

THE EFFECT OF BALANCING FUNDS, BUDGET SURPLUSES, AND REGIONAL INCENTIVE FUNDS ON CAPITAL EXPENDITURES

Silvi Liana Melida^{1*}

Affiliation: ¹Faculty of Economics and Business ,Siliwangi University, Tasikmalaya, West Java, Indonesia

*Correspondence: melidasilviliana@gmail.com

Abstract

This study aims to examine the effect of Balancing Funds, Budget Surplus (SiLPA), and Regional Incentive Funds (DID) on capital expenditure in regency and municipal governments in West Java Province during the 2020–2024 period. This research employed a quantitative approach using a causal-associative method. Secondary data were obtained from the Regional Budget Realization Reports published by the Directorate General of Fiscal Balance (DJPK). The sample was selected using purposive sampling, resulting in 12 regencies/cities with 60 observations. Data were analyzed using panel data regression with the Fixed Effect Model (FEM). The findings indicate that Balancing Funds, SiLPA, and DID simultaneously have a significant effect on Capital Expenditure. Partially, Balancing Funds and SiLPA have a positive and significant effect on Capital Expenditure, while DID has no significant effect. These findings suggest that fiscal capacity derived from intergovernmental transfers and budget surpluses plays a crucial role in financing regional infrastructure and public services, implying that local governments should optimize the utilization of transfer funds and manage budget surpluses effectively to enhance capital investment for regional development.

Keywords: Balancing Fund, Budget Surplus (SiLPA), Regional Incentive Fund, Capital Expenditure

Article History:

Received: 14 May 2026 Accepted: 29 May 2026

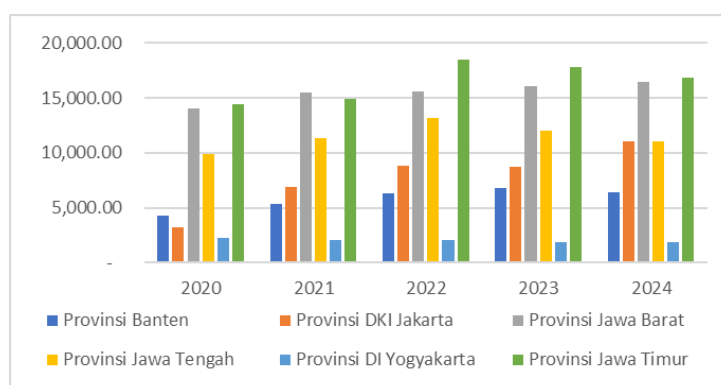
1. Introduction

Decentralization focused on regencies and cities provides opportunities for local governments to manage their affairs in creative, productive, and innovative ways. Through this policy, various regional strengths such as agriculture, fisheries, mining, tourism, and other sectors can be fully leveraged to drive increased productivity and economic growth (Hildawati et al., 2024). In essence, decentralization and regional autonomy, as stipulated in Undang-Undang Nomor 23 Tahun 2014, grant regions the rights, authority, and obligations to regulate and manage their own governmental affairs and the interests of the local community within the framework of the Unitary State of the Republic of Indonesia.

In exercising regional autonomy, local governments have a financial planning tool known as the Regional Revenue and Expenditure Budget (APBD). Based on Peraturan Pemerintah Nomor 12 Tahun 2019, the APBD is the annual financial plan for a region, established by regional regulation. The APBD serves as the legal basis for local governments to implement various development programs and provide services to the public, while also functioning as a fiscal policy instrument that outlines the direction and priorities of regional development (Mardiasmo, 2018).

One of the most important components of the APBD is capital expenditure. Capital expenditure serves to improve the quality of education and health care, which ultimately promotes public welfare. According to data from the BPS (2025), Java is the region with the

largest population in Indonesia, comprising six provinces: Banten, Jakarta, West Java, Central Java, Yogyakarta, and East Java. The following graph shows capital expenditures for each province on Java from 2020 - 2024.



Source: DJPK (2024)

Figure 1. Capital Expenditures for Each Province On Java Island 2020 – 2024 (in Billions of Rupiah)

Based on the figure above, provincial capital expenditure on the island of Java during the 2020–2024 period shows significant differences in allocation among provinces. West Java Province experienced stable and consistent growth in capital expenditure, without any decline throughout that period. In 2021, West Java was recorded as the province with the highest capital expenditure, driven by the implementation of National Strategic Projects (PSN) to support economic recovery during the pandemic (Bank Indonesia, 2021).

However, the increase in capital expenditures across all local governments in West Java Province has not kept pace with the fluctuating growth of local revenues. According to data from the Directorate General of Fiscal Balance (2024), total revenues for all local governments in West Java declined in 2022 and 2023, while capital expenditures continued to rise from 2020 to 2024. This imbalance indicates a gap between normative provisions and the reality of local fiscal implementation.

Most local governments still rely on Regional Transfers (TKD) as the primary source of funding for development because Local Original Revenue (PAD) has not yet been fully capable of supporting fiscal autonomy. One of the crucial TKD instruments is the Balancing Fund. The Balancing Fund is closely linked to capital expenditures because it is a funding source that local governments can use to finance the development of long-term local assets (Taufiq et al., 2023).

Research by Sugianoor & Saipudin (2023), Arsallya et al., (2021), Wawo & Sulistyowati (2022), Taufiq et al., (2023), serta Putri et al., (2024), shows that Balancing funds have a positive effect on capital expenditures. This suggests that the more Balancing funds a region receives, the greater its ability to allocate funds for infrastructure development and the acquisition of fixed assets. Meanwhile, by Pratiwi et al., (2023) and Elviza et al., (2025) show that Balancing funds do not affect capital expenditure, while Ulhaq & Sudrajat, (2025) indicate a negative effect. These differing results suggest a research gap that requires further investigation.

Another factor influencing regional development financing is the Budget Surplus (SiLPA). SiLPA can be used to cover budget deficits, fund ongoing activities, or support priority programs, including infrastructure projects and the acquisition of fixed assets. The appropriate use of SiLPA

can support the sustainability of development financing, particularly in funding capital expenditures (Lestari & Setiawati, 2025).

Research by Sugianoor & Saipudin (2023), Arsallya et al., (2021), Dharmawan et al., (2024), serta Ulhaq & Sudrajat (2025) indicates that SiLPA has a positive effect on capital expenditure. This occurs because a large SiLPA reflects a budget surplus that can be reallocated to fund development programs in the following year, including the procurement of regional assets and infrastructure. Meanwhile, by Lubis & Ritonga, (2021) and Satria et al., (2022) state that SiLPA has no effect on capital expenditure, whereas Sinaga & Purba, (2023) found a negative effect. This inconsistency in findings is likely related of differences in the characteristic of the study region, the observation period, and the analytical method used, thus requiring further examination.

In addition to the Balancing Fund and SiLPA, local governments also receive additional fiscal capacity through the Regional Incentive Fund (DID). Unlike other components of TKD, the DID is not granted automatically; consequently, the manner of its allocation and use possesses unique characteristics that are of particular interest for research regarding their relationship to capital expenditure. Research specifically examining the impact of DID on capital expenditure remains very limited. This constitutes one of the novelties of this study: integrating DID as an independent variable alongside the Balancing Fund and SiLPA within the context of regency and city governments in West Java Province. Theoretically, DID allocated to high-performing regions should encourage increased productive spending, including capital expenditure. Another novelty lies in the study period, which covers 2020–2024, encompassing the COVID-19 pandemic and the post-pandemic economic recovery phase, which presents distinctive fiscal dynamics worthy of examination.

2. Literature Review and Hypothesis Development

2.1 Stewardship Theory

The Stewardship Theory proposed by Donaldson & Davis (1991) describes a situation in which managers are not motivated by personal interests but instead prioritize the interests and objectives of the principal, and act with a sense of responsibility, integrity, and a commitment to honesty in carrying out their duties (Dilliana & Herdi, 2022).

In this study, the Stewardship theory posits that local governments, as stewards entrusted by the people (the principals), have a responsibility to manage local financial resources—including the Balancing Fund, the Unspent Budget Balance (SiLPA), and the Direct Regional Allocation (DID)—in an optimal manner to promote productive capital expenditures. Through responsible management focused on the public interest, local governments are expected to improve the quality of public services and enhance community well-being (Putra et al., 2023).

2.2 The Effect of Balancing Funds on Capital Expenditure

The Balancing Funds is a fund sourced from the revenue of the State Budget and is allocated to local governments to finance local needs in the context of decentralization (Undang-Undang Nomor 33 Tahun 2004) . Provision regarding the Balancing Fund have been refined through Undang-Undang Nomor 1 Tahun 2022 on Financial Relations Between the Central Government and Local Governments. Under this Law, the Balancing Fund is part of transfer to local governments, reflecting the government's new policy to strengthen fiscal relations between the central and local governments. The Balancing Fund serves to support local governments in

financing their authorities, balance funding sources between the central and local governments, and reduce funding disparities regiona (Irwan et al., 2022).

According to Stewardship Theory, local governments act as stewards who are entrusted with managing public resources to maximize community welfare and achieve regional development objectives. One of the primary sources of local government revenue is balancing funds, which are transfers from the central government aimed at reducing fiscal disparities and enhancing local fiscal capacity. The availability of greater balancing funds provides local governments with additional financial resources that can be allocated to development-oriented expenditures, particularly capital expenditure. Capital expenditure is essential for financing the acquisition, construction, and improvement of public infrastructure and other long-term assets that support economic growth and public service delivery. From a stewardship perspective, local governments are expected to utilize balancing funds responsibly by prioritizing investments that generate long-term benefits for society. Therefore, an increase in balancing funds is likely to enhance the ability of local governments to undertake infrastructure projects and expand public facilities, leading to higher levels of capital expenditure.

H1: Balancing Funds has a positive effect on Capital Expenditure

2.3 The Effect Budget Surplus on capital Expenditure

The Budget Surplus, hereinafter referred to as SiLPA, is the excess of actual budget revenue over actual budget expenditures during a single budget period ((Peraturan Pemerintah Nomor 12 Tahun 2019). The Budget Surplus is the excess of actual budget revenue over actual budget expenditures during a single budget period. SiLPA is included in local government financing revenue derived from the previous fiscal year (Amin, 2019).

Stewardship Theory suggests that government officials, as stewards of public resources, are motivated to act in the best interests of the community by allocating financial resources efficiently and responsibly to promote sustainable development and public welfare. A budget surplus reflects a favorable fiscal condition in which government revenues exceed expenditures during a fiscal period, creating additional financial capacity for future spending. This surplus provides local governments with greater flexibility to finance development programs without relying excessively on external funding sources. From a stewardship perspective, local governments are expected to utilize surplus funds to support long-term public interests through increased capital expenditure, such as investments in infrastructure, public facilities, and other productive assets that enhance service quality and stimulate economic growth. The availability of budget surplus enables governments to undertake development projects that may otherwise be constrained by limited fiscal resources. Therefore, a higher budget surplus is expected to increase the allocation of capital expenditure as local governments seek to maximize public benefits through strategic investments in regional development.

H2: Budget Surplus (SiLPA) has a positive effect on Capital Expenditure

2.4 The Effect Regional Incentive Fund on Capital Expenditure

The Regional Incentive Fund (DID) is funding allocated in the State Budget (APBN) to specific autonomous regions based on certain performance criteria, with the aim of improving public service delivery, regional financial management, and the achievement of national development targets (Undang-Undang Nomor 1 Tahun 2022). The Regional Incentive Fund (DID) is a component of the TKDD that is sourced from the State Budget based on specific criteria or

categories, with the aim of recognizing improvements and/or specific performance achievements in the areas of financial management, government public services, basic public services, and community welfare (Peraturan Menteri Keuangan Nomor 160 Tahun 2021).

According to Stewardship Theory, local governments are entrusted with managing public resources in a manner that maximizes societal welfare and supports sustainable regional development. Regional Incentive Funds (RIF) are transfers provided by the central government to local governments as rewards for achieving strong performance in areas such as fiscal management, public service delivery, and regional governance. These funds are intended to encourage local governments to improve their performance and provide additional fiscal capacity to support development initiatives. From a stewardship perspective, local governments are expected to utilize Regional Incentive Funds responsibly by allocating them to programs and projects that generate long-term benefits for the community. One of the most effective ways to achieve this objective is through capital expenditure, which finances infrastructure development, public facilities, and other fixed assets that enhance economic productivity and public service quality. The additional resources provided through Regional Incentive Funds enable local governments to expand investment in development projects and strengthen regional infrastructure. Therefore, higher Regional Incentive Funds are expected to increase capital expenditure as local governments seek to fulfill their stewardship responsibilities and promote public welfare through sustainable investments.

H3: Regional Incentive has a positive effect on Capital Expenditure

To Achieve the research objectives, and test these hypotheses, the conceptual framework for reserach model in this study is illustrated as follows:

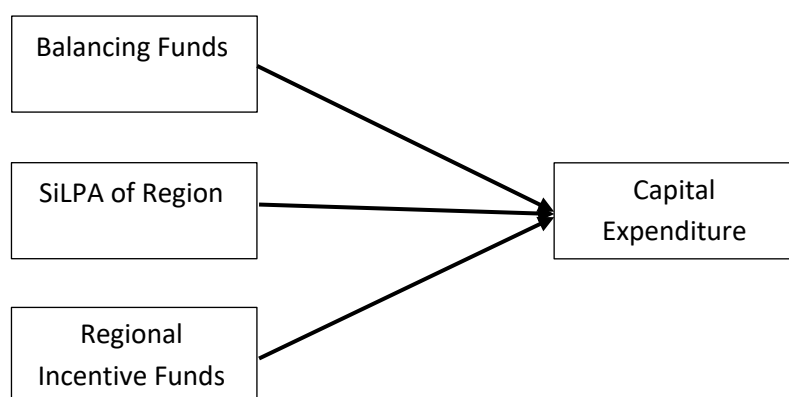


Figure 2. Research Model

3. Methodology

The research method used was a quantitative method with a causal-associative approach, in which this study aimed to identify and analyze the influence of the independent variables namely, Balancing Funds, Budget Surplus (SiLPA), and Regional Incentive Funds (DID) on the dependent variable, Capital Expenditures. The population in this study consists of all regencies and cities in West Java Province, totaling 27 regencies/cities. The sampling technique employed purposive sampling with the following criteria: (1) regencies/cities that consistently received balancing funds during the study period; (2) had a consistent Budget Surplus (SiLPA); and (3) consistently received Regional Incentive Funds (DID) during the study period.

Based on these criteria, 12 regencies/cities were identified as meeting the requirements, namely: Bandung Regency, Bekasi Regency, Bogor Regency, Ciamis Regency, Cirebon Regency, Garut Regency, Purwakarta Regency, Sukabumi Regency, Sumedang Regency, Bekasi City, Bogor City, and Sukabumi City. The total number of observations was 60.

This study uses three independent variables and one dependent variable. Balancing Fund (X_1) are measured by the total realized amount of DBH + DAU + DAK. SiLPA (X_2) is measured by the difference between realized revenue and realized local government expenditures. Regional Incentive Funds (DID) (X_3) are measured by the realized allocation of DID based on performance evaluations. Capital Expenditures (Y) are measured by the total realized capital expenditures, which include expenditures on land, equipment and machinery, buildings and structures, roads/irrigation/infrastructure, and other capital expenditures. All variables use a ratio scale in units of billions.

The data used consists of secondary data in the form of the Regional Revenue and Expenditure Budget (APBD) Implementation Reports, which have been audited by the Supreme Audit Agency (BPK), obtained from the official website of the Directorate General of Fiscal Balance, Ministry of Finance (www.djpk.kemenkeu.go.id) for the fiscal years 2020 through 2024.

Data analysis employs the panel data regression method, which combines cross-sectional data (12 regencies/cities) and time-series data (5 years: 2020–2024). The analysis stages include: (1) descriptive statistics; (2) selection of the panel data estimation model via the Chow Test and the Hausman Test; (3) testing of classical assumptions, consisting of normality tests, multicollinearity tests, and heteroscedasticity tests; and (4) hypothesis testing using the F-test (simultaneous) and t-test (partial) at a significance level of $\alpha = 0.05$. The panel data regression equation model used is:

$$CE = \alpha + \beta_1 BF_{i,t} + \beta_2 SiLPA_{i,t} + \beta_3 RIF_{i,t} + \varepsilon$$

where: CE reflects Capital Expenditure, BF reflects Balancing Funds, SiLPA reflects SiLPA, RIF reflects Regional Incentive Funds.

Variabel Definition

Independent Variable

This study uses three independent variables. Balancing Funds (X_1) are funds sourced from the state budget (APBN) and allocated to local governments to finance their needs in the context of decentralization; they are measured as the total realized amount of Revenue-Sharing Funds (DBH) plus General Allocation Funds (DAU) plus Special Allocation Funds (DAK). Budget Surplus (X_2) is the excess of actual regional revenue over actual regional expenditures at the end of the fiscal year, reflecting the efficiency of budget utilization. Regional Incentive Funds (DID) (X_3) are funds sourced from the State Budget (APBN) and allocated to specific regions based on certain criteria as a form of recognition for improvements and/or achievements in regional performance, measured by the realized DID allocation based on performance evaluation results.

Dependent Variable

Capital Expenditures (Y) are the dependent variable in this study, defined as budgetary expenditures made to acquire or add fixed assets and/or other assets that provide economic benefits over more than one accounting period. Capital Expenditures are measured based on the

total realized expenditures on land, equipment and machinery, buildings and structures, roads/irrigation/infrastructure, and other capital expenditures.

4. Result and Discussion

4.1 Descriptive Statistics

Statistics were used to provide an overview of the characteristics of the data for each research variable—namely, Balancing Funds (BF), Budget Surplus (SiLPA), Regional Incentive Funds (RIF), and Capital Expenditures prior to further analysis. The minimum, maximum, mean, median, and standard deviation for each variable during the 2020–2024 period are shown in the following table.

Table 1. Result of Descriptive Statistical Analysis

	Min	Max	Mean	Median	Std. Dev
BF	699,671	4.229,550	2.159,835	2.028,420	918,852
SiLPA	10,486	1.233,147	342,391	243,171	315,143
RIF	2,786	84,003	32,396	27,704	21,499
CE	81,796	1.991,689	612,809	470,905	417,703

Notes: BF reflects Balancing Funds, SiLPA reflects SiLPA, RIF reflects Regional Incentive Funds, CE reflects Capital Expenditure.

4.2 Model Testing

The model selection process was conducted using the Chow Test and Hausman Test. The Chow Test results indicate that the cross-section Chi-square probability value is 0.0000, which is lower than the significance level of 0.05. This result suggests that the Fixed Effects Model (FEM) is more appropriate than the Common Effects Model (CEM). Furthermore, the Hausman Test shows a probability value of 0.0309, which is also below 0.05. Consequently, the Fixed Effects Model (FEM) is preferred over the Random Effects Model (REM). Since both the Chow Test and Hausman Test consistently indicate that the Fixed Effects Model is the most suitable model, the Lagrange Multiplier (LM) Test is not required.

The normality test was performed using the Jarque-Bera statistic. The results show a Jarque-Bera probability value of 0.005195, which is lower than the significance level of 0.05. This finding indicates that the data are not normally distributed. To address the issue of non-normality, outlier detection was conducted using the z-score method as suggested by Ghazali (2018). Observations with z-score values greater than +2.5 or less than -2.5 were identified as potential outliers and considered for exclusion from the sample. However, after applying the z-score approach, the Jarque-Bera probability value remained at 0.005195, indicating that the data distribution was still not normal.

The multicollinearity test was conducted by examining the correlation matrix among the independent variables. The correlation coefficient between X1 and X2 was 0.379107, between X1 and X3 was 0.129071, and between X2 and X3 was 0.218903. Since all correlation coefficients are substantially below the threshold value of 0.90, it can be concluded that there is no indication of multicollinearity among the independent variables. Therefore, all independent variables can be included simultaneously in the regression model.

The heteroscedasticity test results indicate that the probability values for X1, X2, and X3 are 0.1671, 0.2415, and 0.1381, respectively. Since all probability values exceed the significance level of 0.05, the null hypothesis of homoscedasticity cannot be rejected. This finding suggests

that the variance of the residuals remains constant across observations, indicating the absence of heteroscedasticity in the model. Therefore, the regression model satisfies the assumption of homoscedasticity.

4.3 Panel Data Regression Analysis

Based on estimated results, the Prob. F value is $0,0000 < 0,05$ and $F_{\text{calculated}}$ is 40,32929, which means that $F_{\text{calculated}} > F_{\text{table}}$. Therefore, H_a is accepted and H_o is rejected, indicating that the variables of Balancing Funds, Budget Surplus (SiLPA), and Regional Incentive Funds (DID) collectively have a significant effect on Capital Expenditure.

Table 2. Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-81,73	207,67	-0,39	0,69
BF	0,23	0,08	2,83	0,00
SiLPA	0,32	0,15	2,17	0,03
RIF	0,44	0,86	0,51	0,61

Notes: BF reflects Balancing Funds, SiLPA reflects SiLPA, RIF reflects Regional Incentive Fund. Sources: Eviews12 output results (2026)

Based on Table 2, the regression equation for the panel data can be explained as the coefficient value of X_1 is 0,236021, indicating a positive relationship with variable Y. Meanwhile, the significance value is $0,0074 < 0,05$ and $t_{\text{calculated}}$ is $2,833170 > t_{\text{table}}$ of 0,678660. Therefore, H_a is accepted and H_o is rejected, meaning that the Balancing Funds has a partial positive effect on capital expenditure. Similarly, the coefficient value of X_2 is 0,328277, indicating a positive relationship with variable Y. Meanwhile, the significance value is $0,00364 < 0,05$ and $t_{\text{calculated}}$ is $2,170973 > t_{\text{table}}$ of 0,678660. Therefore, H_a is accepted and H_o is rejected, meaning that the Budget Surplus (SiLPA) has a partial positive effect on capital expenditure. In contrast, The coefficient value of X_3 is 0,444266, indicating a positive relationship with variable Y. Meanwhile, the significance value is $0,6124 > 0,05$ and $t_{\text{calculated}}$ is $0,511006 > t_{\text{table}}$ of 0,678660. Therefore, H_a is rejected and H_o is accepted, meaning that the Regional Balancing Funds (DID) have no partial effect on Capital Expenditure.

The adjusted R-squared value is 0,903162, or 90,3162%. This coefficient of determination indicates that the independent variables comprising the Balancing Fund the Budget Surplus (SiLPA), and the Regional Incentive Fund (DID) can explain 90,3162% of the Regional Financial Performance variable, while the remaining 9.6838% is explained by other variables not included in this research model.

4.5 Discussion

The Partial Effect of the Balancing Fund on Capital Expenditures in Regencies/Cities in West Jawa Province for the 2020-2024 Period

Based on the results of the above analysis, it can be concluded that the Balancing Fund influences capital expenditures of regencies and cities in West Jawa Province for the 2020–2024 period. Based on these results, the Balancing Fund plays a crucial role in influencing the allocation of capital expenditures by local governments, as most districts and cities in West Jawa Province remain heavily reliant on fund transfers from the central government due to the limited capacity of their own-source revenue (PAD).

Pursuant to Undang-Undang Nomor 33 Tahun 2004 on Balancing between the Central Government and Local Governments, the Balancing Fund comprising the Revenue Sharing Fund (DBH), the General Allocation Fund (DAU), and the Special Allocation Fund (DAK) is designed as a fiscal instrument to reduce disparities in financial capacity among regions while supporting the implementation of fiscal decentralization. The larger the Balancing Fund received, the greater the fiscal space available to local governments to allocate budgets to Capital Expenditure items, particularly to finance infrastructure development, public facilities, and infrastructure that directly serve the public interest (Taufiq et al., 2023).

Data from Badan Pusat Statistik (BPS), (2024) support this finding, showing that revenue from the Balancing Fund for district and cities in West Java Province increased following the Covid-19 pandemic, which was subsequently followed by an increase in Capital Expenditures in response to the need for economic recovery and regional infrastructure development. Nevertheless, this relationship does not always occur consistently across every period and in every region, given that Capital Expenditure are also influenced by other factors such as budget policy priorities and the fiscal condition of each region.

The findings of this study are consistent with Stewardship theory, according to which the Balancing Fund provided by the central government to local governments reflect a relationship of trust between the central government as the delegator of authority and local governments as the stewards of resources. The research findings indicate that local governments, as Stewards, have been able to manage the Balancing funds optimally and have been responsible for allocating them for the public interest, particularly through allocations to Capital Expenditures that can improve community welfare and drive regional development.

These finding are consistent with studies conducted by Sugianoor & Saipudin, (2023) Arsallya et al., (2021), Wawo & Sulistyowati, (2022), Taufiq et al., (2023), Putri et al., (2024), Muttaqin et al., (2021), Hadi & Kusuma, (2023) and Irwan et al., (2022) all of which state that the Balancing Fund has a positive and significant effect on Capital Expenditure.

However, these findings contradict the results of studies by Pratiwi et al., (2023) and Elviza et al., (2025) who state that the Balancing Fund has no effect on Capital Expenditure because it is primarily used to finance routine expenditure, as well as contradicting Ulhaq & Sudrajat, (2025) who found a negative effect of the Balancing Fund on Capital Expenditure.

The Effect Budget Surplus (SiLPA) on Capital Expenditure in Regencies/Cities in West Java Province for the 2020-2024 Period

Based on the results of the above analysis, it can be concluded that the Budget Surplus (SiLPA) has a positive impact on capital expenditures of regencies and cities in West Java Province for the 2020–2024 period. These results indicate that SiLPA, recorded as financing revenue in the Regional Budget (APBD), serves as an additional funding source for local governments expanding fiscal capacity without relying on new revenue—thereby creating greater budgetary flexibility to fund large-scale capital expenditure needs such as infrastructure development and the acquisition of fixed assets (Lestari & Setiawati, 2025).

According to the Central Statistics Agency (BPS), (2024), The SiLPA of regencies and cities in West Java Province from the previous year has been shown to be included as financing revenue that tangibly supports the realization of capital expenditures. Local governments with larger SiLPA balances tend to have a greater capacity to increase capital expenditures in the subsequent budget period. Data from the study period indicate that changes in SiLPA values are

generally followed by changes in capital expenditures, although this does not always occur uniformly across all periods and regions.

The findings of this study are consistent with Stewardship theory, which holds that local governments, as stewards of public finances, have a responsibility to utilize available financial resources effectively and efficiently for the benefit of the community. These results indicate that the Budget Surplus (SiLPA) held by local governments in West Java Province has been utilized to support regional development through increased Capital Expenditures. Therefore, the positive impact of SiLPA on Capital Expenditures demonstrates that local governments are striving to optimize available budget surpluses to improve the quality of public services and the welfare of the community.

These findings are consistent with the results of studies conducted by Sugianoor & Saipudin, (2023), Arsallya et al., (2021), Dharmawan et al., (2024), Ulhaq & Sudrajat, (2025), and Angelina et al., (2024) which state that SiLPA has a positive and significant effect on capital expenditure. Conversely, this finding differs from the results of Lubis & Ritonga, (2021) and Satria et al., (2022) which indicate that SiLPA has no effect on capital expenditure. Furthermore, these results also contradict those of Sinaga & Purba, (2023) who found that SiLPA has a negative effect on capital expenditure.

The Effect of Regional Incentive Funds (DID) on Capital Expenditures in Regencies/Cities in West Java Province for the 2020-2024 Period

Based on the results of the above analysis, it can be concluded that the Regional Incentive Fund (DID) has no effect on capital expenditures of regencies and cities in West Java Province for the 2020–2024 period. The research results indicate that local governments do not use the Regional Incentive Fund (DID) as the primary basis for determining capital expenditures, even though the DID can serve as an additional source of funding for such expenditures. This is due to the nature of the DID as a block grant that does not require specific allocations for particular types of expenditures, allowing for flexible use according to local needs. Capital expenditures are fundamentally structured based on regional development needs that must be met regardless of whether additional DID funds are available. When DID funds increase, local governments do not immediately increase capital expenditures because spending allocations have already been planned based on priority needs. Conversely, when DID funds decrease, capital expenditure needs persist, so local governments continue to allocate budgets to meet development and public service needs.

Furthermore, the use of DID is not specifically limited to a single type of expenditure, such as capital expenditure, but is tailored to regional priorities and needs. In practice, particularly during the 2020–2024 period in West Java Province, DID was primarily utilized to support routine operational expenditures—such as personnel costs and expenditures on goods and services—as well as to fund short-term regional priority programs that directly support public services. This indicates that DID tends not to be focused on capital expenditures but is directed toward more urgent needs aligned with the region's policy priorities during that period (DJPB, 2021).

Under the theory of stewardship, local governments, as stewards, are responsible for managing funds from the central government, one of which is the DID. District and city governments in West Java Province have been responsible for managing the DID for the public good. In practice, the allocation of DID is not focused on capital expenditures but rather on more

urgent and prioritized local needs, such as public health or the local economy, which are funded by operational expenditures.

5. Conclusion

This study aims to analyze the impact of the Balancing Fund, Budget Surplus (SiLPA), and Regional Incentive Fund (DID) on capital expenditures in regency and municipal governments in West Java Province for the 2020–2024 period. The results indicate that, taken together, the Balancing Fund, SiLPA, and DID have a significant impact on capital expenditures. Partially, the Balancing Fund and SiLPA were found to have a significant positive effect on Capital Expenditures, whereas the Regional Incentive Fund (DID) did not have a significant effect on Capital Expenditures. These findings indicate that local fiscal capacity derived from central government transfers and budget surpluses plays a crucial role in supporting infrastructure development and the acquisition of local assets. However, the DID has not yet been fully directed toward productive expenditures, as it is more frequently used to support operational needs and short-term local priority programs. Consequently, the management of financial resources.

This study has both theoretical and practical implications. Theoretically, this study reinforces Stewardship Theory and the concept of fiscal decentralization, which explain that local governments, as stewards, have a responsibility to manage local financial resources optimally for the public good through increased capital expenditures. Furthermore, this study expands the empirical analysis of factors influencing Capital Expenditures by including the Regional Incentive Fund (DID) as an independent variable.

Practically, the findings indicate that local governments need to optimize the utilization of the Balancing Fund and the Unspent Budget Balance (SiLPA) to better direct them toward infrastructure development and the provision of productive public facilities. Local governments also need to improve the quality of planning and the efficiency of budget absorption so that SiLPA does not merely become a budget surplus but can be effectively utilized to support regional development. Furthermore, the central government needs to evaluate the effectiveness of DID policies so that their use is better able to drive increased capital expenditure and sustainable regional development.

This study have several recommendation. First, For district and city governments in West Java Province, it is recommended to improve the effectiveness of managing the Balancing Fund, Unspent Budget Surplus (SiLPA), and Direct Regional Allocation (DID) to better support capital expenditures, particularly the development of infrastructure and public facilities that directly impact community welfare. Local governments also need to improve the quality of budget planning and oversight to minimize unproductive SiLPA. Second, for the central government, it is recommended to evaluate the mechanisms for the distribution and utilization of the Regional Incentive Fund (DID) so that it is more directed toward productive activities and oriented toward long-term regional development. Third, for future researchers, it is recommended to include additional variables that may influence Capital Expenditures, such as Local Own-Source Revenue (PAD), economic growth, fiscal autonomy levels, and population size. Future research is also encouraged to expand the geographical scope and study period to ensure the findings are more comprehensive and representative.

Declaration of Conflicting Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

References

- Amin, F. (2019). *Penganggaran di Pemerintah Daerah*. (Tim UB Press, Ed.). Malang: UB Press.
- Angelina, C., Clarina, C., & Wirafanjaya, W. (2024). Pengaruh Pertumbuhan Ekonomi, Pendapatan Asli Daerah, Dana Alokasi Umum Dan Sisa Lebih Perhitungan Anggaran Terhadap Pengalokasian Belanja Modal. *Jurnal Riset Ekonomi dan Keuangan Syariah*, 1(1), 29–37.
- Arsallya, M. R., Azwardi, A., & Yusnaini, Y. (2021). Analysis of factors affecting capital expenditures and their implications on government financial performance provinces in Indonesia 2011-2019. *International Journal of Research in Business and Social Science* (2147- 4478), 10(5), 95–106. doi:10.20525/ijrbs.v10i5.1195
- Bank Indonesia. (2021). *Laporan Perekonomian Provinsi Jawa Barat*.
- BPS. (2024). *Statistik Keuangan Pemerintah Daerah Provinsi dan Kabupaten/Kota di Provinsi Jawa Barat*.
- BPS. (2025). Jumlah Penduduk Pertengahan Tahun (Ribu Jiwa), 2025. Retrieved 4 December 2025, from <https://www.bps.go.id/id/statistics-table/2/MTk3NSMy/jumlah-penduduk-pertengahan-tahun--ribu-jiwa-.html>
- Dharmawan, N., Kusuma, I., & Mukmin, M. (2024). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus Dan Sisa Lebih Perhitungan Anggaran Terhadap Belanja Modal. *Journal Of Social Science Research*, 4(5), 2125–2139.
- Dilliana, S. M., & Herdi, H. (2022). *Manajemen Keuangan Daerah*. (D. Winarni, Ed.). Purbalingga: CV. Eureka Media Aksara.
- DJPB. (2021). *Kajian Fiskal Regional*.
- Elviza, R., Dewi, M., Dewi, A., Novita, W., & Zusmawati. (2025). Pengaruh Pendapatan Asli Daerah dan Dana Perimbangan Terhadap Belanja Modal Kabupaten/Kota Provinsi Sumatera Barat. *Jurnal Manajemen dan Akuntansi*, 10(1), 1–12.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Badan Penerbit Universitas Diponegoro.
- Hadi, M. S., & Kusuma, D. (2023). Pengaruh Pendapatan Asli Daerah Dan Dana Perimbangan Terhadap Belanja Modal Dengan Pertumbuhan Ekonomi Sebagai Variabel Pemoderasi. *Jurnal Ekonomi dan Bisnis*, 17(1), 51–64.
- Hildawati, Erlianti, D., Afizal, D., Hendrayady, A., Riwayati, A., Widayanti, ... Amane, A. P. ode. (2024). *Sistem Administrasi Negara*. (E. Rianty, Ed.). Daerah Istimewa Yogyakarta: PT. Green Pustaka Indonesia.
- Irwan, Mursalim, & Nurwanah. (2022). Pengaruh Pendapatan Asli Daerah (PAD) dan Dana Perimbangan Terhadap Belanja Modal Dengan Pertumbuhan Ekonomi Sebagai Variabel Moderating. *Journal of Accounting Finance (JAF)*, 3(1).
- Lestari, R. P., & Setiawati, R. I. S. (2025). Belanja Modal Daerah : Dinamika Ketergantungan Fiskal, PAD, dan SiLPA di Kabupaten Gresik. *Academia Open*, 10(1). doi:<https://doi.org/10.21070/acopen.10.2025.11287>
- Lubis, F. A., & Ritonga, S. (2021). Pengaruh Dana Perimbangan dan Dana Sisa Lebih Perhitungan Anggaran (SILPA) Terhadap Belanja Modal pada Badan Pengelola Keuangan dan Aset Daerah Kota Medan. *Jurnal Pendidikan Tambusai*, 5, 9517–9524.
- Mardiasmo. (2018). *Otonomi & Manajemen Keuangan Daerah*. (Mardiasmo, Ed.). Yogyakarta: Penerbit Andi.
- Menteri Keuangan Republik Indonesia. Peraturan Menteri Keuangan Nomor 160/PMK.07/2021 tentang Pengelolaan Dana Insentif Daerah, Kementerian Keuangan Republik Indonesia § (2021). Retrieved from <https://peraturan.bpk.go.id/Details/187673/pmk-no-160pmk072021>
- Muttaqin, E. E., Sari, W. P., Ritonga, P., & Fadillah, D. (2021). Pengaruh Pendapatan Asli Daerah dan Dana Perimbangan Terhadap Belanja Modal Pemerintahan Daerah Kabupaten.

- Economics, Business and Management Science Journal*, 1(1), 22–28. doi:10.34007/ebmsj.v1i1.7
- Pratiwi, L., Zainab, Putra, H., & Al-Sakinah, P. (2023). Pengaruh Pendapatan Asli Daerah Dan Dana Perimbangan Terhadap Belanja Modal Pada Pemerintah Kabupaten/Kota Di Provinsi Nusa Tenggara Barat. *Economics Business and Management Journal*, 2.
- Putra, L. F., Mubiarto, N., & Baining, M. E. B. (2023). Pengaruh Pertumbuhan Ekonomi, Pendapatan Asli Daerah, dan Dana Alokasi Umum Terhadap Alokasi Anggaran Belanja Modal. *Journal Islamic Accounting Competency*, 3(2), 71–89.
- Putri, J. M., Faridak, & Hartaty, S. (2024). Determinan Belanja Modal Pemerintah Kabupaten/Kota Di Provinsi Bangka Belitung. *JURNAL MANEKSI*, 13(4), 924–932.
- Putri, N. F., Indriani, R., & Rahmadini, D. (2024). Effectiveness of Local Revenue and Balance Funds on Capital Expenditure in Indonesian Local Government. *JURNAL AKUNTANSI DAN BISNIS : Jurnal Program Studi Akuntansi*, 9(1), 1–8. doi:10.31289/jab.v10i1.10791
- Republik Indonesia. Undang-Undang Nomor 33 Tahun 2004 tentang Perimbangan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah, Lembaran Negara Republik Indonesia Tahun 2004 Nomor 126 § (2004). Retrieved from <https://peraturan.bpk.go.id/Details/40770/uu-no-33-tahun-2004>
- Republik Indonesia. UU RI Nomor 23 Tahun 2014 tentang pemerintah daerah, Lembaran Negara Republik Indonesia § (2014).
- Republik Indonesia. Peraturan Pemerintah Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah, Lembaran Negara Republik Indonesia Tahun 2019 Nomor 42 § (2019). Retrieved from <https://peraturan.bpk.go.id/Details/103888/pp-no-12-tahun-2019>
- Republik Indonesia. Undang-Undang Nomor 1 Tahun 2022 tentang Hubungan Keuangan antara Pemerintah Pusat dan Pemerintah Daerah, Lembaran Negara Republik Indonesia Tahun 2022 Nomor 4, Lembaran Negara Republik Indonesia Nomor 6757 § (2022). Retrieved from <https://peraturan.bpk.go.id/Details/195696/uu-no-1-tahun-2022>
- Satria, M., Kosasih, J., Gulo, Y., & Ginting, W. (2022). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus Dan Sisa Lebih Perhitungan Anggaran Terhadap Belanjamodal. *Jurnal Ilmiah MEA (Manajemen, Ekonomi, dan Akuntansi)*, 6(2), 743–757.
- Sinaga, M., & Purba, I. (2023). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum Dan Sisa Lebih Perhitungan Anggaran Terhadap Belanja Modal. *Jurnal Ilmiah Akuntansi*, 2(2), 150–162.
- Sugianoor & Saipudin. (2023). Analisis Pengaruh Pajak Daerah, Retribusi Daerah, Dana Perimbangan, dan SiLPA terhadap Belanja Modal. *Jurnal Ilmu Ekonomi dan Pembangunan*, 6(1), 124–135.
- Taufiq, I., Darmanto, & Wikan Budi Utami. (2023). Pengaruh Pajak Daerah, Retribusi Daerah, dan Dana Perimbangan Terhadap Belanja Modal di Provinsi Jawa Barat Tahun 2020-2022. *Jurnal Ilmiah Keuangan Akuntansi Bisnis*, 2(3), 404–411. doi:10.53088/jikab.v2i3.64
- Ulhaq & Sudrajat. (2025). Pengaruh Pendapatan Asli Daerah (PAD), Dana Perimbangan, Dan Sisa Lebih Perhitungan Anggaran (SiLPA) Terhadap Belanja Modal Pada Pemerintah Kabupaten Bandung Barat Tahun 2014- 2021. *Indoneian Accounting Research Journal*, 5(2), 118–129.
- Wawo, Y., & Sulistyowati, E. (2022). Pengaruh Anggaran Pendapatan Asli Daerah Dan Dana Perimbangan Laporan Keuangan Pemerintah Daerah Terhadap Belanja Modal. *Jurnal Ilmu Riset Akuntansi*, 11(10).