

The Impact of PAD and TKDD on Regional Expenditure in South Sumatra

Roni Juliansyah¹, Sugiharto², Riza Syahputera³, Yancik Syafitri⁴, Nurhudawi⁵

^{1),2),3),4)}Accounting Study Program, Faculty of Economics and Business, Universitas Tridinanti Palembang

⁵⁾Islamic Economics Study Program, Faculty of Islamic Studies, Universitas Islam Sumatera Utara

Email: ronimc2305@gmail.com¹⁾, sugiarto@univ-tridinanti.ac.id²⁾, riza_syahputera@univ-tridinanti.ac.id³⁾, yancik_syafitri@univ-tridinanti.ac.id⁴⁾, nhudawi@fai.uisu.ac.id⁵⁾

ABSTRACT

This study aims to analyze the effect of Local Own-Source Revenue (PAD) and Transfers to Regions and Village Funds (TKDD) on local government expenditures in regencies and cities in South Sumatra Province for the 2020–2024 period. The study employs a quantitative approach using secondary data obtained from the Budget Implementation Reports of the Directorate General of Fiscal Balance of the Ministry of Finance of the Republic of Indonesia. The research sample is determined through purposive sampling, resulting in 17 regencies/cities, including Palembang City, Prabumulih City, Lahat Regency, Banyuasin Regency, and Musi Banyuasin Regency, with a total of 85 observations analyzed by multiple linear regression. The results indicate that PAD and TKDD simultaneously have a positive and significant effect on local government spending, explaining 43.1% of the model's variance. Partially, PAD has a positive and significant effect, but TKDD exerts a far more dominant influence, confirming the flypaper effect due to high local fiscal dependence on central government transfers. The practical implications highlight the critical need for local governments to optimize PAD independently through intensification, extensification, and digitalization of local tax systems. Furthermore, local governments must enhance management efficiency by prioritizing budget allocation toward productive expenditures that support public services. For the central government, these findings imply the necessity of periodic evaluations of transfer fund formulas to ensure better targeting, promote local fiscal autonomy, and minimize the risk of spending inefficiencies at the regional level.

Keywords: Local Own-Source Revenue (PAD), Transfers to Regions and Village Funds (TKDD), Local Government Expenditures, Fiscal Autonomy.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh Pendapatan Asli Daerah (PAD) dan Transfer ke Daerah dan Dana Desa (TKDD) terhadap Belanja Daerah pada kabupaten/kota di Provinsi Sumatera Selatan periode 2020–2024. Penelitian menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari Laporan Realisasi Anggaran Direktorat Jenderal Perimbangan Keuangan Kementerian Keuangan Republik Indonesia. Sampel penelitian ditentukan melalui metode purposive sampling yang menghasilkan 17 kabupaten/kota, termasuk Kota Palembang, Kota Prabumulih, Kabupaten Lahat, Kabupaten Banyuasin, dan Kabupaten Musi Banyuasin, dengan total 85 data observasi yang dianalisis menggunakan regresi linier berganda. Hasil penelitian menunjukkan bahwa PAD dan TKDD secara simultan berpengaruh positif dan signifikan terhadap Belanja Daerah, dengan kemampuan penjelasan model sebesar 43,1%. Secara parsial, PAD berpengaruh positif dan signifikan, namun TKDD memiliki pengaruh yang jauh lebih dominan, mengonfirmasi terjadinya fenomena flypaper effect akibat tingginya ketergantungan fiskal daerah terhadap transfer pemerintah pusat. Implikasi praktis dari temuan ini menekankan pentingnya pemerintah daerah untuk melakukan optimalisasi penerimaan PAD secara mandiri melalui intensifikasi, ekstensifikasi, serta digitalisasi sistem perpajakan daerah. Selain itu, pemerintah daerah harus meningkatkan efisiensi pengelolaan dengan memprioritaskan alokasi pada sektor belanja produktif yang mendukung pelayanan publik. Bagi pemerintah pusat, hasil studi ini mengimplikasikan perlunya evaluasi berkala terhadap formula alokasi dana transfer agar lebih tepat sasaran guna mendorong kemandirian fiskal daerah serta meminimalkan risiko terjadinya inefisiensi alokasi anggaran belanja di tingkat daerah.

Kata Kunci: Pendapatan Asli Daerah (PAD), Transfer ke Daerah dan Dana Desa (TKDD), Belanja Daerah, Kemandirian Daerah.

1. Introduction

The implementation of regional autonomy in Indonesia through Law Number 23 of 2014 concerning Regional Government has shifted the paradigm of governance management from centralization toward fiscal decentralization. Mardiasmo (2021) emphasizes

that fiscal decentralization grants greater authority to regional governments in managing resources to improve the efficiency of public services. This transformation demands regional independence in financing governance and development through the optimization of revenue and the efficient allocation of expenditures.

In the context of regional finance, regional expenditure is the primary instrument for regional governments to realize public welfare. The size of the expenditure allocation depends on the region's ability to collect revenue from two primary sources: Regional Original Revenue (*Pendapatan Asli Daerah* - PAD) and Transfers to Regions and Village Funds (*Transfer ke Daerah dan Dana Desa* - TKDD). PAD serves as an indicator of fiscal independence, sourced from regional taxes, regional retributions, returns from separated regional wealth management, and other legitimate PAD (Law Number 33 of 2004). Meanwhile, TKDD functions as an instrument to equalize fiscal capacity across regions, which includes the Revenue Sharing Fund (*Dana Bagi Hasil*), General Allocation Fund (*Dana Alokasi Umum*), Special Allocation Fund (*Dana Alokasi Khusus*), Regional Incentive Fund (*Dana Insentif Daerah*), and Village Funds (*Dana Desa*).

The phenomenon of disparities in regional expenditure realization in South Sumatra Province serves as an important background for this study. Data from the Directorate General of Fiscal Balance (*Direktorat Jenderal Perimbangan Keuangan* [DJPK], 2025) shows diverse realization patterns across regions. Palembang City experienced fluctuations in expenditure realization from 81.93% in 2021 to 105.04% in 2022, before shifting to 90.31% in 2023. Musi Banyuasin Regency showed high volatility with realizations of 125.61% (2021) and 109.60% (2022), but dropped drastically to 84.91% in 2023. Meanwhile, PALI Regency displayed a more stable pattern, with realizations ranging from 84.43% to 102.91%.

This disparity raises a crucial question regarding the primary determinants of regional expenditure. Rosaeni (2022) analyzed the influence of PAD, DBH, DAU, and DAK on regional expenditure; however, that study focused only on a single region, thereby failing to capture the heterogeneity of fiscal characteristics across regions.

Based on this background, this study explicitly aims to:

1. Analyze and empirically prove the simultaneous effect of PAD and TKDD on Regional Expenditure in regencies/cities within South Sumatra Province for the 2020–2024 period.
2. Analyze and test the partial effect of PAD on Regional Expenditure in regencies/cities within South Sumatra Province for the 2020–2024 period.
3. Analyze and test the partial effect of TKDD on Regional Expenditure in regencies/cities within South Sumatra Province for the 2020–2024 period.

To achieve these objectives, this study utilizes a quantitative approach with multiple linear regression analysis applied to panel data from 17 regencies/cities in South Sumatra Province, comprising a total of 85 observations. A more in-depth operational explanation of the variables and testing instruments will be presented in detail in the research methodology section.

2. Literature Review

Agency Theory

Agency theory, developed by Jensen & Meckling (1976), explains the contractual relationship between the principal as the authority granter and the agent as the authority recipient, which involves the delegation of decision-making power. In the context of regional government, the public acts as the principal that mandates the regional government as the agent to manage public resources, including regional finance.

Lane (2003) argues that agency relationships in the public sector are more complex because they involve multiple principals (the public, the Regional House of Representatives [DPRD], and the central government) and multiple agents (regional executives and Regional Government Work Units [SKPD]), which creates a dynamic of multi-layered accountability. In this study, the agency problem phenomenon is reflected through the *flypaper effect*—the tendency of regional governments to be more responsive in increasing expenditures upon receiving TKDD than when experiencing an increase in PAD. Hines & Thaler (1995) define the *flypaper effect* as a condition where an increase in transfer funds stimulates regional expenditure to a greater extent than an equivalent increase in local revenue.

Regional Expenditure

Based on Government Regulation Number 12 of 2019 concerning Regional Financial Management, regional expenditure is defined as all expenditures from the regional general cash account that reduce the excess budget balance within the respective fiscal year period. Halim (2022) asserts that regional expenditure reflects the fiscal policy priorities of regional governments and serves as a performance indicator in providing public services to the community. The measurement of regional expenditure in this study utilizes the effectiveness ratio, which is the comparison between the realization of regional expenditure and the regional expenditure target, multiplied by 100%.

Regional Original Revenue (PAD)

Based on Law Number 33 of 2004, Regional Original Revenue (*Pendapatan Asli Daerah* - PAD) is defined as revenue obtained by the region and collected based on regional regulations in accordance with legislative provisions. PAD is a source of regional revenue that purely originates from local economic potential and serves as an important indicator in measuring the level of a region's fiscal independence (Mardiasmo, 2021). The components of PAD based on Law Number 1 of 2022 concerning HKPD (*Hubungan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah*/ Financial Relations between the Central Government and Regional Governments) consist of Regional Taxes, Regional Retributions, Profits from Separated Regional Wealth Management, and Other Legitimate PAD. Utari Handayani & NR (2020) confirm that an increase in PAD not only impacts fiscal capacity

but also fosters the vertical accountability of regional governments to the local community.

Transfers to Regions and Village Funds (TKDD)

Based on Law Number 1 of 2022, TKDD is defined as a portion of state expenditure allocated to finance the implementation of fiscal decentralization in the form of transfer revenues sourced from the State Budget (*APBN*) to the regions. Halim (2022) emphasizes that transfers from the central government function as an equalization mechanism to ensure that every region possesses the minimum capacity to provide standard public services; however, they have the potential to create high dependency if not balanced with the optimization of PAD.

Previous Studies and Hypothesis Development

Several previous studies provide a strong foundation for developing the hypotheses of this study. Rosaeni (2022) found that PAD, DBH, DAU, and DAK simultaneously have a significant effect on regional expenditure in Bandung City. Furthermore, Trisnani & Isthika (2022) found that PAD components, such as regional taxes and regional retributions, have a significant positive effect on capital expenditure. On the other hand, Utari Handayani & NR (2020) confirmed the positive effect of PAD on fiscal independence, while Ridwan & Anis (2022) proved that balancing funds (*dana perimbangan*) have a significant positive effect on government spending through expenditure mechanisms.

Research Gap and Significance of the Study

Although studies on the determinants of regional expenditure have been widely conducted, a distinct research gap remains. The majority of previous studies tend to focus on single-case studies or a macro-national scope, thereby overlooking the heterogeneity of fiscal characteristics among regencies/cities within a specific province. This study attempts to fill this literature gap by comprehensively focusing on 17 regencies/cities in South Sumatra Province as its research locus, covering the dynamics from the COVID-19 pandemic crisis to the economic recovery period (2020–2024). The significance of this study lies in its ability to map the fiscal capacity of newly autonomous regions and their parent regions, as well as to spatially detect the presence of the flypaper effect.

Based on the theoretical review and the positioning of the research gap, the proposed hypotheses are:

- H1** :PAD and TKDD simultaneously have a positive effect on Regional Expenditure in South Sumatra Province.
- H2** :PAD partially has a positive effect on Regional Expenditure in South Sumatra Province.
- H3** :TKDD partially has a positive effect on Regional Expenditure in South Sumatra Province.

3. Methodology

3.1 Research Design and Data

This study utilizes a quantitative approach with inferential analysis through multiple linear regression

techniques. The data used are secondary data in the form of Budget Realization Reports (*Laporan Realisasi Anggaran* - LRA) from 17 regencies/cities in South Sumatra Province for the 2020–2024 period, sourced from the Directorate General of Fiscal Balance (*Direktorat Jenderal Perimbangan Keuangan* - DJPK) of the Ministry of Finance of the Republic of Indonesia. The total number of observations in this study amounts to 85 data points (17 regencies/cities × 5 years).

The sampling technique uses the purposive sampling method with the following criteria: (1) regencies/cities that consistently published their budget realization reports during the 2020–2024 period; and (2) data are completely available in the DJPK information system. A total of 17 regencies/cities met these criteria, namely: Palembang City, Prabumulih City, Lubuk Linggau City, Pagar Alam City, Lahat Regency, Banyuasin Regency, Ogan Ilir Regency, OKI (Ogan Komering Ilir) Regency, OKU (Ogan Komering Ulu) Regency, Musi Banyuasin Regency, Musi Rawas Regency, North Musi Rawas Regency, Muara Enim Regency, PALI Regency, East OKU Regency, South OKU Regency, and Empat Lawang Regency.

3.2 Analysis Method

Data analysis is performed using SPSS version 26 through the following stages:

1. Descriptive statistics to provide a general overview of the data characteristics.
2. Normality testing using the Kolmogorov-Smirnov test.
3. Classical assumption testing, which includes the multicollinearity test (VIF), heteroskedasticity test (Glejser), and autocorrelation test (Durbin-Watson).
4. Multiple linear regression analysis.
5. Hypothesis testing using the F-test (simultan), t-test (partial), and coefficient of determination test (R^2).

The regression model used is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y	= Regional Expenditure
X_1	= PAD
X_2	= TKDD
β_0	= Constant
β_1, β_2	= Regression coefficients
ε	= Error term

Operational Definitions of Variables

This study utilizes the following three variables:

1. Regional Expenditure (Y): Measured using the regional expenditure effectiveness ratio, which is the comparison of regional expenditure realization to the regional expenditure target, multiplied by 100%.
2. Regional Original Revenue / PAD (X_1): Measured using the PAD effectiveness ratio, which is the comparison of PAD realization to the PAD target, multiplied by 100%.
3. Transfers to Regions and Village Funds / TKDD (X_2): Measured using the TKDD effectiveness ratio,

which is the comparison of TKDD realization to the TKDD target, multiplied by 100%.

4. Results And Discussion

Descriptive Statistical Analysis

Descriptive statistics aim to provide an overview or description of data as seen from the mean, standard deviation, variance, maximum, and minimum values. Based on the data processing results using SPSS 26, the following overview is obtained:

	N	Minimum	Maximum	Mean	Std. Deviation
Pendapatan Asli Daerah	85	34.66	163.09	88.4114	28.62563
Transfer ke Daerah dan Dana Desa	85	68.68	140.64	102.9780	12.70109
Belanja Daerah	85	69.45	129.76	101.1728	11.87562
Valid N (listwise)	85				

Source: Data processed with SPSS 26 (2026)

The descriptive statistical results show that the average PAD (88.41) is lower than the average TKDD (102.98) and Regional Expenditure (101.17). The standard deviation for PAD, at 28.63, is much higher than that of TKDD (12.70) and Regional Expenditure (11.88), indicating a significant disparity in the ability to mobilize regional original revenue among regencies/cities in South Sumatra Province. The pattern of TKDD > Regional Expenditure > PAD indicates a remaining high level of fiscal dependency on central government transfers, while simultaneously proving the equalization function of TKDD in reducing fiscal capacity gaps across regions.

Normality Test Results

The normality test aims to examine whether the error term or residuals in the regression model have a normal distribution. The normality testing in this study is conducted using the non-parametric Kolmogorov-Smirnov (K-S) statistical test. Based on the test results, the Asymp. Sig. (2-tailed) value of 0.200 is greater than the significance level of 0.05. Therefore, it can be concluded that the residual data are normally distributed and the normality assumption is met. This is presented below in Table 2.

Table 2. Normalitas Test Result (Kolmogorov-Smirnov Test) One-Sample Kolmogorov-Smirnov Test

		Unstandardised Residual
N		85
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	8.95850060
Most Extreme	Absolute	.047
Differences	Positive	.047

	Negative	-.047
Test Statistic		.047
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance

Source: Data processed with SPSS 26 (2026)

Data normality is also visually confirmed through the Normal P-P Plot graph, which shows data points spreading along the diagonal line from the bottom-left to the top-right, as well as the histogram graph, which forms a symmetrical, bell-shaped curve. With the normality assumption met, hypothesis testing using multiple linear regression can be performed validly and reliably. This is illustrated through the distribution of points on the following Normal P-P Plot of Regression Standardized Residual graph:

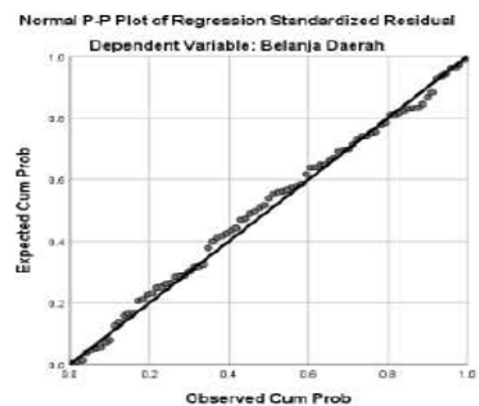


Figure 1. Normal Probability Plot Graph

Based on the Normal P-P Plot of Regression Standardized Residual graph, it can be observed that the residual points are distributed around the diagonal line and follow its direction from the bottom to the top. The distribution of points, which remains relatively close to the diagonal line, indicates that the residual distribution closely approximates a normal distribution. There are no significant deviations or specific patterns that drift away from the diagonal line.

Consequently, it can be concluded that the normality assumption in the regression model has been met. This demonstrates that the residual values are normally distributed, meaning that the regression model used to analyze the effect of Regional Original Revenue (PAD) and Transfers to Regions and Village Funds (TKDD) on Regional Expenditure in South Sumatra Province fulfills one of the classical assumptions of multiple linear regression. Meeting this normality assumption indicates that the statistical test results, such as the t-test and F-test, can be validly used as a basis for decision-making because the regression model satisfies the analytical requirements.

Classical Assumption Test Results**Multicollinearity Test Results**

The multicollinearity test aims to determine whether there is a high relationship or correlation among the independent variables in the regression model. A good regression model is one that does not experience multicollinearity symptoms, allowing each independent variable to explain the dependent variable independently.

Table 3. Multicollinearity test results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	Beta	t	Sig.	Collinearity Statistics	Tolerance	VIF
	B	Std. Error							
(Constant)	37.399	8.279			4.517	.000			
Pendapatan Asli Daerah	.107	.035	.257		3.046	.003	.975	1.026	
Transfer Ke Daerah dan Dana Desa	.528	.079	.564		6.689	.000	.975	1.026	

a. Dependent Variable: Belanja Daerah
Source: Data processed with SPSS 26 (2026)

Based on the multicollinearity test results in the Coefficients table, the Regional Original Revenue (PAD) variable has a Tolerance value of 0.975 and a Variance Inflation Factor (VIF) of 1.026. Similarly, the Transfers to Regions and Village Funds (TKDD) variable also has a Tolerance value of 0.975 and a VIF of 1.026.

The Tolerance values for both variables are greater than 0.10, while the VIF values are less than 10. Based on these criteria, it can be concluded that there are no symptoms of multicollinearity in the regression model. This indicates that the Regional Original Revenue (PAD) and Transfers to Regions and Village Funds (TKDD) variables do not have a high correlation with one another, allowing each variable to provide distinct information in explaining the variation in Regional Expenditure.

Consequently, the regression model used has fulfilled one of the classical assumptions. Therefore, the estimated regression coefficients are stable, free from bias caused by strong relationships among the independent variables, and fit for further analysis, including hypothesis testing through the t-test and F-test.

Heteroskedasticity Test Results

The heteroskedasticity test was conducted using the Glejser method by examining the significance value of each independent variable. The testing criterion states that if the significance value is greater than 0.05, the regression model does not experience heteroskedasticity.

Based on the Glejser test results, all independent variables have significance values above 0.05. This indicates that Regional Original Revenue (PAD) and

Transfers to Regions and Village Funds (TKDD) do not have a significant effect on the absolute residual values.

Consequently, it can be concluded that there are no symptoms of heteroskedasticity in the regression model. This means that the variance of the residuals remains constant (homoskedastic), allowing the regression model to fulfill the assumption of homoskedasticity and making it fit for further analysis.

Table 4. Results of Heteroscedasticity Test (Glejser Test)

Model	Unstandardized Coefficients		Standardized Coefficients	Beta	t	Sig.
	B	Std. Error				
1 (Constant)	6.285	5.070			1.240	.219
Pendapatan Asli Daerah	.009	.021	.049		.440	.661
Transfer Ke Daerah dan Dana Desa	-.001	.048	-.002		-.017	.987

a. Dependent Variable: AbsRes
Source: Data processed with SPSS 26 (2026)

Based on Table 4, the Glejser test results show that the significance value for the PAD variable is 0.661 and for the TKDD variable is 0.987. Both significance values are greater than 0.05, leading to the conclusion that heteroskedasticity does not occur in the regression model.

The exceptionally high significance value for TKDD at 0.987 (approaching 1) indicates that there is virtually no relationship between TKDD and the absolute residual values. The very small coefficients (0.009 for PAD and -0.001 for TKDD) demonstrate that changes in the independent variables do not affect the magnitude of the residuals, which serves as strong evidence of the absence of heteroskedasticity. With the homoskedasticity assumption successfully met, the resulting regression parameter estimates are efficient (possessing minimum variance), and hypothesis testing via the t-test and F-test can be validly performed.

Based on the scatterplot graph between the ZPRED values (predicted values) and SRESID (residuals), it can be observed that the data points are randomly distributed above and below the zero line on the Y-axis. Furthermore, the distribution of these points does not form any specific pattern, such as a wavy, widening, or narrowing shape. This condition indicates that the variance of the residuals is constant.

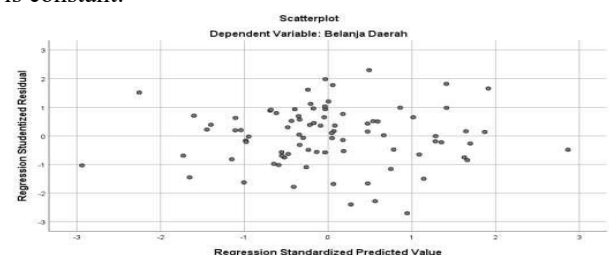


Figure 2. Scatterplot Graph

Consequently, it can be concluded that the regression model is free from symptoms of heteroskedasticity, thereby fulfilling one of the classical assumptions of regression. Therefore, the regression model is fit and reliable for analyzing the effects of Regional Original Revenue (PAD) and Transfers to Regions and Village Funds (TKDD) on Regional Expenditure in South Sumatra Province.

Autocorrelation Test Results

The autocorrelation test is conducted to examine whether there is a correlation between the error term in period t and the error term in period $t - 1$ (the previous period) within a linear regression model. The autocorrelation testing utilizes the Durbin-Watson (DW) statistic. This can be observed in Table 5 below:

Table 5 Autocorrelation Test Results (Durbin-Watson)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.656 ^a	.431	.417	9.06709	1.873

a. Predictors: (Constant), Transfer Ke Daerah dan Dana Desa, Pendapatan Asli Daerah
Dependent Variable: Belanja Daerah

Based on the test results, the Durbin-Watson (DW) value is 1.873. This value lies between the upper bound value $dU = 1.66$ and the value $4 - dU = 2.34$, thereby indicating that there is no positive or negative autocorrelation in the regression model. The DW value, which is close to the ideal value of 2, demonstrates that the residuals of the regression model are independent across observations. In the absence of autocorrelation, the resulting parameter estimates are efficient, and hypothesis testing can be validly conducted.

Results of Multiple Linear Regression Analysis

Multiple linear regression analysis was used to test the effect of Regional Original Income (PAD) and Transfers to Regions and Village Funds (TKDD) on Regional Expenditure in South Sumatra Province.

Table 4.6 Results of Multiple Linear Regression Analysis

Coefficients ^a				
Unstandardized Coefficients				Standardized Coefficients
Model	B	Std. Error		Beta
1	(Constant)	37.399	8.279	
	Pendapatan Asli Daerah	.107	.035	.257
	Transfer Ke Daerah dan Dana Desa	.528	.079	.564

a. Dependent Variable: Belanja Daerah

Based on the regression :

$$Y = 37.399 + 0.107X_1 + 0.528X_2 + e$$

The constant value (β_0) of 37.399 indicates that if the PAD and TKDD variables are equal to 0, then Regional Expenditure will have a value of 37.399.

The PAD coefficient (β_1) of 0.107 has a positive sign, meaning that for every 1-unit increase in PAD, Regional Expenditure will increase by 0.107 units, assuming TKDD remains constant. Similarly, the TKDD coefficient (β_2) of 0.528 is also positive, meaning that for every 1-unit increase in TKDD, Regional Expenditure will increase by 0.528 units, assuming PAD remains constant.

The TKDD coefficient value, which is nearly five times larger than the PAD coefficient, indicates the dominant influence of TKDD in determining the magnitude of Regional Expenditure.

Hypothesis Testing Results

F-Test Results (Simultaneous Test)

The F-test is used to examine whether all independent variables simultaneously have a significant effect on the dependent variable. Based on the F-test results, the calculated F-value (F-statistic) is 31.049 with a significance value of 0.000. Since the significance value is less than $\alpha = 0.05$, it indicates that statistically, PAD and TKDD simultaneously have a significant effect on Regional Expenditure in South Sumatra Province. Consequently, the first hypothesis (H_1) is accepted. This can be observed in Table 7 below:

Table 7 F-Test Results (Simultaneous)

Anova					
Model		Sum of Squares	df	Mean Square	F
1	Regression	5105.156	2	2552.578	31.049
	Residual	6741.398	82	82.212	
	Total	11846.554	84		

a. Dependent Variable: Belanja Daerah

b. Predictors: (Constant), Transfer Ke Daerah dan Dana Desa, Pendapatan Asli Daerah

From an agency theory perspective, this simultaneous effect reflects the complexity of agency relationships within the public sector. PAD reflects accountability to local communities as the principal, while TKDD reflects accountability to the central government. The combination of both creates a system of checks and balances in determining regional expenditure allocations. This finding is in line with Rosaeni (2022), who found that regional revenue sources are complementary in determining expenditure capacity.

t-Test (Partial Test)

The t-test aims to demonstrate how far the influence of each independent variable individually goes in explaining the variation of the dependent variable. The PAD variable (X_1) has a calculated t-value of 3.046 with a significance value of $0.003 < 0.05$. This indicates that PAD partially has a positive and significant effect on

Regional Expenditure; thus, H_2 is accepted. The PAD regression coefficient of 0.107 means that every one-unit increase in PAD drives an increase in Regional Expenditure by 0.107 units.

This positive influence of PAD is consistent with the findings of Rosaeni (2022) as well as Trisnani and Isthika (2022). From an agency theory perspective, PAD demands stricter accountability to local communities as the principal, so its utilization tends to be more measured. However, the relatively low level of fiscal independence in most regencies and cities across South Sumatra limits PAD's overall contribution to expanding regional expenditure.

Table 4.8 Results of the t-Test (Partial)

Variabel	Koefisien	t-hitung	Sig.	Kesimpulan
Pendapatan Asli Daerah (X1)	0.107	3.046	0.003	H_2 Diterima
Transfer ke Daerah dan Dana Desa (X2)	0.528	6.689	0.000	H_3 Diterima

The TKDD variable (X_2) has a calculated t-value of 6.689 with a significance value of $0.000 < 0.05$, exerting a far more dominant influence compared to PAD. Consequently, H_3 is accepted. The dominance of TKDD's influence confirms the flypaper effect phenomenon (Hines & Thaler, 1995), where local governments are more responsive to increasing expenditures when receiving transfer funds than when experiencing an increase in PAD.

This finding aligns with Rosaeni (2022), who found that the General Allocation Fund (DAU) has the most dominant influence on regional expenditure, as well as Ridwan and Anis (2022), who confirmed the significant positive effect of balancing funds on local government spending. However, this high dependency on TKDD potentially leads to moral hazard in the form of expenditure inefficiencies and low efforts to optimize PAD.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) is used to measure the model's ability to explain variation in the dependent variable. The results of the coefficient of determination test in this study are presented in Table 9 below:

Table 9: Results of the Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.656	0.431	0.417	9.06709

The coefficient of determination (R^2) is used to measure how far the model's ability goes in explaining the variation of the dependent variable. Based on the test results, the R value is 0.656 and the R -Square (R^2) value is 0.431, with an Adjusted R -Square of 0.417.

An R^2 value of 0.431 means that the variations in PAD and TKDD are able to explain 43.1% of the variation in Regional Expenditure in South Sumatra Province, while the remaining 56.9% is influenced by other variables outside the model—such as regional macroeconomic conditions, central fiscal policies, the political business cycle, the quality of governance, and the demographic-geographic characteristics of each region. The Adjusted R -Square value of 0.417, which is not much different from the R -Square, indicates that the model is stable and does not suffer from overfitting.

Results of Multiple Linear Regression Analysis and Discussion

The results of the multiple linear regression analysis show that Regional Original Revenue (PAD) and Transfers to Regions and Village Funds (TKDD) have a positive effect on Regional Expenditure across regency and city governments in South Sumatra Province. The obtained regression equation indicates that an increase in either PAD or TKDD will be followed by an increase in Regional Expenditure, though to varying degrees. The regression coefficient for TKDD, which is larger than that of PAD, demonstrates that transfers from the central government remain the primary source determining the expenditure capacity of local governments.

These findings indicate that although fiscal decentralization policies have granted local governments the authority to manage their own revenue sources, regional fiscal capacity in South Sumatra Province is still heavily influenced by the amount of transfer funds received from the central government. This condition implies that regional capacity to independently finance development has not been fully achieved, leaving dependency on the state budget (APBN) relatively high.

Conceptually, the results of this study align with the theory of fiscal decentralization, which states that the primary goal of granting authority to local governments is to improve public service efficiency by managing resources closer to the community. In practice, however, not all regions possess the same economic capacity to generate PAD. Regions with high economic activity, such as Palembang City, tend to have higher PAD compared to newly formed regions or areas with a limited economic base. This disparity in economic capacity causes the contribution of PAD toward regional expenditure to be unevenly distributed.

Furthermore, the results of this study also demonstrate that central government transfer funds continue to serve as a fiscal equalization instrument among regions. TKDD ensures that local governments remain capable of providing public services despite having relatively low PAD. Consequently, the presence of TKDD is a crucial factor in maintaining the sustainability of regional development, particularly for regencies where the level of fiscal independence remains low.

Discussion on the Simultaneous Effect of PAD and TKDD on Regional Expenditure

The results of the simultaneous test show that PAD and TKDD collectively exert a significant effect on Regional Expenditure. This finding demonstrates that both revenue sources complement each other in shaping the fiscal capacity of local governments. The greater the regional revenue—whether derived from original local sources or from the central government—the greater the local government's ability to finance various development programs and public services.

This condition illustrates that regional expenditure is a direct reflection of the local government's fiscal capacity. Supported by adequate regional revenue, local governments have greater flexibility in allocating budgets for infrastructure development, education, healthcare, social services, and economic sectors. Conversely, if regional revenue declines, the local government's fiscal space contracts, leading to a reduced expenditure capacity.

From an Agency Theory perspective, the local government acts as an agent mandated by both the public and the central government to manage public resources effectively. PAD reflects the public's trust through the payment of local taxes and retribution fees, while TKDD reflects the central government's trust in supporting the implementation of fiscal decentralization. Therefore, an increase in both revenue sources demands that local governments improve their accountability, transparency, and budgetary efficiency to deliver better public services.

The findings of this study support the research by Rosaeni (2022), Ferawaty et al. (2022), as well as Ridwan and Anis (2022), which states that overall regional revenue serves as the primary determinant in increasing local government expenditure. Consequently, local governments not only need to boost PAD but must also manage transfer funds efficiently to provide optimal benefits to the community.

Discussion on the Effect of PAD on Regional Expenditure

The results of the partial test show that PAD has a positive and significant effect on Regional Expenditure. This finding demonstrates that enhancing the ability of local governments to collect revenue from local sources increases regional capacity to finance development without having to rely entirely on the central government.

PAD serves as the primary indicator of a region's level of fiscal independence. The greater the contribution of PAD to total regional revenue, the greater the flexibility local governments have in determining development priorities that match the needs of the local community. This is because the utilization of PAD is relatively free from the strict constraints often attached to specific transfer funds, whose allocation is predetermined by the central government.

Nevertheless, descriptive statistical results reveal that the average PAD remains below the average TKDD. This condition indicates that the regions' ability to explore and tap into local revenue potential is not yet optimal.

Disparities in economic potential among regencies and cities stand as a major factor causing the highly varied amounts of PAD. Regencies that still rely heavily on the primary sector and have limited economic activity tend to generate lower PAD compared to urban areas.

The findings also indicate that optimizing PAD still faces various challenges, including low local taxpayer compliance, limited digitalization of the tax system, suboptimal utilization of regional assets, and a lack of innovation in managing new revenue sources. Therefore, boosting PAD requires local tax administration reforms, improvements in public service quality, digitalization of tax payment systems, and strengthening the governance of Region-Owned Enterprises (BUMD).

The results of this study are consistent with the research of Utari Handayani and NR (2020), Trisnani and Isthika (2022), as well as Rosaeni (2022), which concludes that PAD is one of the key determinants in increasing local government expenditure. The higher the PAD, the greater the capacity of local governments to improve public services and regional development sustainably.

Discussion on the Effect of TKDD on Regional Expenditure

The results of the study show that TKDD has a positive and significant effect on Regional Expenditure and stands as the most dominant variable compared to PAD. This finding indicates that local governments remain highly dependent on central government transfer funds to finance regional governance and development.

The dominance of TKDD demonstrates that the function of fiscal transfers as an instrument for development equalization continues to operate effectively. The central government endeavors to bridge the gap in fiscal capacity among regions through mechanisms such as the General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), and various other forms of transfers. With the presence of TKDD, regions with low PAD remain capable of meeting public expenditure needs and maintaining the quality of public services.

Nevertheless, the dominance of TKDD also highlights the risk of high fiscal dependency. Local governments tend to be more responsive in increasing expenditures when receiving additional transfer funds than when generating an increase in PAD. This phenomenon is known as the *flypaper effect*—a condition where transfer funds "stick" to local government spending to a greater extent than self-generated revenue.

This indicates that the flypaper effect phenomenon occurs within provincial governments in Indonesia, where local government spending responses are more heavily influenced by the DAU than by PAD. This occurs because provincial governments still depend on the central government to meet their expenditures, as illustrated by the high volume of DAU transfers (Tasri, 2023).

Such a phenomenon implies that some local governments have not been fully driven to increase their fiscal independence through PAD optimization. A high

dependency on central transfers can lead to various consequences, such as low innovation in exploring local revenue potential, an increased risk of moral hazard in budget management, and reduced incentives for local governments to improve expenditure efficiency.

The findings of this study support the flypaper effect theory proposed by Hines and Thaler (1995), while reinforcing the findings of Ridwan and Anis (2022), Rosaeni (2022), and Ferawaty et al. (2022), which state that transfer funds exert a greater influence on local government spending than PAD. Furthermore, research by Septianingrum (2025) implies that intergovernmental transfers must be utilized appropriately, and local governments must increase their own regional revenues to avoid over-reliance on central government transfers.

The practical implication of these findings is the urgent need for local governments to strengthen their PAD enhancement strategies through revenue source diversification, local tax digitalization, optimized utilization of regional assets, investment promotion, and the development of the local economic sector. On the other hand, the central government needs to continuously evaluate the TKDD allocation formula so that it incentivizes regional fiscal independence rather than merely increasing dependency on transfer funds.

5. Conclusion and Suggestions

Conclusion

The dominance of TKDD's influence confirms the flypaper effect phenomenon and the persistently high level of fiscal dependency across regions in South Sumatra Province. Meanwhile, the lower impact of PAD reflects significant disparities in fiscal capacity between regions, where urban areas like Palembang City possess a stronger PAD base compared to newly formed regencies.

A limitation of this study is that it treats TKDD as a single aggregate variable. In reality, TKDD consists of several components—such as the General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), Fiscal Incentive Fund, and Village Funds—each possessing distinct characteristics, objectives, and allocation mechanisms. The use of an aggregate variable prevents a more detailed analysis of the individual effects of each component on Regional Expenditure.

Recommendations

Based on the research findings, several policy recommendations are proposed. For local governments in South Sumatra Province: (1) enhance efforts to optimize PAD through the extensification and intensification of local taxation, digitalization of the tax system, and development of new revenue sources; (2) ensure the efficiency and effectiveness of regional expenditure by prioritizing productive spending and strengthening monitoring and evaluation systems. For the central government: (1) evaluate and refine the DAU allocation formula to more accurately reflect the actual fiscal needs of the regions; (2) increase the allocation of the Fiscal Incentive Fund (formerly DID) to foster positive

competition among regions in improving financial management performance. For future researchers, it is suggested to add moderating variables such as economic growth and the quality of governance, disaggregate the components of TKDD to analyze their specific individual effects, and expand the geographical scope for comparative analysis across provinces.

Furthermore, future research is expected to expand the study's scope to cover multiple provinces or all local governments in Indonesia so that the findings achieve a higher level of generalizability. Separately analyzing each component of TKDD—such as the DAU, DAK, DBH, and Village Funds—is also crucial to obtaining a more comprehensive understanding of the effectiveness of fiscal transfer policies in supporting regional development and enhancing the fiscal independence of local governments.

References

- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57–74.
- Ferawaty, M., Deby, K., & Mohamad, A. S. (2022). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus, dan Dana Bagi Hasil terhadap Belanja Daerah Kabupaten dan Kota di Provinsi Gorontalo. *Jurnal Pendidikan Tambusai*, 6(1), 3203–3213.
- Ghozali, I. (2021). Aplikasi Analisis Multivariate dengan Program IBM SPSS 26 (Edisi 10). Badan Penerbit Universitas Diponegoro.
- Halim, A. (2022). Akuntansi Keuangan Daerah (Edisi Revisi). Jakarta: Salemba Empat.
- Hines, J. R., & Thaler, R. H. (1995). *Anomalies: The flypaper effect*. *Journal of Economic Perspectives*, 9(4), 217–226.
- Jensen, M. C., & Meckling, W. H. (1976). *Theory of the firm: Managerial behavior, agency costs and ownership structure*. *Journal of Financial Economics*, 3(4), 305–360.
- Lane, J. E. (2003). *Public Administration and Public Management: The Principal-Agent Perspective*. Routledge.
- Mardiasmo. (2021). Akuntansi Sektor Publik (Edisi Terbaru). Yogyakarta: Penerbit Andi.
- Ridwan, D., & Anis, A. (2022). Pengaruh Pendapatan Asli Daerah dan Dana Perimbangan terhadap Pertumbuhan Ekonomi di Provinsi Sumatera Utara. *Jurnal Kajian Ekonomi dan Pembangunan*, 4(1), 47.
- Rosaeni. (2022). Pengaruh Pendapatan Asli Daerah (PAD), Dana Bagi Hasil (DBH), Dana Alokasi Umum (DAU) dan Dana Alokasi Khusus (DAK) terhadap Belanja Daerah (Studi pada Pemerintah Kota Bandung Tahun 2010–2022). *Jurnal Akuntansi*.
- Septianingrum, N. A., Halim, A., & Utami, T. P. (2025). *Local expenditure financing response in regencies and municipalities in Indonesia: Analysis of the flypaper effect phenomenon*. *Journal of*

- Accounting and Investment*, 26(1), 1–17.
<https://doi.org/10.18196/jai.v26i1.23983>
- Sugiyono. (2020). *Metode Penelitian Pendidikan: Pendekatan Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta.
- Tasri, Ansharullah. (2023). The Flypaper Effect Phenomenon: Evidence from Indonesia. (2023). *European Journal of Formal Sciences and Engineering*, 6(2), 137-144.
<https://revistia.com/index.php/ejfe/article/view/1842>
- Trisnani, S. A., & Isthika, W. (2022). Pengaruh Pajak Daerah, Retribusi Daerah, Dana Alokasi Umum, Dana Alokasi Khusus dan Dana Bagi Hasil terhadap Belanja Modal. *Jurnal Akuntansi Indonesia*, 11(1), 26–36.
- Utari Handayani, T., & NR, E. (2020). Pengaruh Pendapatan Asli Daerah dan Belanja Modal terhadap Tingkat Kemandirian Keuangan Daerah dengan Pertumbuhan Ekonomi sebagai Variabel Moderating. *Jurnal Eksplorasi Akuntansi*, 2(1), 2348–2361.

Regulations

- Direktorat Jenderal Perimbangan Keuangan (DJPK) Kementerian Keuangan RI. (2025). *Laporan Realisasi APBD Kabupaten/Kota Provinsi Sumatera Selatan Tahun Anggaran 2020–2024*.
- Undang-Undang Nomor 33 Tahun 2004 tentang Perimbangan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah.
- Undang-Undang Nomor 23 Tahun 2014 tentang Pemerintahan Daerah.
- Peraturan Pemerintah Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah.
- Undang-Undang Nomor 1 Tahun 2022 tentang Hubungan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah (HKPD).