ANALYSIS OF FLYPAPER EFFECT IN GENERAL ALLOCATION FUND AND REGIONAL ORIGINAL INCOME TO REGIONAL EXPENDITURE OF DISTRICTS AND CITIES IN SOUTH SUMATERA

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ABSTRACT

This study aimed to analyze the effect of the General Allocation Fund (DAU) and Regional Original Income's (PAD to the Regional Expenditure and to determine whether the flypaper effect occurs in DAU and PAD's influence to Regional Expenditure. Object of this study was all of the Districts and Cities in South Sumatera for the period 2008-2011 with data compiled from the Region Budget of Revenue and Expense (APBD).The research using the multiple regression analysis. The independent variable is the DAU and the PAD, and the dependent variable is the Regional Expenditure. The result of this study show that DAU and PAD have a significant impact on Regional Expenditure. It indicated that the flypaper effect was not found neither in DAU nor in PAD's influence to Regional Expenditure in Districts and Cities in South Sumatera.

Keywords: Flypaper effect, General Allocation Fund (DAU), Regional Original Income (PAD), regional expenditure

1. INTRODUCTION

In Indonesia, the implementation of regional autonomy is a manifestation of the decentralization that is transfers of government affairs from local top level government to regional level become their household concern. Regional autonomy is consistent with the implementation of Law No.32 of 2004 about Regional Government and Law No. 33 of 2004 about Financial Balance between Central and Local Government. Regional autonomy is the right, authority, and duties of the autonomous regions to organize and manage the government concern and public interests in accordance with the legislation. Regional autonomy is aimed at bringing the region's autonomy so that the area is free to regulate them without government intervention.

In this implementation, local governments earns major funding from Regional Original Income that is used to fund the capital expenditure and development, as well as assistance from the central government that is Balance Funds from the state budget to fund the needs of the region aimed to reducing fiscal gap between the government and local government and inter-local government. Balance Fund is in compliance with Law No. 33 of 2004 that is the Revenue Sharing, General Allocation Fund, and the Special Allocation Fund that the amount is specified each year in the budget.

In this decentralization implementation, the role of transfer can not be avoided given the autonomy that delegated demanding the regional to settle the affairs of the local government's authority. It can make the regional have high cost more than be for autonomous. Problems that occur at this time is in practice local governments are relying DAU allocation to fund capital expenditures and development without optimizing the potential of the area. While the DAU allocation obtained is high, then the local government will try to make the next period of general allocation funds

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acquired fixed in nominal portion. Ndadari and Adi (2008:15) argue that proportion of DAU to regional revenue is still the highest compared with the other regions, including PAD. Kuncoro (2004:26) also said that the PAD is only able to fund most local government spending of 20%.

The fact above shows that the fiscal behavior of local governments in responds the transfer of central is an important determinant in supporting the effectiveness of transfer policy. Transfers from central government become local governments' primary source of funds to finance the routine main operation. When the source of funds used by local governments to finance its operations was earned more from General Allocation Fund than Regional Original Income, it's indicating the occurrence of flypaper effect that is the condition that occurs when government responds on expenditure use more the transfer funds instead of using its own local capabilities.

South Sumatra is a province that most of regions go through the process of expansion, with fifteen districts/cities consist of seven main districts/cities expansion and eight districts/cities resulting from the expansion is not directly impact on the portion of transfer funds receipt (Grants) from the central. Regional Original Income (PAD) is a representation of the revenue generated by the regional. Given that local governments are expected to be better in innovate and explore the natural resources contained in their respective areas so that the dependence on the center gradually be eliminated, along with the addition of PAD. With PAD data characteristics, DAU and Regional Expenditure fluctuate that is most likely occur flypaper effects on regional expenditure in the district/city concerned, in this case in terms of regional original income and general allocation fund.

Previous studies have been widely discussed relationship between the Regional Original Income, the General Allocation Fund to Regional Expenditure. In his research, Prakosa (2004) states that empirically prove that the amount of regional expenditure is influenced by the number of DAU received from the central government. In the model of regional expenditure predictions, the predictive power of DAU to regional expenditure is higher than the predictive power of PAD. The research has been done in Yogyakarta and Central Java.

Maimunah (2006) states that the flypaper effect referred to as a condition that occurs when the government responds (spending) more (wasteful) using funds transfers(grants) that proxied by DAU than using their own ability, proxied by the PAD.

Different with previous studies that only discuss with the influence of PAD and DAU to predictions of Regional Expenditure (Kesit, 2004) and also research of Abdullah(2008) which discusses the effect of PAD and DAU on Capital Expenditures, in this study will discuss the effect of PAD and DAU to Regional Expenditure because Regional Expenditure is the total operating expenses, capital expenditures, and unexpected expenditures which is presenting all regional cash expenditures that be a regional burden over the budget period.   Regional expenditure itself includes all expenditures related to the activities of public service, spending in order to increase capital investment in the form of assets, and all other expenses expenditures in furtherance of the local authorities. Therefore, the researcher wanted to examine the influence of DAU and PAD on Regional Expenditure and the implications arising from flypaper effect on these variables at the district/city in South Sumatra. Based on the existing background, the problem of this research was to determine the effect of DAU and PAD to Government Expenditure of districts/cities in South Sumatra, to

determine the possibility of flypaper effect on Expenditure Government of district/city in South Sumatra and identify flypaper effect trends causes an increase in the number of regional expenditure and to investigate the difference possibility of flypaper effect between the district/City that has high PAD with district/city that has low PAD.

Some expected benefits of this research is to contribute the existence of flypaper that occur in the transfer of funds(DAU) and the PAD to regional expenditure that performed empirically at the district/city in South Sumatra, provide recommendation for both the central and regional government in terms of policy making in the future relating to planning, control and evaluation of national and regional budgets, as well as laws and government regulations accompanying as well as there are material and additional data for other researchers who interest in this study.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Agency Theory

A theory is constructed to describe, understand and predict the relationship between several variables. Theory is a construction of are reality model that allegedly linked coherently. Baumann (2005) found that a good theory has simple characteristic (parsimony), predictive accuracy, and the ability to explain various aspects of life(verifiability).

In general, agency theory explains the relationship between the two parties in a company that is principal and agents. Principals act as a contract party, and the agent as the receiving authority. Jensen and Meckling (1976) states that agency theory is a contract in which one or more persons, who then called the principal, hire and authorize one or more other people, who then called the agent to perform tasks

and make decisions for the benefit of principal. This theory systems from the synergy of economic theory, decision theory, sociology, and organizational theory.

The main principle of this theory suggested a working relationship between the parties authorize and the party receiving the authority. In public organizations, particularly in local government, agency theory has been practiced, including local governments in Indonesia, especially since decentralization and autonomy granted to local governments. The government, in the budget preparation and modification the budget, there are two perspectives that can be explored in the application of agency theory, namely the relationship between the executive and the legislature, and the legislature and the people. Agency theory is the basis of this study in which expenditures incurred as a result of revenue, in this case the Regional Original Income and General Allocation Fund, is part of the authority of the government in the preparation of the Regional Budget.

2.2   Transfer

Sidik et al. (2002) and BPPK Departemen Keuangan (2004) stated the purpose of the transfer, namely:

1.   Equitable vertical (Vertical Equalization).

2.   Horizontal Equity (Horizontal Equlization)

3.   Keeping the achievement of minimum service standards in every area.

4.   Addressing issues arising from the spread or abundance of the effects of public service.

5.   Stabilization.

2.3   Expenditure

Regional Expenditure is all the expending of regional's cash in a one budget period. Regional expenditure in APBD classified as:

1.   Operational Expenditure. Operational expenditure related to public's serves and activities.

2.   Capital Expenditure. Capital expenditure is the expend that the benefit of the expend can achieved more than one year and the benefit can used to adding the regional asset which of the asset or assets will cause other expends.

3.   Unexpected expenditures. That is not a suspect spending is spending by local governments for coping natural disasters, social disasters or other expenses that are necessary in order citizenship local government authority.

2.4   Regionally Original Income (PAD)

Regionally Original Income is recognized all the right areas to supplement your net worth in a given budget period (Law No. 32 of 2004 on regional administration), revenue derived from the proceeds of the fund balance of central and local governments, as well as from the region itself is revenue area as well as other legitimate income.

According to Law No. 28 in 2009, regionaly oeriginal income is the financial resources from the region excavated areas relevant region consisting of local tax revenues, results of retribution, the separated regional wealth management and other legitimate revenue.

2.5   General Allocation Fund (DAU)

General Allocation Fund (DAU) under Law 25 of 1999 came from the state budget allocated to equity and financial capacity to fund their expenditure in the context of

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decentralization. DAU is set at least 25% (twenty five percent) of the Domestic Revenues in the state budget. Then, of the 25% is divided into 90% for the DAU for the Regency / City and 10% for the DAU for provincial areas. As mentioned earlier, DAU serves as the transfer is block grants. That is, the amount determined by a formula DAU special.

According to Law no. 33 of 2004 General Allocation Fund, hereinafter referred to DAU is sourced funds from the state budget revenues allocated to equity inter-regional financial capacity to fund local needs in the context of decentralization. Local revenue source in the context of autonomy and decentralization for now is still very much dominated by the aid and assistance of the central government in the form of the General Allocation Fund (DAU), Special Allocation Fund (DAK), and the results, while still relatively small portion of PAD (Mardiasmo , 2002).

Referring PP. 104 Year 2000 on Fund Balance that DAU goal mainly is to: (a) horizontal equity and (b) sufficiency. Horizontal equity objective in the interests of the central government in order to make the distribution of income in a fair and equitable to avoid wide disparities between regions. In the meantime, the area of interest to the adequacy (sufficiency), primarily to cover the fiscal gap. Sufficiency is influenced by several factors, namely the authority, load, and Minimum Service Standards (MSS) (Mardiasmo, 2002).

Henley et al (1992) identified a number of objectives and support the central government in the form of grants to local authorities, namely:

a.   To encourage the creation of equity between regions (geographical equity);

b.   To improve accountability (promote accountability)

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c. To improve the tax system more progressive. Areas tend to be less progressive tax, imposed high tax rates to low-income communities;

d. To improve acceptability (acceptability) of local taxes.

The central government subsidizes some local government spending to reduce the amount of regional taxes. Basically there are two types of grants awarded central government to local authorities, namely: (1) block grant (General Allocation Fund), and (2) specific grant (Special Allocation Fund). In order to increase local discretion, grant provided by the central government are more block grant, not a specific grant.

2.6 Flypaper Effect

Oates (1999) in Sukriy and Halim (2003) states that several studies on the behavior of the central government that has been done, resulting in the conclusion that the different local government response to the transfer and its own revenues. When the response to the Government over the transfer of central government revenue than its own, it is called flypaper.

Flypaper phenomen on broader implications that the transfer would increase local government spending is greater than revenue transfer itself (Turnbull, 1998). Flypaper phenomenon can occur in two versions (Gorodnichenko, 2001). The first refers to an increase in local taxes and excessive government spending. Both lead to the transfer of expenditure elasticities higher than the expenditure elasticity of the local tax revenue.

Anomaly instensif sparked discussion among economists. The debate resulted in some of the explanations offered. In the realm of economics, the study of the flypaper can be grouped into two schools of thought, namely bureaucratic models

(bureaucratic model) and fiscal illusion (fiscal illusion model). Bureaucratic model examines flypaper from the point of view of bureaucrats, while the base model of fiscal illusion studies from the perspective of people who have limited information on local authority budgets.

2.7   Effect of DAU for Regional Expenditure

In the area of economic and financial literature, the relationship of income and expenditure broadly discussed since the late 1950s and the various hypotheses about the relationship empirically tested (Chang & Ho, 2002). Holtz-Eakin et al (1985) states that there is a very close link between the transfer of Pempus with local government spending.

Study Legrensi and Milas (2001), using a sample of municipalities in Italy, found empirical evidence that the long-term effect on transfer spending. Specifically, they assert that the government policy variables in the short term adjusted (adjusted) to transfer received, allowing the non-linear response and asymmetric.

Gamkhar and Oates (1996) suggests that a reduction in the number of transfers (cut in the federal grants) led to a reduction in local spending. It is also not different from the results of research Sukri & Halim (2004).

2.8   Effect of PAD to Regional Expenditure

The study of the influence of local revenues (local own-source revenue) on regional spending has been done (eg, Aziz et al, 2000; Blackley, 1986; Joulfaian & Mokeerjee, 1990; Legrensi & Milas, 2001; Von Furstenberg et al, 1986). The hypothesis that revenues (primarily taxes) will mempegaruhi government spending

known as hyphotesis spend tax (Aziz et al, 2000; Doi, 1998; Von Furstenberg et al, 1998).

In this case local government spending will be adjusted with changes in local government revenue or income changes occur before changes in spending.

2.9   Flypaper Effect

Several empirical studies indicate behwa stimulus difference between grants and own revenue does occur (Andersson, 2002; Aaberge & Langorgen, 1997; Deller et al, 2002, and Slack, 1980). Slack (1980) conducted a study with a sample of empirical analysis and municipalities in Canada and the states that unconditional grants to municipalities accompanied by an increase in spending municipalities (but with a smaller number of grants).

According to Andersson, the effect of the non-matching grants greater than matching grants and this effect depends on the relative decline in the non-matching grants for some period. These results support the hypothesis flypaper. Aaberge & Langorgen Studies (1997) analyzed the behavior of fiscal and government spending with simultaneous setting and found an area of flypaper in response to changes in income.

Deller et al (2002) analyze the relationship between income derived from the results of using data 581 cities and villages in Wisconsin, United States and found for every dollar increase in income per capita, the total expenditure per capita increased by about 12 to 15 cents. For every increase in income per capita revenue, increased spending per capita reached 46-55 cents. These results are consistent with the

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hypothesis flypaper. Deller et al (2002) assumed that the response patterns of the area is also affected by the determination of the profit-sharing formula itself.

Research Legrenzi and Milas (2001) also provide empirical evidence of the existence of flypaper in the long run for the sample municipalities in Italy. They claimed that local Governments consistenly increase of their expenditure with respect to increase of more in State transfer rather than increase of in own revenues. Zampelli (1986) provide evidence for data matching municipal government in the United States, namely the occurrence of flypaper in reaction to spending unconditional grants. Therefore flypaper regarded as an anomaly in the rational behavior if the transfer should be considered as an (additional) income (such as local tax), so it should be spent (spend) the same way (Hines & Thaler, 1995).

2.10   Effect of Flypaper on Regional Expenditure Prediction

Holtz-Eakin et al (1985) states that there is a very close link between the transfer of Pempus with local government spending. Specifically, they assert that the government policy variables in the short term adjusted (adjusted) to transfer received, allowing the non-linear response and asymmetric. The same was stated by Sukriy & Halim (2004) that the predictive power of DAU tarhadap Expenditure is stronger in the regression with lag (DAU 2001 on Regional Budget 2002).

2.11   Effect of Flypaper on the Rich and Poor rRgions (Different PAD)

The size of the revenue associated with the total income of the area as one measure of the (rich or poor) regions. In other words, the district / city can be classified on the district / city rich, medium and poor in relation to the level of local income / PAD (Halim et al., 1996). Abdul Halim (2002) in one of the results if the dissertation hypothesis states that there is a significant difference in the average variance PAD /

Local Tax Results / Result Areas that have a ratio Reribusi DOF (degree of fiscal autonomy) low and high. Using the assumption that the cluster is done is valid and to use comparative theory can be proved that in Indonesia there is a group of the district / city rich and poor.

3. HYPOTHESIS

There are many concepts that express the relationship between Regionally Original Income to the General Fund Allocation to Regional Expenditure. Based on the concepts and findings above, the alternative hypothesis is:

H1: General Allocation Fund and Revenue Expenditure have positive effect.

H2: General Allocation Fund have positive effect on regional expenditure for the year.

H3: Regional Originally Income have positive effect on regional expenditure.

H4: The effect of the current year against the DAU to Expenditure is greater than the effect of the current year against the PAD to Expenditure for the year.

H5: There are differences between the flypaper that PAD is low by regional PAD is high.

4. RESEARCH METHODS

This study is a descriptive analysis that is able to explain the characteristics of the studied variables in a situation. In this case study conducted demonstrates the effect of the General Allocation Fund, the Revenue Expenditure in the City District Government of South Sumatra.

The population in this study is the districts / cities in South Sumatra with data PAD, DAU, and Expenditure. As the sample the local districts / cities in South Sumatra is data PAD, DAU, and Expenditure 2008-2011.

The data used in this study in the form of secondary data that PAD, DAU, and Expenditure contained in the budget realization report districts / cities in South Sumatra from years 2008-2011, obtained through the Director General of the Treasury website Balancing and Regional Financial Center (http://www.djpk.depkeu.go.id) and from the Department of Revenue (Revenue) South Sumatra.

This study uses a quantitative approach. The analytical tool used is multiple regression analysis. Multiple regression analysis is an analysis of several independent variables with a single variable regression analysis dependen. It measure how much the relationship between the independent variables with the dependent variable, also shows how the relationship between the independent variables with the dependent, so as to distinguish the independent variables with the dependent variable (Ghozali , 2006). In this case, the independent variable is the Revenue and General Allocation Fund, and the dependent variable is the Local Government Expenditures.

The conditions that are required in this research model is a classic assumption test. The requirements to be met in the classical assumption test is that data should be distributed normally, does not contain multikoloniaritas, and heterocedastisity. Therefore, it waged normality test, multicollinearity, autocorrelation test and test heterocedastisity.

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4.1   Regression Model

The analysis tool used is multiple linear regression analyzes were used to examine the relationship of income to the PAD and DAU Expenditure. Data processed with the help of SPSS software series 19.00. Hypothesis testing is performed by using regression analysis model of the independent variable on the dependent variable (we have now, 1992). The regression equation in this study were:

$$BD = a + b1 + b2 \, DAU \, PAD + e \, ... \, (1)$$

BD = Total Regional Expenditure

a =   constant

b1, b2 = regression coefficient

DAU = General Allocation Fund

PAD = Total Regionally Original Income

e = Error term

4.2   Coefficient of Determination Test

The coefficient of determination (R2) was essentially measure how far the ability of the model in explaining the variation in the independent variable. The coefficient of determination is used because it can explain the goodness of the regression model to predict the dependent variable. The higher the coefficient of determination it will be the better the ability of independent variables in explaining the dependent variable (Ghozali, 2006).

Determination coefficient is between zero and one. Small value of R2 is the ability of independent variables in explaining the variation in the dependent variable is very limited. Value close to one means that the independent variables provide almost all the information needed to predict the variation in the dependent variable.

4.3   Simultaneous Significance Testing (Test Statistic F)

F statistics test basically shows whether all the independent variables or free inclusion in the model have an influence together on the dependent variable (Ghozali, 2006). The way to find out is by comparing the value of F calculated by the value of F table. If the value of F count is greater than the value of F table, then the alternative hypothesis is accepted it means all the independent variables together and significantly affect the dependent variable.

4.4   Individual Parameter Significance Test (Test Statistic t)

T statistical test basically shows how far the influence of the independent variables in explaining the variation in individual dependent variable (Ghozali, 2006). T test was used for statistics to obtain confidence about the goodness of the regression model to predict. The way to find out is to compare the t value with the value of t tables.

If the t value is greater than the table value of t means t count the alternative hypothesis received significant means that the individual independent variables affect the dependent variable. Besides, it can also be done by looking at the p-value of each variable. Hypothesis is accepted if the p-value of <5% (Ghozali, 2006).

To determine whether there flypaper, the effect of DAU on BD compared with the effects of PAD on BD. If the coefficient DAU> PAD coefficient flypaper it happens, or can be functioned if b1> b2 means> 1 then there flypaper (Tresch, 2002:924). In single regression, regression coefficient, the value of t-statistic, R, R2, and adjusted R2 of each variable (regression) were compared between the DAU and PAD. In other words, to determine the possibility of flypaper, the results obtained from the regression test should be:

1. DAU coefficient is greater than the value of the coefficient of PAD and both are significant (<0.05), or

2. PAD coefficient is larger than the coefficient PAD and DAU but not significant (> 0.05)

To determine whether there are differences in the District / City tinngi with PAD Districts / Municipalities PAD low statistical inference used the t test for independent samples t test. The trick is to look at the data available PAD. Based on existing data diklasifikasikanlah into high revenue and low revenue. Categorization is derived from the value of the percentage of the DOF (degree of fiscal autonomy) daaerah respectively. DOF is the result of the ratio of revenue to total revenue budget (Halim, 2002). According Mudrajat Kuncoro (2005), in Indonesia only DOF values ranging from 5% to 10% only for Dati II. Based on this, the DOF area dikategorikanlah 5% up as high revenue categories and vice versa, DOF 5% down as low PAD category.

5.   RESULTS AND DISCUSSION

5.1   Descriptive Statistics

Based on the processing of secondary data on DAU, PAD, and Regional Expenditure District / town in South Sumatra in 2008-2011 with DAU and PAD as an independent variable and the Regional Expenditure area as the dependent variable, the descriptive statistics obtained as follows:

Table 1: Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DAU (X1)	60	80256489000	937311800000	350563663503.33	169975627503.441
PAD (X2)	60	2509901342	372978041916	45384172537.20	60570068064.546
BD (Y)	60	223757713974	2072586785776	764645941644.50	368832083521.981
Valid N (listwise)	60				

Source: Data are processed with SPSS, 2013

Based on the classic assumption test, the model in this study escaped deviation classical assumption that the model has been employed.

5.2   Regression Model Estimation Results

The results of the regression model analysis presented in the following table:

Table 2: Estimated Regression Model

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	504540078828.89	8.667E10		5.822	.000
	DAU (X1)	.259	.288	.119	.900	.372
	PAD (X2)	3.732	.807	.613	4.624	.000

a. Dependent Variable: BD (Y)

Source: Data are processed with SPSS, 2013

From the table above were obtained regression equation is:

$$Y = 504540078828.894 + 0.259X1 + 3,732X2$$

Description:

Y = Regional expenditure

X1 = General Allocation Fund

X2 = Regionally Original Income

From the above model constants are obtained by 504,540,078,828.894. This value occurs when the magnitude of X1 and X2 is 0 (zero) to Y. This means that in the absence of the General Allocation Fund and Regionally Original Income, there are other variables that are not included in this study accounted for Expenditure amounting to Rp. 504,540,078,828.894.

DAU has a regression coefficient is positive for 0259, it measure that if DAU variable changes by 1%, then there will be an increase Expenditure for 0259 (25.9%) assuming other variables in a constant state. PAD has a regression coefficient is positive for 3732, meaning that any increase in variable revenue by 1%, then there will be an increase Expenditure for 3732 (373.2%) assuming other variables in a constant state.

5.3   Coefficient of Determination TEST

The coefficient of determination of test results using SPSS 19.0 is

Table 3: Coefficient of determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.702[a]	.493	.475	2.673E11	.672

a. Predictors: (Constant), PAD (X2), DAU (X1)
b. Dependent Variable: BD (Y)

Source: Data are processed with SPSS, 2013

Based on table 3, it shows that Rvalue of R is 0.702 (70.2%). it means that the variable X1 and X2 have a close relationship with the variable Y. R values close to 1 or above 50% which indicates that the dependent variable have relationship with the independent variable (Priyanto, 2009). In this case, the correlation between PAD and DAU to Regional Expenditure Darerah in regencies / cities in South Sumatra by 70.2%.

Rated R Square or coefficient of determination is 0493 (49.3%). It means that a percentage of 49.3% variable X1 and X2 affect Y. Value close to 1 means that the independent variables provide almost all the information needed to predict the variation in the independent variable. In this case, the value of R2 for 0493 indicate

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that the contribution of variable DAU and PAD to Expenditure amounted to 49.3%, while the remaining 50.7% is explained by other factors not participated in this study.

5.4 Simultaneous Significance Testing (Statistics Uji F)

Based on the results, the data value of F is 27,670 with significance 0000 (<0.05). By comparing with F tables, it will be obtained F table for 3159 amounted to 27,670 then F count> F table. It means that Ho is rejected, because F count> F table (27 670> 3159) and the significance level F in this model is at 0000> 0.05. Moreover, the Ho stated DAU and PAD together had no effect on regional expenditure declined. In other words, DAU and PAD jointly influence the Regional Expenditure.

To test the first hypothesis of this study, it use a statistical test F. It obtained that the alternative hypothesis DAU and PAD have positive effect on regional expenditure. The first hypothesis is acceptable.

5.5 Individual Parameter Significance Test (Test Statistic t)

T test was conducted to determine how far the influence of one independent variable individually explain dependent variable (Ghozali, 2006). Testing for the t test using a significance level of 0.05 and taking into account each variable (Priyanto, 2009), If the value of significance under 0:05, each independent variable affects the independent variable. Based on the above test results, DAU significance level is 0.372 that is greater than the 0.05 value. Furthermore, DAU has no effect on regional expenditure. Thus, the null hypothesis that the DAU not a positive influence on regional expenditure received. The second alternative hypothesis is rejected.

However for PAD, the value is 0.000 which is smaller than 0.05, It means that PAD partially affect the Regional Expenditure Area. So, the null hypothesis that the PAD

had no effect on regional expenditure is rejected, the third alternative hypothesis is accepted.

In regression model, DAU has positive significance for 0.259 and PAD had positive coefficient for 3.732. For contribution of DAU variable, if there is a change of 1%, rising only contribute Expenditure for 0259 (25.9%). Unlike the case of variable PAD increases by 1%, it will be an increase Expenditure for 3.732 (372.2%). It indicates that the influence of DAU on Expenditure is smaller than the effect on regional expenditure. This means that the fourth hypothesis rejected. This statement is supported by the results of the partial t test which states that the effect of PAD on Expenditure is significant, while DAU influence on regional expenditure is not significant.

Finally, for the fifth alternative hypothesis, the results performed partial t test with respect to degree of Fiscal Autonomy with classification based DOF, shows that there are 8 districts / cities that PAD is high and 7 other PAD were categorized low, such as in the table below:

Table 4: Regencies / Cities in South Sumatra with Defferent DOF

No.	Daerah	DOF	Kategori PAD
1	Kab. Lahat	0.053	Tinggi
2	Kab. Musi Banyuasin	0.031	Rendah
3	Kab. Musi Rawas	0.052	Tinggi
4	Kab. Muara Enim	0.053	Tinggi
5	Kab. Ogan Komering Ilir	0.031	Rendah
6	Kab. Ogan Komering Ulu	0.052	Tinggi
7	Kota Palembang	0.069	Tinggi
8	Kota Prabumulih	0.039	Rendah
9	Kota Pagar Alam	0.070	Tinggi
10	Kota Lubuk Linggau	0.160	Tinggi
11	Kab. Banyuasin	0.046	Rendah
12	Kab. Ogan Ilir	0.040	Rendah
13	Kab. Ogan Komering Ulu Timur	0.068	Tinggi
14	Kab. Ogan Komering Ulu Selatan	0.025	Rendah
15	Kab. Empat Lawang	0.020	Rendah

Source: Data are processed by Ms. Excel2007, 2013

Determining whether or not flypaper occurs also performed using the t test. To determine the possibility of flypaper on the area high PAD and DAU, coefficient should be greater than the value of the coefficient of PAD and both are significant or when PAD coefficient value is greater than the value of the coefficient of DAU.

From the table, it shows DAU coefficient is 1.077, smaller than the coefficient of PAD 1.710. PAD has a significance level is 0.05 that less than 0.019. So, the areas of high PAD not happen flypaper. DAU received no more capable of stimulating the local area to do Regional Expenditure than PAD own. In other words, for high PAD area, a large amount of revenue contribute to the Regional Expenditure areas.

In PAD areas, PAD coefficient is greater than 21,794 DAU coefficient is 0.038, with a significance level of PAD is smaller than 0.05, namely 0000 (significant PAD). It shows that for a low area PAD flypaper did not happen. DAU received no more capable of stimulating the local area to do Regional Expenditure than PAD own. In other words, for low PAD areas, a large amount of revenue contribute to the Regional Expenditure areas.

In this case, the hypothesis that the flypaper occur in different regions PAD not accepted. That is, the fifth alternative hypothesis is rejected.

5.6   Discussion

Based on the analysis conducted in this study obtained results that DAU and PAD significantly influences Expenditure on District / Town in South Sumatra. It shows that the correlation coefficient of determination between the DAU and PAD in influencing

Regional Expenditure area is quite large ie greater than 50% with a percentage of 70.2%.

Based on simultaneous F test obtained F count> F table (27.670> 3.159) and the significance level F in this model is at 0.000> 0.05. So the Ho stated DAU and PAD together had no effect on regional expenditure declined. In other words, DAU and PAD jointly influence the Local Regional Expenditure. So the first hypothesis is accepted.

It is also in line with research Diah and Rahman (2007) which examines the flypaper on DAU and PAD to Expenditure in District / City in Indonesia also research Maimunah (2008) flypaper on the DAU and PAD to Expenditure in Districts / Cities South Sumatra state that simultaneously DAU and PAD effect on regional expenditure.

Based on the t test previously, it obtained DAU significance level for 0.372 that was greater than the 0.05 value. That is partially, DAU has no effect on regional expenditure. The second alternative hypothesis is rejected. These results contrast with research Maimunah (2006) which states that the DAU positive effect on regional expenditure on district / city on the island of Sumatra. Apparently, for the South Sumatra itself, this statement can not be accepted because the DAU not significantly influence regional expenditure.

Moreover, For PAD, the value significance is 0.000 that is smaller than the 0.0. It means PAD partially affect the Regional Expenditure Area. So the null hypothesis that the PAD had no effect on regional expenditure is rejected, the third alternative hypothesis is accepted.

Finally, the influence of DAU on Expenditure PAD is smaller than the effect on regional expenditure. This means that the fourth hypothesis is rejected. In other words, the districts and cities in South Sumatra, transfers from the central government in General Allocation Fund is the costs of Regional Expenditure Area. In this case the effect of revenue is the larger than the Regional Expenditure Area.

5.6.1 Flypaper on the DAU and PAD to Expenditure.

Flypaper implications one of which will increase local government spending is greater than the acceptance of the transfer itself (Turnbull, 1998:18) and a tendency to wait for help from the center in the appeal of managing their own local resources. Expenditure from the regression model based on the results of testing that has been done, found that the magnitude of PAD in influencing Expenditure is greater than the DAU.

Based on the estimates of the regression model and t-test statistics on processing with SPSS 19.0, the value of the coefficient of DAU is 0.259 with the level of significance is 0.372, and the coefficient of PAD 3.732 with a significance level of 0.000. It is claimed that the General Allocation Fund and Regionally Original Income in the District and the City of South Sumatra did not happen flypaper. This means that the areas in districts / municipalities in South Sumatra tends to use the revenue to finance local authority expenditure direct and indirect spending area than using funds transfers from the central government in the form of the general allocation fund.

These results contrast with research Diah and Rahman (2007) which examines the flypaper on DAU and PAD to area Regional Expenditure districts / cities in Indonesia which claimed to have occurred in response flypaper (Expenditure) in the districts /

municipalities in Indonesia. Different studies also premises Maimunah (2006) in his study on the effects of DAU and PAD to Expenditure on the island of Sumatra, which states that in district / city on the island of Sumatra has occurred flypaper. Apparently, in the municipality / city in South Sumatra, which is part of the island of Sumatra itself does not occur flypaper.

This shows that the fiscal behavior of local governments in South Sumatra in response to the transfer of the center is not a critical determinant in supporting the day-to-day activities of the government at the district / city in South Sumatra. The number of natural products and other areas results that can be explored to increase the amount of local revenue and local governments are not always depend on transfers from the central government in the form of the General Allocation Fund.

In connection with the theory underlying this research is the theory of agency, which incurred expenditures due to revenue, in this case the local Revenue and General Allocation Fund, is part of the government's authority districts / municipalities in South Sumatra in the preparation of Budget areas. It tells us that the role of the principal (the government) in exploring resources to improving PAD can be said to have financial independence.

If viewed from the concept of the public about the organization's management, Value for Money, which focuses on public sector activity 3 things that economy (acquisition of inputs), efficiency (achievement of outputs) and effectiveness (achieving the target) (Mardiasmo, 2002) can be assessed that the performance of local government in regencies / cities in South Sumatra in financing for daily operations meet the concept of Value for Money. This is evidenced by the independence government district and city in South Sumatra on transfers from the central

government on regional expenditure by strengthening regional exploration results to increase local revenue. The implication is that the local government district and city in South Sumatra has the ability to financial independence.

Furthermore, this study showed that among the different regions with PAD do not happen flypaper. Hpotesis fifth received. This is in contrast to research Maimunah (2006) which states that the flypaper occur in different regions PAD district / city on the island of Sumatra.

6.   CONCLUSION

The conclusion of this study is the DAU and PAD simultaneously affect Expenditure in Districts / Cities in South Sumatra. The higher the DAU and the PAD greater Regional Expenditure in Districts / Cities in South Sumatra. However, partially DAU no effect on regional expenditure. The survey results revealed that there was no influence of flypaper on the DAU and PAD to Regional Expenditure District / town in South Sumatra, either in areas with high revenue or low areas with PAD do not occur equally flypaper.

7.   IMPLICATION

No the flypaper effect of DAU and the PAD to Expenditure in Districts / Cities of South Sumatra indicates that there is no tendency to be left waiting for transfers from the central government to finance the district / city in South Sumatra. In terms of the management of public sector organizations, acquisition of inputs, outputs attainment and achievement of targets on the use of revenue to finance the Regional Budget, it implies that the performance of local government in the districts / cities in South Sumatra has fulfilled the concept of organizational management.

8.   LIMITATION

This study was confined to the districts / municipalities in South Sumatra with a short time frame. This study uses variable DAU as independent variables, however, there are other variables such as the transfer of the Special Allocation Fund, DBH can be included in the study.

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