

Flypaper Effect Regional Original Income, General Allocation Fund, Special Allocation Fund, Tax Result Share Fund, Non-Tax Result Sharing Fund on Shopping For Regional Governments In South Sumatera

By Isnurhadi

How to Cite

Jamaluddin, J., Isnurhadi, I., Widiyanti, M., & Susetyo, D. (2021). Flypaper effect regional original income, general allocation fund, special allocation fund, tax results share fund, non-tax results sharing fund on shopping for regional governments in South Sumatera. *International Journal of Life Sciences & Earth Sciences*, 4(1), 38-43. <https://doi.org/10.31295/ijle.v4n1.1719>

Flypaper Effect Regional Original Income, General Allocation Fund, Special Allocation Fund, Tax Results Share Fund, Non-Tax Results Sharing Fund on Shopping For Regional Governments In South Sumatera

Jamaluddin

Master of Management, Sriwijaya University, Palembang, Indonesia
Corresponding author email: jamaluddin.mm.unsri@gmail.com

Isnurhadi

Lecturer of Magister Management, Economic Faculty, Sriwijaya University, Palembang, Indonesia
Email: isnurhadi2020@gmail.com

Marlina Widiyanti

Lecturer of Magister Management, Economic Faculty, Sriwijaya University, Palembang, Indonesia
Email: marlinawidiyanti68@yahoo.co.id

Didik Susetyo

Lecturer of Magister Management, Economic Faculty, Sriwijaya University, Palembang
Email: didiksusetyo@gmail.com

Abstract---This study aimed to determine the flypaper effect of regional original income, general allocation funds, special allocation funds, tax revenue sharing funds, non-tax revenue sharing funds (RSF) on local government spending in districts/cities in South Sumatra. The samples used were the district/city number 14 during 2008-2019. This research uses the panel data regression method with a fixed-effects model used. The results showed that local revenue, general allocation funds, tax revenue-sharing, and non-tax revenue-sharing (NRS) significantly affected district/city government spending in South Sumatra. Meanwhile, special allocation funds do not considerably influence district/city local governments in South Sumatra. There was a flypaper effect in districts/cities in South Sumatra.

Keywords---general allocation fund, government spending, non-tax revenue sharing fund (SDA), regional original income, special allocation fund, tax revenue sharing fund.

Introduction

After her j a d I reform in Indonesia, the realignment of the relationship between the Local Government and Central Government towards decentralization was conducted by the publication of the Act (the Act). Decentralization itself aims to increase the role of local governments in making their own decisions (Yu et al., 2020; Mafakheri & Nasiri, 2013). Decentralization provides more flexible access in various aspects and makes it easier to overcome various regional problems such as poverty. Problems arise in the field as to whether local governments that have been given regional autonomy can indeed become more independent and no longer depend on the central government (Dilliana et al., 2019). As of 2017, Local Original Revenue (LOR) only covers approximately 24% of local government budgets based on data published by the Directorate General of Fiscal Balance (djpk.kemenkeu.go.id). Based on these figures, it can be seen that both Regencies and Cities in Indonesia are still dependent on the Central

Government. The term "*Flypaper Effect*" is where the regions rely more on transfers from the center than trying to increase their regional income. This study looks at whether the regencies/cities in South Sumatra have the *flypaper effect* problem.

Many journal studies have been made in Indonesia and outside Indonesia to determine whether the *Flypaper Effect* occurs in areas in Indonesia and outside Indonesia. Studies on the effect of local own-source revenues and transfers from the center conclude different results or *gaps* between researchers. As research by Syahrina, (2020) concluded that special allocation funds have a positive effect on regional spending. The research of Priyadi et al. (2020), found that special allocation funds did not affect regional spending.

Syahrina (2020); Putri et al. (2020), found that profit-sharing funds had a positive effect on regional spending. Another result is shown by the research of Ananda (2019), who stated that profit-sharing funds did not affect regional spending. This study examines whether the *Flypaper Effect* occurs in districts and cities in South Sumatra. Based on and from the Directorate General of Fiscal Balance in 2018, South Sumatra is ranked 8th for comparing the RFI ratio in 2018. Does the question arise how districts and cities in South Sumatra are? whether the *Flypaper Effect* in districts and cities in South Sumatra occurred.

Research Methods

This research takes secondary data (Phillippi & Lauderdale, 2018; Holliday, 2010; Marshall et al., 2013; Harris et al., 2016; Sgier, 2012; Miles & Huberman, 1994). The data sources are taken from various sources such as South Sumatra BPKAD, SSC, Directorate General of Fiscal Balance, and others. The population in research is the Regency/City Area in South Sumatra. The research period is from 2008 to 2019. The sampling method used is the census method, in which the method includes all the population during the period as the research sample. This method provides a detailed picture for a small population compared to sampling (Kish, 1983). Based on this method, 14 samples of districts and cities in South Sumatra were used. The variables used in this study are:

- a) Variable Dependent, in this study, the dependent variable is the amount of expenditure issued by the Regions/Regencies and Cities in South Sumatra.
- b) Variable Independent, variable independent in this research is one of revenue (PAD), General Allocation Fund (GIF), Special Allocation Fund (SAF), shared fund (SF) Taxes, DBH Non-Tax.

Data analysis technique

Descriptive analysis is an analysis that used for shared reflection or description of the shape of something information can we analysis of the value of the centralization of data (mean), maximum value, minimum value, the value of ancillary data (standard deviation), the value of the difference or range, the value of sum and value skewness or skewness of the data. Tharenou et al. (2007), explain that descriptive analysis aims to share illustrations of the information presented in studies (Lancaster, 2007; Gill & Johnson, 2002). Panel data regression is used in this study because the form of the data is a combination of cross-section and series. Panel data regression is required to test the model determination to produce a reasonable estimate. There are three models in panel data regression: the expected effect, the fixed or fixed-effect, and the random remodel. The standard effect model is a model using the OLS method in estimating the panel model. For Ashley (2012), the fixed-effect model has different intercepts for each subject (cross-section), but the slope of each subject does not change over time. The selection of the model can be tried with two tests, namely the Chow test and the Hausman test. The panel data regression equation used in this research is as follows:

$$Y = \beta_0 + \beta_1 X_{PAD} + \beta_2 X_{DAU} + \beta_3 X_{DAK} + \beta_4 X_{DBHP} + \beta_5 X_{5DBHnon} + e_i$$

Results and Discussion

Descriptive analysis results

Based on the Chow and Hausman tests, it is known that the regression model is *fixed effect* (FEM). So, after determining the model, other tests can be carried out. The table below is a table of descriptive statistical results.

Table 1
Descriptive statistics

Variable	N	Minimum *	Maximum *	mean *	Std. Deviation *
PAD	168	9,799,886,604.74	1,091,704,605,854.90	116,815,145,597.20	173,078,544,628.68
DAU	168	80,256,489,000.00	1,347,785,960,0000.00	539,268,675,283.33	256,148,319,557.62
DAK	168	0	481,900,223,636.00	112,969,341,966.47	104,717,783,561.37
TAX DBH	168	10,282,903,119.00	718,522,798,620.00	121,326,813,317.29	144,552,417,629.20
DBH NON TAX	168	0	1,854,656,431,249.00	244,584,898,496.95	312,497,665,934.91
SHOPPING	168	342,924,758,901.00	3,965,007,263,481.72	1,238,025,173,711.06	688,159,193,916.72

Source: processed data * in rupiah

The table above represents the minimum, maximum, mean, and standard deviation of each variable. In the regional original income variable, tax profit sharing and non-tax SF have an average value that is smaller than the standard deviation value, which means that the distribution of the variable data is not good (Chen & Fleisher, 1996). Meanwhile, the general allocation fund, special allocation fund, and Expenditure variables have a higher average value than the standard deviation value, which means that the distribution of the data pattern is good (Singhal, 2008).

F-test

The F test aims to see the effect of all independent variables together on the independent variables. If the result of the F probability is less than 5%, it is concluded that the variables have an effect together.

Table 2
F. Test Results

Mark	Coefficient
F count	415.38
F table	2.27
Sig	0.000

Source: Eviews output (processed data)

Based on table 2, the output above shows a significance value of 0.00 below 5% or 0.05, so it can be concluded that it simultaneously affects local government spending.

Test significant the individual parameters (t-test)

Based on the Chow and Hausman tests, it is known that the regression model is fixed effect (FE). The t-test shows the effect of each variable individually on the independent variable. Decision-making by looking at the probability value is less than the level where if significant n si 5% (0.05), then the variable effect. The results of the t-test output can be seen in Table 3 below:

Table 3
Significant test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PAD	1.477148	0.117372	12.58522	0.0000
DAU	1.600162	0.091964	17.99994	0.0000
DAK	0.016694	0.136403	0.122388	0.9028
DBH_TAK	0.901452	0.130064	6.930854	0.0000
DBH_NON	0.776574	0.078968	9.834092	0.0000
C	-9.86E+10	3.78E+10	-2.611546	0.0099

Source: processed data (Eviews output)

Based on table 3 above, it can be seen how the influence of the individual independent variables on the variables will be explained as follows:

- a) The original revenue variable based on the table output shows the value of Prob. 0.0000 or less than 5%, i.e. $0.0000 < 0.05$. Based on these figures, the proposed hypothesis 1 is accepted, namely regional original income has a significant positive effect on government spending.
- b) The variable General Allocation Fund shows a positive coefficient value of 1.600162 while the value of Prob. shows the number 0.0000 where $0.0000 < 0.05$ (5%). These results indicate that the GAF variable significantly affects local government spending, so hypothesis 2 is accepted.
- c) The Special Allocation Fund variable based on the table above shows the number of Probs. 0.9028, where this number is greater than the 5% significance value, namely $0.9028 > 0.05$. Hypothesis 3 is rejected because Special Allocation Fund does not influence local government spending.
- d) The variable Profit Sharing from tax and non-tax (NT) shows the number of Prob values. 0.0000, smaller than 5%, can be concluded that the two variables have a significant positive effect on local government spending.

Based on the output of the table of regression equations that can be formed are as follows:

$$Y_{\text{spending}} = -9.86 + 1,477 \text{ PAD} + 1.6 \text{ DAU} + 0.016 \text{ DAK} + 0.901$$

Discussion

Based on the results that have been shown, we can conclude that local revenue (LR) has a significant positive effect on district/city government spending in South Sumatra. The results show that LR plays a role in regional spending, where an increase in LR will increase local government spending in each district/city. The results show a positive coefficient which means in the same direction (Cogan et al., 2010; Bachmann & Sims, 2012; Feld & Matsusaka, 2003). These results are in line with the research of Syahrina (2020); Ardiansyah (2015); Acar (2019); Tasri (2018). The general allocation fund (AF) variable results also have a significant positive effect on regional spending. These results indicate that district/city governments still need to transfer funds from the central government. The increase in general allocation funds will increase local government spending. These results are in line with the research of Aritenang (2020); Ardiansyah (2015); Ginting et al. (2021); Tasri (2018).

Table 3 shows that the special allocation fund (AF) does not significantly affect local government spending. The output results of table 3 show the coefficient with a positive number, which means that the relationship between Special Allocation Fund and local government spending is positive but not significant. This result is reinforced by the results of research showing the same results, namely the research of Widarjono (2006); Aziza & Sumardjo (2020); Asraf et al. (2019).

The variable profit sharing from both tax and non-tax or natural resources based on table 3 shows a positive coefficient and significantly affects local government spending. The results show that the revenue-sharing funds play a role in increasing regional spending. Previous studies that have similar results are researched by Syahrina (2020); Aritenang (2020); Feiveson, (2015); Litschig, (2012).

The analysis of the flypaper effect can be concluded based on the results of the research output from table 3. Table 3 shows that Local Revenue and General Allocation revenue have a significant effect, but the influence of GAF is remarkable; it can be seen from the coefficient value. The LR coefficient value is 1.477 while the GAF is 1.6, so it can be concluded that there is a flypaper effect on district/city government spending in South Sumatra.

Conclusion

After the discussion of the research results is described, the conclusion is that local revenue (LR), general allocation funds (GAF), tax revenue-sharing funds (RSF), non-tax revenue-sharing (NRS) have a significant positive effect on district government spending. /city of South Sumatra in 2008-2019. The special allocation fund (SAF) has no influence on the district/city government spending of South Sumatra in 2008-2019. The results showed a flypaper effect in the districts/cities of South Sumatra in 2008-2019.

Acknowledgments

This paper has received much support and feedback from colleagues, academic supervisors, professional editors, and donors from the Directorate of Higher Education (DIKTI), the Minister of Education and Culture of the Republic of Indonesia. Without the support and encouragement, this paper could have been done as we expected.

References

- Acar, Y. (2019). Does Flypaper Effect Exist? New Evidence from Turkish Municipalities. *Sosyoekonomi*, 27.
- Ananda, R. F. (2019). The Effect Of Revenue Sharing Funds, General Allocation Funds, Special Allocation Funds And Special Autonomy Funds On Capital Expenditure With Economic Growth As Moderating Variables In The Government Of The District/City In Aceh Province In 2008–2017. *International Journal of Public Budgeting, Accounting and Finance*, 2(4), 1-13.
- Ardiansyah, A. (2015). Local Sources of Income, Capital Expenditures and Human Development Index: Evidence from Central Java, Indonesia. *The Indonesian Journal of Accounting Research*, 18(3).
- Aritenang, A. F. (2020). The effect of intergovernmental transfers on infrastructure spending in Indonesia. *Journal of the Asia Pacific Economy*, 25(3), 571-590.
- Ashley, R. A. (2012). *Fundamentals of applied econometrics*. Wiley.
- Asraf, A., Lubis, M. S., Perapatih, Z. S., & Sari, W. (2019). The Effect of Regional Original Income (Pad) and General Allocation Funds (DAU) on Capital Goods Expenditure in West Pasaman. *Jurnal Apresiasi Ekonomi*, 7(1), 30-37.
- Aziza, H. N., & Sumardjo, M. (2020). Analysis of Local Expenditure Determinants in Districts/Cities in the East Java Province. *European Journal of Business and Management Research*, 5(4).
- Bachmann, R., & Sims, E. R. (2012). Confidence and the transmission of government spending shocks. *Journal of Monetary Economics*, 59(3), 235-249. <https://doi.org/10.1016/j.jmoneco.2012.02.005>
- Chen, J., & Fleisher, B. M. (1996). Regional income inequality and economic growth in China. *Journal of comparative economics*, 22(2), 141-164. <https://doi.org/10.1006/jcec.1996.0015>
- Cogan, J. F., Cwik, T., Taylor, J. B., & Wieland, V. (2010). New Keynesian versus old Keynesian government spending multipliers. *Journal of Economic dynamics and control*, 34(3), 281-295. <https://doi.org/10.1016/j.jedc.2010.01.010>
- Dilliana, S. M., Gayatri, G., Ratnadi, N. M. D., & Wirajaya, I. G. A. (2019). Regional Financial Performance Mediates the Effect of Regional Balance Funds and Expenditures on Economic Growth. *International Research Journal of Management, IT and Social Sciences*, 6(6), 164-171.
- Feiveson, L. (2015). General revenue sharing and public sector unions. *Journal of Public Economics*, 125, 28-45. <https://doi.org/10.1016/j.jpubeco.2015.03.004>
- Feld, L. P., & Matsusaka, J. G. (2003). Budget referendums and government spending: evidence from Swiss cantons. *Journal of public Economics*, 87(12), 2703-2724. [https://doi.org/10.1016/S0047-2727\(02\)00140-8](https://doi.org/10.1016/S0047-2727(02)00140-8)
- Gill, J., & Johnson, P. (2002). *Research methods for managers*. Sage.
- Ginting, R., Yulistiyono, A., Rauf, A., Manullang, S. O., Siahaan, A. L. S., Kussanti, D. P., ... & Effendy, F. (2021). *Etika Komunikasi dalam Media Sosial: Saring Sebelum Sharing* (Vol. 1). Penerbit Insania.
- Harris, P., Kent, J., Sainsbury, P., & Thow, A. M. (2016). Framing health for land-use planning legislation: a qualitative descriptive content analysis. *Social Science & Medicine*, 148, 42-51. <https://doi.org/10.1016/j.socscimed.2015.11.029>
- Holliday, A. (2010). Analysing qualitative data. *Continuum companion to research methods in applied linguistics*, 98-110.
- Kish, L. (1983). Data collection for details over space and time. In *Statistical methods and the improvement of data quality* (pp. 73-84). Academic Press. <https://doi.org/10.1016/B978-0-12-765480-5.50009-6>
- Lancaster, G. (2007). *Research methods in management*. Routledge.
- Litschig, S. (2012). Are rules-based government programs shielded from special-interest politics? Evidence from revenue-sharing transfers in Brazil. *Journal of public Economics*, 96(11-12), 1047-1060. <https://doi.org/10.1016/j.jpubeco.2012.08.010>
- Mafakheri, F., & Nasiri, F. (2013). Revenue sharing coordination in reverse logistics. *Journal of Cleaner Production*, 59, 185-196. <https://doi.org/10.1016/j.jclepro.2013.06.031>
- Marshall, B., Cardon, P., Poddar, A., & Fontenot, R. (2013). Does sample size matter in qualitative research?: A review of qualitative interviews in IS research. *Journal of computer information systems*, 54(1), 11-22.
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. sage.
- Phillippi, J., & Lauderdale, J. (2018). A guide to field notes for qualitative research: Context and conversation. *Qualitative health research*, 28(3), 381-388.
- Priyadi, D. T., Sumardjo, M., & Mulyono, S. I. (2020). Pengaruh Kepuasan Kerja, Komitmen Organisasional, Dan Job Insecurity Terhadap Organizational Citizenship Behaviour (Ocb)(Studi Pada Pegawai Non-Pns Kementerian Sosial Ri). *Jurnal Ilmu Manajemen Terapan*, 2(1), 10-22.

- Putri, R. L., Nirwanto, N., Assih, P., & Darmawan, W. (2020). The Importance of Regional Original Income, Balance Fund and Demography on Flypaper Effect through the Regional Government Expenditure. *International Journal of Research in Humanities & Social Studies*, 7(2), 33-45.
- Sgier, L. (2012). Qualitative data analysis. *An Initiat. Gebert Ruf Stift*, 19, 19-21.
- Singhal, M. (2008). Special interest groups and the allocation of public funds. *Journal of Public Economics*, 92(3-4), 548-564. <https://doi.org/10.1016/j.jpubeco.2007.05.005>
- Syahrina, D. (2020). Flypaper Effect Analysis on Local Government Budgets in Indonesia. *European Journal of Business and Management Research*, 5(4).
- Tasri, A. (2018). The flypaper effect phenomenon: Evidence from Indonesia. *European Journal of Engineering and Formal Sciences*, 2(1), 20-24.
- Tharenou, P., Donohue, R., & Cooper, B. (2007). *Management research methods*. Cambridge University Press.
- Widarjono, A. (2006). Does Intergovernmental Transfers Cause Flypaper effect on Local Spending?. *Economic Journal of Emerging Markets*, 11(2).
- Yu, B., Wang, J., Lu, X., & Yang, H. (2020). Collaboration in a low-carbon supply chain with reference emission and cost learning effects: cost sharing versus revenue sharing strategies. *Journal of Cleaner Production*, 250, 119460. <https://doi.org/10.1016/j.jclepro.2019.119460>

Flypaper Effect Regional Original Income, General Allocation Fund, Special Allocation Fund, Tax Result Share Fund, Non-Tax Result Sharing Fund on Shopping For Regional Governments In South Sumatera

ORIGINALITY REPORT

4%

SIMILARITY INDEX

PRIMARY SOURCES

1 talenta.usu.ac.id
Internet

98 words — 4%

EXCLUDE QUOTES ON
EXCLUDE BIBLIOGRAPHY ON

EXCLUDE SOURCES < 3%
EXCLUDE MATCHES OFF