city of Pekalongan has the lowest Regional Original Income of 1,289, while the city of Semarang has the greatest value of 11,536. This indicates that there are significant variances in how cities and regencies in Central Java use the potential of their regions to generate revenue. Magelang City has the lowest General Allocation Fund value of 3,035 dollars, while Cilacap Regency has the highest value of 9,436 dollars. Transfer funds from the central government continue to dominate the district's spending, based on the amount of transfer value controlled by the Cilacap Regency until 2020. Salatiga City, with a value of 5,900, has the lowest Regional Expenditure, while Semarang City, with a value of 27,688, has the highest.

	Coefficients	Standard Error	t Stat	P-value
Intercept	- 963,446	394,693	- 2,441	0,020
Pendapatan Asli Daerah	1,097	0,064	17,220	0,000
Dana Alokasi Umum	1,884	0,063	29,735	0,000

Table 2: Results of Regression Analysis

Source: Processed data (2021)

According to the results of table 2 above, a linear regression equation can be made as follows,

$$\text{Regional Shopping} = -963,446 + 1.097X_1 + 1.884X_2 + e$$

X₁ = Regional Original Income

X₂ = General Allocation Fund

The interpretation that can be determined from the above equation is when the Regional Original Revenue and General Allocation Fund are constant at 0 then the Regional Expenditure value is -963,446. Then when the Regional Original Income increases in value by 1, while the other variables are constant, Regional Expenditures will increase by 1,097. Furthermore, when the General Location Fund increases by 1, while other variables are constant, Regional Expenditures will increase by 1,884.

The Regional Original Income variable has a significant level of 9.6×10^{-19} when the (Partial) T-Test is done. Because this number is smaller than 0.05, the Regional Original Income variable has a large impact on the Regional Expenditure variable. The General Allocation Fund variable, on the other hand, has a large level of 7×10^{-26} . Because this value is smaller than 0.05, the General Allocation Fund has a large impact on the Regional Expenditure variable.

	df	F	Significance F
Regression	2,000	928,742	0,000
Residual	32,000		
Total	34,000		

Table 3: ANOVA Test Results

Source: Processed data (2021)

Table 3 reveals a significant value of 0.000.. < 0.05 based on the results of the Anova test. This number indicates that the Regional Original Revenue and General Allocation Fund variables have a considerable impact on Regional Expenditures in Central Java Regencies/Cities at the same time (simultaneously).

Regression Statistics	
Multiple R	0,99
R Square	0,98
Adjusted R Square	0,98
Standard Error	577,26
Observations	35,00

Table.4 Regression Statistics

Source: Processed data (2021)

Regional Original Revenue and General Allocation Funds have a 98 percent influence on Regional Expenditures, according to the data in table 4; the remaining 2% is influenced by other factors that cannot be determined in this study.

V. DISCUSSION

The results of the analysis using the multiple linear regression method show that the T statistic value of Regional Original Income to Regional Expenditures is 9.6×10^{-19} . The

value of the t statistic < 0.05 . As a result, it can be argued that Regional Original Revenue has a positive value and influences Regional Expenditures significantly. So that the first premise, that regional original income has a considerable impact on regional spending, can be accepted. The findings of the investigation reveal that an increase in regional original income has a considerable impact on regional expenditures. The T-test results support research by Devita (2014), gym (2010), and Wati (2017), which found that Regional Original Revenue has a considerable impact on Regional Expenditures. This explains that Regional Original Revenue is a source of financing that is quite reliable by local governments in carrying out their expenditures.

Furthermore, the results of the analysis also show that the t statistic of the General Allocation Fund has a value of 7×10^{-26} . The value of the t statistic is < 0.05 so it can be concluded that the General Allocation Fund variable has a significant influence on Regional Expenditures. As a result, the second hypothesis, that the General Allocation Fund has a major impact on regional spending, can be accepted. The results of the analysis indicate that when there is an increase in the General Allocation Fund, it will have a significant effect on Regional Expenditures. These findings support research by Devita (2014), gym (2010), and Ningsih (2021) that shows the General Allocation Fund has a major impact on Regional Expenditures.

According to the findings of the regression test on the influence of Regional Original Income and General Allocation Funds on Regional Expenditures, there is no flypaper effect in Regencies/Cities in Central Java. This is because Regional Original Revenue has a higher t-statistic value than the General Allocation Fund. The findings of this study agree with those of Amalia (2015), who claimed that there was no flypaper impact since Regional Original Revenue had a higher t-statistical value than the General Allocation Fund. The coefficient of Regional Original Income is larger than the coefficient of the General Allocation Fund (Nabilah, 2016). Salawali (2016), on the other hand, says that the General Allocation Fund's coefficient is greater than the Regional Original Income's coefficient.

VI. CONCLUSIONS AND SUGGESTIONS

The purpose of this study is to determine the impact of Regional Original Income and General Allocation Funds on Regency/City Regional Expenditures in Central Java Province, as well as whether there is a flypaper effect in Central Java Province Regencies/Cities from 2014 to 2021. From 2014 to 2020, there was no evidence of a flypaper effect in 35 districts/cities in Central Java Province, according to test data.

Because a flypaper effect is still feasible in cities/regions in Central Java, more investigation using alternative research methods is needed.

REFERENCES

[1] Pratama, B. B., Eltivia, N., & Riwijsanti, N. I. (2021). Do Covid-19 And Mass Mobility Restriction Affect

Inflation Rate? Empirical Evidence From Indonesia. *Journal of Business Management*, 2(1), 162–167.

- [2] Fengju, X., Yari Fard, R., Yari Fard, S., & Ehsan Maleki, S. (2016). The relationship between risk and return and banks' income structure. *European Online Journal of Natural and Social Sciences*, 2(3(s)), 124–129.
- [3] Rahmawati, F. I., Riwijsanti, N. I., & Eltivia, N. (2020, April). The Factors Influencing Accounting Students' Interest to Become Islamic Banks' Customers (A Case Study on Accounting Students at State Polytechnic of Malang). In *1st Annual Management, Business and Economic Conference (AMBEC 2019)* (pp. 129-133). Atlantis Press.
- [4] Syahputra, A. J., & Prisia, O. (2020). The Analysis over the Influence of Free Cash Flow, Leverage, Price Earnings Ratio, and Dividends against Stock Repurchase Towards Manufacturing Company Listed in Indonesia Stock Exchange for Period 2010 – 2014. *International Journal of Innovative Science and Research Technology*, 5(1).
- [5] Afrizawati. (2012). Analisis Flypaper Effect Pada Belanja Daerah Kabupaten/Kota Di Sumatera Selatan. In *Jurnal Ekonomi dan Informasi Akuntansi (JENIUS)*.
- [6] Amalia, F. (2015). Analisis Flypaper Effect Pada Belanja Daerah Kabupaten Dan Kota Di Provinsi Banten. *Jurnal Organisasi Dan Manajemen*, 11(1), 15–25.
- [7] Baldrice, S. (2015). *Akuntansi Sektor Publik (Akuntansi Keuangan Daerah Berbasis Akrua)*. Edisi I (Cet). UPP STIM YKPN Yogyakarta.
- [8] Devita, A., Delis, A., & Junaidi. (2014). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum dan Jumlah Penduduk terhadap Belanja Daerah Kabupaten/Kota di Provinsi Jambi. *Jurnal Perspektif Pembiayaan Dan Pembangunan Daerah*, 2, 63–70. <http://online-journal.unja.ac.id/index.php/JES/article/view/2255/pdf>
- [9] Halim, A. (2014). *Manajemen Keuangan Sektor Publik*. Salemba Empat. Jakarta.
- [10] Nabilah, A. N., Soelistyo, A., & Kusuma, H. (2016). Analisis Flypaper Effect Pada Dan Dan Terhadap Belanja Daerah Di Provinsi Kalimantan Timur Tahun 2010-2014. *Jurnal Ekonomi Pembangunan*, 14(2), 190.
- [11] Ningsih, I., Malikhah, A., & Anwar, S. A. (2021). Analisis Flypaper Effect dari Dana Alokasi Umum (DAU), Pendapatan Asli Daerah (PAD) dan Satuan Kerja Perangkat Daerah (SKPD) Terhadap Belanja Daerah Kabupaten/Kota di Provinsi Jawa Timur Tahun 2015-2019. *E-Jra*, 10(01), 58–68.
- [12] Pramuka, B. A. (2010). Flypaper Effect pada Pengeluaran Pemerintah Daerah di Jawa. *Jurnal Ekonomi Pembangunan*, 11(1), 1–12.
- [13] Rahmawati, L. A., & Suryono, B. (2015). Flypaper Effect Dana Alokasi Umum Dan Pendapatan Asli. *Jurnal Ilmu & Riset Akuntansi*, 4(9), 59–70.
- [14] Salawali, W. anggriani, Kindangen, P., & Lopian, A. L. ch. P. (2016). Flypaper Effect pada Dana Alokasi Umum (DAU) dan Pendapatan Asli Daerah (PAD) Serta Pengaruhnya Terhadap Belanja Daerah Kabupaten/Kota di Sulawesi Tengah. *Jurnal*

Pembangunan Ekonomi Dan Keuangan Daerah, 18(2), 77–91.

- [15] Saputri, M. A., & Muid, D. (2014). Flypaper Effect Pada Dana Alokasi Umum Dan Pendapatan Asli Daerah Terhadap Belanja Daerah Pada Kabupaten/Kota Di Jawa Tengah Tahun 2011-2012. *Diponegoro Journal of Accounting, 3(2)*, 1–11.
- [16] Sasana, H. (2010). Flypaper Effect pada Dana Alokasi Umum, Dana Bagi Hasil, dan Pendapatan Asli Daerah terhadap Belanja Daerah pada Provinsi di Indonesia. *Eko-Regional, 5(2)*, 60–66.
- [17] sugiyono. (2016). metode penelitian pendidikan (kuantitatif kualitatif dan R & D). In *Bandung: Alfabeta*.
- [18] Sugiyono, P. D. (2017). Metode Penelitian Kuantitatif, Kualitatif, dan R&D. In *Alfabeta, cv*.
- [19] Wahyuni, S. E., & Supheni, I. (2017). Flypaper Effect Pada Pendapatan Asli Daerah (Pad), Dan Dana Alokasi Umum (Dau) Terhadap Belanja Pemerintah Daerah Kabupaten Nganjuk Periode 2012-2016. *Jurnal Akuntansi Dan Bisnis, 15(1)*, 1.
- [20] Wati, M. R., & Catur Martian Fajar. (2017). Pengaruh Pendapatan Asli Daerah dan Dana Perimbangan terhadap Belanja Daerah Kota Bandung. *Jurnal Kajian Akuntansi, 1(1)*.