

FLYPAPER EFFECT ON THE INFLUENCE OF GENERAL ALLOCATION FUNDS AND ORIGINAL REGIONAL INCOME ON REGIONAL EXPENDITURE OF NORTH SUMATRA PROVINCE



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Abstract

This research analyzes the implementation of Vocational Education policies in Indonesia with a focus on the factors that influence the success of the program. Data was collected through surveys and interviews with various related parties, as well as reviewing official documents related to education policy. The research results highlight several important aspects, including the involvement of the industrial sector in the curriculum, the importance of adequate infrastructure, improving the quality of teachers, and synergy between educational institutions, government, and the industrial sector. These findings provide important insights into the strategic steps needed to increase the effectiveness and relevance of Vocational Education in preparing a workforce ready for global market demands. In conclusion, increasing collaboration and attention to these various aspects is the key to improving the quality and competitiveness of the Indonesian workforce in the future.

Keywords: Flypaper Effect, Regional Original Income, Regional Expenditures

INTRODUCTION

The flypaper effect as the main phenomenon in this research is a condition that occurs when local governments respond (spend) more or are wasteful by using transfer funds (grants) proxied by DAU and DAK for regional expenditure purposes rather than using their own capabilities, proxied by PAD. The flypaper effect phenomenon has broader implications that transfers will increase regional government spending which is greater than the transfer receipts themselves (Turnbull, 1992).

The flypaper effect itself is an asymmetric or non-asymmetric response to a decrease and increase in the use of transfer funds from the central government, according to (Tresch, 2002) stating that transfer funds provide a certain period of time with an indication that there are parties who benefit from transfer receipts which tend to increase. The government hopes to minimize excessive responses to regional spending as little as possible.

Most of Sumatra Province is experiencing a process of expansion, Sumatra Island which consists of ten provinces, therefore the author wants to know whether there is a flypaper effect and how DAU, DAK and PAD influence Regional Expenditures in the Regional Government of North Sumatra province. There are two possibilities that can be seen from the research as to whether or not the flypaper effect is occurring in North Sumatra. If it is proven that the flypaper effect is occurring, then the regional government must monitor the policies that have been established. With this, the government can be more able to innovate and explore natural resources found in their respective regions. each.

The influence of the General Allocation Fund on Regional Expenditures when fiscal de-sterilization begins to be implemented, the government hopes that regions can manage their resources so that they do not rely on the General Allocation Fund. In some regions, the function of the General Allocation Fund is very significant because the amount of the General Allocation Fund dominates regional expenditure policies more than PAD (Sidik, 2002). In every region that receives transfers from the General Allocation Fund, it will be designated for regional spending, so regional governments often determine regions pessimistically and transfers from the General Allocation Fund will be received more if the spending plans tend to be optimistic. Special Allocation Funds are funds sourced from the APBN which are allocated to certain regions to fund special activities which are regional

affairs and by the national priority scale. The aim is to help finance special regional needs. Apart from that, to deal with urgent situations such as natural disasters, emergency funds can be allocated to regions.

The Influence of Original Regional Income (PAD) on Regional Expenditures. One of the goals of fiscal decentralization is to create capacity in regional finance, where regional governments can explore local financial sources, especially PAD. Regions that are likely to have a better level of per capita income then the PAD growth rate must be positive, so that economic growth in a region can have a positive influence. In this case, if PAD increases, the funds managed for development will increase in the sense that the increase in expenditure will increase then The greater the income obtained, the more regional budget funds tend to run out. In this case the government will take the initiative to increase economic growth and explore regional potential.

Original Regional Income is revenue obtained from the regional tax sector, separated, and other legitimate regional original income. General Allocation Funds are several funds allocated to each Autonomous Region (province/district/city) in Indonesia each year as development funds. DAU is also a component of expenditure in the APBN, and is a component of APBD revenue.

To realize fiscal independence, equitable development and improve welfare at the regional level, the government has begun implementing fiscal decentralization in the reform era since January 1st, 2001, with the promulgation of Law Number 22 of 1999 concerning Regional Government and Law Number 25 of 1999 concerning Financial Balance between Central and Regional Governments. Through fiscal decentralization, regional governments have the authority to collect revenues and carry out an allocation role independently in setting development priorities. By implementing regional autonomy and fiscal decentralization, it is hoped that development can be more evenly distributed in accordance with the potential and desires of each region, as well as providing better public services and a more democratic public decision-making process (Jaya, 2021: 125).

The form of fiscal decentralization in Indonesia is through transfers to regions (TKD) with various components, such as general allocation funds (DAU), profit sharing funds (DBH), special allocation funds (DAK), special autonomy funds (Otsus) and DI Yogyakarta special funds, village funds, and fiscal incentives. To reduce regional financial

gaps and improve public services, the government allocates DAU. However, the role of DAU has not been optimal so far because the DAU formula has not been able to encourage regions to increase local revenue (PAD) or fiscal independence in the regions. So far, the DAU component has been mostly for administrative purposes, such as paying employee salaries and operational expenditure, so it has not been maximized for public service activities, providing infrastructure and improving welfare (Wardhana, 2013). On the other hand, DAK, which is expected to encourage economic growth and reduce development disparities between regions, has apparently not been fully effective in its implementation because there are still differences in needs between the central government and regional governments. This is one of the reasons why DAK implementation is still not optimal, thereby reducing the efficiency and effectiveness of fiscal policy implementation in improving regional welfare.

Fiscal decentralization and regional autonomy are two closely related things. Especially when talking about local taxes. The synergy between the central government and regional governments is certainly needed to increase central and regional tax revenues. One type of synergy in question is optimizing the exchange and utilization of tax data or information. So, referring to Article 1 number 7 UU No. 32 of 2004, decentralization means the transfer of government authority by the central government to autonomous regions to regulate and administer government affairs in the system of the Unitary State of the Republic of Indonesia. In line with this decentralization, the financing aspect is also decentralized. The implication is that regions are required to be able to finance their development costs independently. Therefore, the delegation of tasks carried out by regional governments with autonomy must be accompanied by a financial delegation.

One form of implementing regional autonomy in the aspect of regional financial management is called fiscal autonomy or fiscal decentralization. In other words, fiscal decentralization is community empowerment through the fiscal empowerment of local governments. Or simply, fiscal decentralization is the handover of fiscal authority from the central government to regional governments. Fiscal is all matters relating to taxes and state revenues. In this way, fiscal decentralization is regulated by regional governments in their authority to regulate regional finances, including tax collection. Fiscal decentralization can encourage economic growth by arguing that budget allocations for local public goods

carried out by regional governments are more in line with community needs because of the superior information possessed by regional governments.

Regional Government has now become a universally accepted basis for government administration with various forms of application in every country. This is in accordance with the fact that not all government affairs can be carried out by the Central Government, considering geographical conditions, the complexity of community development, the plurality of local social and cultural structures and the demand for democratization in the administration of government. Since the enactment of Law No. 32 of 2004 concerning Regional Government, many positive aspects are expected in the implementation of this Law. And the implementation of Regional Government is the existence of Regional Autonomy which can bring positive changes in the region in terms of regional authority to regulate themselves. This authority is a dream because a centralized government system tends to position regions as less important development actors or as peripheral actors. The aim of granting autonomy to regions is very good, namely to empower regions, including their communities, encouraging initiative and community participation in the governance and development process.

Regional Government Financial Plans are prepared in the APBD which consists of regional income, regional expenditure and regional financing. Revenue from PAD obtained by regional governments goes directly to the APBD, while transfer fund receipts in the form of DAU and DAK are channeled from the APBN to the APBD. These three income components are used for regional development purposes which are allocated in the form of regional expenditure.

The influence of DAU and PAD on Regional Expenditures has previously been researched and resulted in an analysis that when used with a lag, the influence of DAU on Regional Expenditures is stronger than PAD (Sukriy and Halim, 2004). This means that there is a flypaper effect in the Regional Government's response to DAU. Previous research has limitations in that the use of data/samples cannot fully be used as a basis for this. Sumatra Island, especially North Sumatra Province, has different economic and geographical characteristics.

REVIEW OF LITERATURE

Regional Finance

According to Mamesah (1995:45), regional finance is all rights and obligations that can be started with money, as well as everything in the form of money or goods that can be used as regional wealth as long as it is not owned/controlled by the state or higher regions and other parties. others according to the provisions/regulations.

From the description above, it can be seen that the keywords for regional finance are rights and obligations. Rights are regional rights to seek regional sources of income in the form of collecting regional taxes, regional levies, or other sources of revenue following applicable statutory provisions. Meanwhile, obligations are regional obligations to spend money to carry out all government affairs in the region.

Regional Budgeting and APBD

According to Supriyono (1990), the definition of a budget is a company's financial planning which is used as a basis for monitoring the company's finances for the coming period. A budget is a short-term plan that is prepared systematically based on a long-term plan that has been previously established.

Budgets are often also referred to as financial plans because the budgets prepared are expressed in monetary units. Budgeting in a company is a process for planning and controlling as an effort to systematize company finances. According to Indra Bastian (2010:193) the principles of budgeting are as follows:

1. Democratic means that the budget, whether related to income or expenditure, must be determined through a process that includes as many elements of society as possible, in addition to having to be discussed and approved by the legislature.
2. Fairness means that the state budget must be optimally directed towards the interests of the people and proportionally allocated to all groups in society according to their needs.
3. Transparency is the process of planning, implementing and being accountable for the state budget which must be known not only by people's representatives, but also the general public.
4. Having high morals means that the management of the state budget adheres to applicable legal regulations, and always refers to high ethics and morals.

5. Being careful means managing the state budget must also be done carefully, because resources are limited in number and expensive. This becomes increasingly important when it is related to the organization's debt elements.
6. Accountable means that the organization's financial management must be accountable at all times internally and externally to the people.

Public Policy

According to Muhlis Madani (2011), explains that policy is a complex phenomenon. This phenomenon consists of some decisions made by a number or several individuals. Apart from that, it is also made by existing government organizations. According to Widodo, in practice, good public policy must contain several elements. These elements and Muhlis Madani explained that policy is a complex phenomenon. This phenomenon consists of several decisions made by a number or several individuals. Apart from that, it was also made by existing government organizations, including the following:

1. A policy always has a goal or is oriented towards a certain goal.
2. A policy will contain actions or patterns of action from government officials.
3. A policy is what government officials do not something that would be done.
4. A public policy will be positive or "constitute the government regarding a particular problem". Also negative or "a government official's decision not to take a certain action".
5. Positive public policies are always based on certain legal regulations. These regulations are coercive or authoritative.

General Allocation Fund (DAU)

According to Law no. 33 of 2004 concerning the Balancing of Central and Regional Finances, General Allocation Funds (DAU) are funds sourced from APBN revenues that are allocated to equalize financial capacity between regions to fund regional needs in the implementation of decentralization. The general allocation fund is one of the balancing funds or income transfers intended for regional governments to achieve equal financial capacity between regions in implementing decentralization and meeting the needs of each region.

Each region receives a different amount of DAU because it must be allocated based on the size of the fiscal gap and basic allocation. Regional fiscal needs are regional funding

needs to carry out basic public service functions. Regional funding needs are measured successively from the population, area area, construction cost index, gross regional domestic product per capita, and human development index.

The General Allocation Fund (DAU) is a transfer of balanced funds from the central government in the form of a block grant sourced from APBN revenues which aims to fund regional needs and to reduce financial inequality between regions by applying a formula that takes into account the needs and potential of a region. DAU is determined based on the size of the fiscal gap in a region, which is the difference between regional needs and regional potential. General Allocation Funds are measured on a ratio scale using the following formula:

$$\text{General Allocation Fund (DAU)} = \times 100\% \frac{\text{LRA (DAU)}}{\text{APBD (DAU)}}$$

Regional Original Income (PAD)

Original Regional Income (PAD) is regional income sourced from regional taxes, regional levies separated regional wealth management results, and other legitimate regional original income. Sources of PAD revenue must continue to be sought to be used to finance routine expenditure and regional development expenditure in the era of regional autonomy.

In reality, Regional Original Income (PAD) as a source of funding for regional development has not contributed enough to regional growth, this requires regional governments to explore and increase regional income, especially sources of original regional income.

Original Regional Income is a regional government right that is recognized as a legitimate addition to the value of net assets, as stated in Law Number 23 of 2014 concerning Regional Government in Article 285 paragraph (1), Government Regulation Number 58 of 2005 concerning Regional Financial Management in Article 21 paragraph (1) and Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines for Regional Financial Management in Article 26 paragraph (1).

Original Regional Income (PAD) is regional income sourced from regional taxes, regional levies separated by regional wealth management results, and other legitimate regional original income. Sources of PAD revenue must continue to be sought to be used to finance routine expenditure and regional development expenditure in the era of regional

autonomy. Regional Original Income aims to provide flexibility to local governments in exploring funding for the implementation of regional autonomy.

Regional Original Income is measured on a ratio scale using the following formula:

$$\text{Locally-Generated Revenue (PAD)} = \frac{\text{LRA (PAD)}}{\text{APBD (PAD)}} \times 100\%$$

Regional Shopping

Regional expenditure (Permendagri No. 13 of 2006) is all regional obligations that are recognized as a deduction from the value of net assets in the relevant fiscal year period. Regional expenditure includes all expenditures from the Regional General Cash Account, which reduces current fund equity, which is a regional obligation in one budget year. Regional expenditure is used in the context of implementing government affairs which fall under the authority of the province or district/city, which consists of mandatory affairs and optional affairs which are determined by statutory provisions.

Regional spending when related to programs and activities is classified into two types, namely direct spending and indirect spending. Direct expenditure is budgeted expenditure that is directly related to the implementation of programs and activities. This expenditure is carried out to carry out programs and activities for regional governments and is budgeted for SKPD expenditure. Included in direct expenditure are: employee expenditure (wages and honorarium), goods and services expenditure and capital expenditure. Budgeted indirect expenditure is not directly related to the implementation of programs and activities. Consists of employee expenditure (salary and allowances, representation money), interest expenditure, subsidy expenditure, grant expenditure, social assistance expenditure, profit sharing expenditure, financial aid expenditure and unexpected expenditure. Indirect expenditure can only be budgeted by SKPKD.

In Law Number 23 of 2014, it is stated that regional expenditure is carried out to fund government affairs which are the authority of the regions, while government affairs which are the authority of the central government are funded from and at the expense of the APBN. The scale used in measuring Regional Expenditures in Regional Government is the ratio scale using the following formula:

$$\text{Regional Shopping} = \frac{\text{Total Regional Expenditure}}{\text{Total APBD}} \times 100\%$$

Flypaper Effect

The flypaper effect is a condition where the stimulus for regional expenditure caused by changes in the amount of transfers (unconditional grants) from the central government is greater than that caused by changes in regional income (Maimunah, 2006).

The flypaper effect is a phenomenon of deviation in the relationship between central government financial transfers and local government revenues or expenditures, which occurs when the government receives a grant, which will be used to increase its expenditure or spending without increasing local original income.

Maimunah (2006) further explained that the flypaper effect or better known as the flying paper effect is a condition that occurs when local governments respond (spend) more by using transfer funds (grants) which are proxied by DAU rather than using their own capabilities. Then Dougan and Kenyon (in Ndadari and Adi, 2008) stated that the flypaper effect is an oddity where the tendency of aid funds (transfers) will increase public spending significantly compared to the increase in income obtained by the community. Thus, the flypaper effect is a condition that occurs when local governments respond to spending more by using transfer funds (DAU) rather than using their regional income.

RESEARCH METHOD

This research uses quantitative research methods with Multiple Linear Regression Analysis. The type of approach that researchers use is a quantitative descriptive analysis approach with explanatory research. Quantitative research is research by obtaining data in the form of numbers or qualitative data that is summarized (Sugiyono, 2011). Explanatory research is research that explains the relationship between research variables and testing hypotheses that have been previously formulated (Singarimbun and Effendi, 1995; 5).

The sampling method in this research used a purposive sampling method. Purposive sampling is a sample determination technique with certain considerations in Sugiyono, (2016: 85). The reason for using this purposive sampling technique is that it is suitable for use in quantitative research, or research that does not carry out generalizations according to Sugiyono, (2016: 85). Multiple Linear Regression Analysis is a linear relationship between two or more independent variables (X_1, X_2, \dots, X_n) and the dependent variable (Y).

RESULTS AND DISCUSSION

Research Hypothesis Testing

A hypothesis is a strong conjecture or tentative answer to a problem and requires proof (Yusuf, 2017). Hypothesis testing carried out in this research consists of partial hypothesis testing (T-test), simultaneous hypothesis testing (F test), and coefficient of determination test (R2 test) as well as flypaper effect analysis which will be described as follows:

1. T Test (Partial Hypothesis)

The t test or also called the partial test is used to measure how much influence each independent variable partially (respectively) has on the dependent variable. The basis for making t test decisions can be done by comparing the calculated t value with the t table and comparing the significance value with a probability of 0.05. Before calculating the t-test, first look for the t table value (using the formula: $(\alpha/2 ; nk-1) = (0.05/2 ; 40-2-1) = (0.025 ; 37)$ where k = number of variables independent and n = number of research samples) then the t table value = 2.026). Meanwhile, the calculated t value obtained using the Eviews application can be displayed as follows.

Table 1.
Partial Hypothesis Test Results (t-Test)

Variable	Coefficient	Std. error	t-statistic	Prob.
C	1626701.	3471320	0.468612	0.6423
X1 (DAU)	3.002895	0.140684	21.34502	0.0000
X2 (PAD)	0.856905	0.052225	16.40786	0.0000

(Source: data processed by eviews)

In this research there are 2 independent variables so there are 2 t-tests that will be carried out, namely.

- a. Test the hypothesis of the influence of the General Allocation Fund (DAU) variable on Regional Expenditures (BD)

Based on the table above, the calculated t value = 21.34502 > t table = 2.026, and the value of Prob. = 0.0000 < 0.05 so Ha1 is accepted and H01 is rejected. This means that the General Allocation Fund (DAU) variable partially has a positive and

significant effect on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year.

- b. Test the hypothesis of the influence of the Regional Original Income (PAD) variable on Regional Expenditures (BD)

Based on the table above, the calculated t value = 16.40786 > t table = 2.026 and the value of Prob. = 0.0000 < 0.05 so H_a^2 is accepted and H_0^2 is rejected. This means that the Regional Original Income (PAD) variable partially has a positive and significant effect on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year.

2. F Test (Simultaneous Hypothesis)

The F test also called the simultaneous test is used to measure how much influence the independent variables simultaneously (together) have on the dependent variable. The basis for making an F-test decision can be done by comparing the calculated F value with the F table and comparing the significance value with a probability of 0.05. Before calculating the F test, first look for the F table value (using the formula: $(k ; nk) = (2 ; 40-2) = (2; 38)$ where k = number of independent variables and n = number of research samples) then we get table F value = 3.24). Meanwhile, the calculated F value obtained using the eviews application can be displayed as follows.

Table 2.

Simultaneous Hypothesis Test Results (F Test)

F-statistic	341.2617
Prob. (F-statistic	0.000000

(Source: data processed by eviews)

Based on the table above, the calculated F value = 341.2617 > F table = 3.24 and the Prob value. = 0, 000000 < 0.05 so H_a^3 is accepted and H_0^3 is rejected. This means that the General Allocation Fund (DAU) and Regional Original Income (PAD) variables simultaneously have a positive and significant effect on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year.

3. R2 Test (Coefficient of Determination)

The determination test was carried out to determine how much the research independent variables, namely the General Allocation Fund (DAU) and Original Regional Income (PAD), explain or influence the dependent variable, namely Regional Expenditures (BD) in North Sumatra Province. Based on the calculation results using the SPSS application, the coefficient of determination value is obtained as follows.

Table 3.

Determination Coefficient Analysis Test Results (R2)

R. Squared	0.951221
Adjusted R Squared	0.948434

(Source: data processed by evIEWS)

Based on the table above, it is known that the Adjusted R Squared value is 0.948434. This figure means that the General Allocation Fund (DAU) and Regional Original Income (PAD) variables are simultaneously able to explain or influence the Regional Expenditure (BD) variable in North Sumatra Province by 94.8434%, and the rest is explained/influenced by other variables that are not included in the regression analysis of this research, such as Special Allocation Funds, Tax Profit Sharing, Non-Tax Profit Sharing, and other income.

Flypaper Effect Analysis

After carrying out a significance analysis on each independent variable on the dependent variable either partially or simultaneously, the next stage is to carry out an analysis of the flypaper effect on regional spending in North Sumatra Province. The flypaper effect analysis was carried out by comparing the regression coefficient value of the General Allocation Fund (DAU) variable with the regression coefficient of the Regional Original Income (PAD) variable. If the DAU coefficient $>$ PAD coefficient then the flypaper effect phenomenon occurs, and vice versa. If the DAU coefficient $<$ PAD coefficient then the flypaper effect phenomenon does not occur.

Based on the results of previous calculations, the regression coefficient value for the DAU variable = 3.002895 and the regression coefficient value for the PAD variable = 0.856905, so the DAU coefficient $>$ PAD coefficient so that H_{a4} is accepted and H_{04} is

rejected. This means that the flypaper effect phenomenon occurred in Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year.

Discussion

The Influence of General Allocation Funds (DAU) on Regional Expenditures (BD)

Based on the results of the data processing and analysis that has been carried out, it shows that there is a significant influence between the General Allocation Fund (DAU) variable partially on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year. This is proven by a partial hypothesis test (t-test) where the calculated t value = $21.34502 > t \text{ table} = 2.026$ and the Prob value. = $0.0000 < 0.05$ so H_{a1} is accepted and H_{01} is rejected. The results of linear regression analysis also show that the General Allocation Fund (DAU) variable has a positive influence on Regional Expenditures (BD) in North Sumatra Province.

The results of this research are in line with research conducted by Rafi & Arza (2023) showing that the General Allocation Fund (DAU) variable partially has a positive and significant influence on Regional Expenditures (BD) in Regency/City Governments throughout West Sumatra Province for the 2016-2016 fiscal year. 2020. Furthermore, the results of this research are also in line with the results of research conducted by Subadriyah & Hidayat (2018) showing that the General Allocation Fund (DAU) variable partially has a positive and significant influence on District/City Regional Expenditures (BD) in Central Java Province for the 2015 fiscal year.

General Allocation Fund (DAU) as explained in Law no. 33 of 2004 concerning the Balancing of Central and Regional Finances, are funds sourced from APBN revenues allocated to equalize financial capacity between regions to fund regional needs in the implementation of decentralization. DAU is a balancing fund or income transfer aimed at regional governments to achieve equal financial capacity between regions in implementing decentralization and meeting the needs of each region. DAU is determined based on the size of the fiscal gap in a region, which is the difference between regional needs (fiscal need) and regional potential (fiscal capacity).

The Influence of Original Regional Income (PAD) on Regional Expenditures (BD)

Based on the results of the data processing and analysis that has been carried out, it shows that there is a significant influence between the partial Regional Original Income

(PAD) variable on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year. This is proven by a partial hypothesis test (t-test) where the calculated t value = $16.40786 > t \text{ table} = 2.026$ and the Prob value. = $0.000 < 0.05$ so H_a^2 is accepted and H_0^2 is rejected. The results of linear regression analysis also show that the Regional Original Income (PAD) variable has a positive influence on Regional Expenditures (BD) in North Sumatra Province.

The results of this research are in line with research conducted by Rambe, et al. (2023) shows that the Regional Original Income (PAD) variable partially has a positive and significant influence on Regional Expenditures (BD) in Provinces experiencing expansion in Indonesia for the 2014-2020 budget year. Furthermore, the results of this research are also in line with the results of research conducted by Apriliawati & Handayani (2016) showing that the Regional Original Income (PAD) variable partially has a positive and significant influence on Regional Expenditures (BD) in Regency/City Governments in East Java Province in budget 2012-2014.

Original Regional Income (PAD) is a very important source of funds for a region in meeting its expenditure. The amount of PAD that a regional government can obtain can be a benchmark for the level of independence of the region in meeting its expenditure. The higher the PAD generated to meet the region's own spending needs, the more likely it is that the region will no longer depend on the Central Government. So it can also be a parameter that the regional government is successful or has been able to become independent and become an autonomous region. The independence of a region in meeting its spending needs is a form of support from the regional government to the central government to advance the economy. Therefore, to achieve regional independence, PAD must have a large influence on regional expenditure.

The Influence of General Allocation Funds (DAU) and Original Regional Income (PAD) on Regional Expenditures (BD)

Based on the results of the data processing and analysis that has been carried out, it shows that there is a significant influence between the General Allocation Fund (DAU) and Regional Original Income (PAD) variables simultaneously on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year. This is proven by the simultaneous hypothesis test (F test), the calculated F value = $341.2617 > F \text{ table} = 3.24$,

and the Prob value. = 0.000000 < 0.05 so Ha3 is accepted and H03 is rejected. The results of the coefficient of determination test (R2) also show that the General Allocation Fund (DAU) and Original Regional Income (PAD) can explain or influence Regional Expenditures (BD) by 94.8434%.

The results of this research are in line with research conducted by Subadriyah & Hidayat (2018) showing that General Allocation Funds (DAU) and Regional Original Income (PAD) simultaneously have a positive and significant influence on Regency/City Regional Expenditures (BD) in Central Java Province 2015 fiscal year. Furthermore, the results of this research are also in line with the results of research conducted by Apriliawati & Handayani (2016) showing that General Allocation Funds (DAU) and Regional Original Income (PAD) simultaneously have a positive and significant influence on Regional Expenditures (BD) to the Regency/City Government in East Java Province for the 2012-2014 fiscal year.

General Allocation Funds (DAU) and Regional Original Income (PAD) of course influence Regional Expenditures (BD). This is because regional expenditure itself comes from PAD and Balancing Funds, one of which contains DAU. PAD in the case study of North Sumatra Province, in the last 5 years has had an amount that is no less large than the Balancing Fund originating from the APBN, although the Balancing Fund is still dominantly higher than PAD. Both are important indicators or variables in determining the amount of regional expenditure. DAU is the largest fund in the Balancing Fund section, so DAU is also a consideration in determining regional expenditure in North Sumatra Province.

Flypaper Effect Analysis on the Influence of General Allocation Funds (DAU) and Original Regional Income (PAD) on Regional Expenditures (BD)

Based on the results of the data processing and analysis that has been carried out, it shows that the flypaper effect phenomenon has occurred on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year. This is proven by the DAU coefficient value = 3.002895 > PAD coefficient value = 0.856905 so that Ha4 is accepted and H04 is rejected.

The results of this research are consistent with the results of research conducted by Ginting (2019) which states that of the 3 models used in the research, namely: total

spending, public spending in the education sector, and public spending in the health sector, all of them had a flypaper effect on regional spending in North Sumatra Province in budget 2013-2018. Other research results that are consistent with the results of this research are research conducted by Sianturi (2021) showing the existence of a flypaper effect on Regional Expenditures in North Sumatra Province which includes Regional Expenditures in 15 Regencies/Cities in the Province. North Sumatra 2013-2016 fiscal year.

In the end, the Flypaper Effect phenomenon resulted in the initial goal of the General Allocation Fund not being achieved, which was to overcome the fiscal gap that existed in the regions and also the goal of regional autonomy. This goal creates regional dependence on the central government. So, the regional government in this case is unable to maximize the utilization of sources of Original Regional Income. As a result, the region (North Sumatra) is not independent in meeting its regional expenditure.

Likewise, the central government is considered unsuccessful in achieving the goals of regional autonomy, one of which is decentralization. Because the central government cannot directly supervise the use of General Allocation Funds that have been given to regional governments, this has resulted in the use and achievement of these General Allocation Funds not being in line with expectations.

In line with the theory of Sagbas and Saruc (2008) regarding the sources of the flypaper effect, namely Fiscal illusion and The bureaucratic model. Fiscal illusion or fiscal illusion according to Amilcare Puviani (1903) occurs when government revenues are not fully transparent or not fully perceived by taxpayers, so government costs appear smaller than they are. Meanwhile, the bureaucratic model is the result of budget-maximizing behavior by bureaucrats (local politicians), who find it easier to spend transfers/grants rather than asking for tax increases, Sagbas and Saruc (2008).

Meanwhile, the implications of the district/city flypaper effect can be described as follows:

1. Causing gaps in fiscal lameness to remain;

One of the goals of regional autonomy is to overcome existing fiscal gaps. Likewise with the formulation of the General Allocation Fund amount, the calculation of which is based on the fiscal gap in the region. So with the flypaper effect in North Sumatra, instead of overcoming the existing fiscal gap, it did not have a significant effect. Based

on data on the realization of income and expenditure for the North Sumatra provincial government in 2021, the fiscal gap is still clearly visible, namely that the largest and smallest revenues are still very far apart. The largest income comes from the capital of North Sumatra, namely Medan City, Rp. 5,196,465,514,000, while the lowest is Rp. 537,584,721,000.

2. Causing non-maximum utilization of sources of local original income growth

There are 3 sources of original regional income, namely Regional Taxes, Regional Levies and Regional Wealth Management Results which are separated. Based on data on the realization of revenue from the North Sumatra provincial government (BPS, 2021), most of the original regional income comes from regional taxes, namely IDR. 5,991,151,366,000 while the lowest Regional Levy only contributed Rp. 38,408,031,000. Even though regional levies have great potential in contributing to regional original income. There are still many misuses of regional levies carried out by individuals from agencies and acts of thuggery from the community.

3. Causing an element of regional dependence on the central government;

There is an assumption that transfer funds from the center for which a budget has been made must be spent before the new budget year so that the next budget year is not reduced. This makes it seem as if local governments don't even want to transfer funds from the center to be reduced. This is considered an inability of regional governments to maximize the transfer of funds from the central government.

4. There is an excessive response in the use of transfer funds;

This is the same as the previous regional dependence on the central government because the transfer funds that had to be spent made the spending response from central transfers excessive. As a result, there is a lack of regional financial independence in the districts/cities concerned.

From the implications of the flypaper effect mentioned above, it is necessary to reconsider whether decentralization should be continued or not. Because in its implementation it does not have an impact on regional independence. Decentralization in the form of regional autonomy needs to be re-regulated, and regional governments also need to be responsible for receiving transfer funds from the central government.

The central government should pay attention that this general allocation fund will be able to provide effectiveness in managing regional income sources. Therefore, the central government must ask for accountability for the general allocation of funds provided, such as increasing regional revenues, economic growth, equitable development, and welfare at the district/city level in North Sumatra province.

CONCLUSION

Based on the results of the research and data processing and analysis that has been carried out, the following conclusions can be drawn from this research:

1. The General Allocation Fund (DAU) partially has a positive and significant effect on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year.
2. Regional Original Income (PAD) partially has a positive and significant effect on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 budget year.
3. General Allocation Fund (DAU) and Regional Original Income (PAD) simultaneously have a positive and significant effect on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 fiscal year.
4. A phenomenon occurred flypaper effect on Regional Expenditures (BD) in North Sumatra Province in the 2012-2021 fiscal year.

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