

THE EFFECT OF LOCAL REVENUE (PAD), GENERAL ALLOCATION FUNDS (DAU), AND SPECIAL ALLOCATION FUNDS (DAK) ON CAPITAL EXPENDITURES WITH REGIONAL FINANCIAL INDEPENDENCE RATIO AS A MODERATING VARIABLE

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Abstrak

Kemampuan pemerintah daerah dalam mengelola sumber-sumber pendapatan dan transfer dari pemerintah pusat menjadi salah satu faktor yang berkaitan dengan pengalokasian Belanja Modal untuk mendukung pembangunan daerah. Penelitian ini bertujuan untuk menganalisis pengaruh Pendapatan Asli Daerah (PAD), Dana Alokasi Umum (DAU), dan Dana Alokasi Khusus (DAK) terhadap Belanja Modal dengan Rasio Kemandirian Keuangan Daerah sebagai variabel moderasi pada pemerintah kabupaten/kota di Provinsi Jawa Timur. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari DJPK Kementerian Keuangan Republik Indonesia melalui situs resmi <https://djpk.kemenkeu.go.id>. Populasi penelitian terdiri atas 38 pemerintah kabupaten dan kota di Provinsi Jawa Timur dengan periode pengamatan tahun 2019–2025, sehingga diperoleh 266 observasi awal. Setelah dilakukan pengujian dan penghapusan data outlier, sebanyak 31 observasi dikeluarkan sehingga diperoleh 235 observasi yang digunakan dalam pengolahan data. Analisis data dilakukan menggunakan Moderated Regression Analysis (MRA). Hasil penelitian menunjukkan bahwa PAD dan DAU berpengaruh signifikan terhadap Belanja Modal, sedangkan DAK tidak berpengaruh signifikan terhadap Belanja Modal. The Regional Financial Independence Ratio mampu memoderasi pengaruh PAD dan DAU terhadap Belanja Modal, tetapi tidak mampu memoderasi pengaruh DAK terhadap Belanja Modal.

Kata Kunci: Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus, Belanja Modal, Rasio Kemandirian Keuangan Daerah.

Abstract

The ability of local governments to manage revenue sources and transfers from the central government is one of the factors associated with the allocation of Capital Expenditures to support regional development. This study aims to analyze the effect of Local Revenue (PAD), General Allocation Funds (DAU), and Special Allocation Funds (DAK) on Capital Expenditures, with The

Regional Financial Independence Ratio as a moderating variable in regencies and cities in East Java Province. This study employs a quantitative approach using secondary data obtained from DJPK Kementerian Keuangan Republik Indonesia, through its official website at <https://djpk.kemenkeu.go.id>. The population consists of 38 regencies and cities in East Java Province during the 2019–2025 observation period, resulting in 266 initial observations. After testing and removing outlier data, 31 observations were excluded, resulting in 235 observations used for data analysis. Data analysis was conducted using Moderated Regression Analysis (MRA). The results show that PAD and DAU have a significant effect on Capital Expenditures, while DAK do not have a significant effect on Capital Expenditures. The Regional Financial Independence Ratio is able to moderate the effects of PAD and DAU on Capital Expenditures, but is unable to moderate the effect of DAK on Capital Expenditures.

Keywords: Local Revenue, General Allocation Funds, Special Allocation Funds, Capital Expenditures, The Regional Financial Independence Ratio.

A. INTRODUCTION

The implementation of regional autonomy grants local governments the authority to manage regional finances in support of development and public services (Ibanes, 2026). This financial management is carried out through the Regional Budget (APBD) as an instrument for allocating regional revenue to fund government operations and development (Qosim, 2025), including through Capital Expenditures used to acquire fixed assets and support the administration of government and regional development (Nailufar, 2026). In regencies and cities across East Java Province, the realization of Capital Expenditures from 2019 to 2025 showed a fluctuating pattern, rising from Rp2.77 trillion in 2019 to Rp18.54 trillion in 2022, then declining to Rp17.85 trillion in 2023, Rp16.84 trillion in 2024, and Rp13.89 trillion in 2025. This decline occurred as local revenue (PAD) increased from Rp19.33 trillion in 2019 to Rp49.63 trillion in 2024, while general allocation funds (DAU) rose from Rp39.45 trillion in 2023 to Rp43.22 trillion in 2025. DAK also increased from Rp18.30 trillion in 2023 to Rp18.59 trillion in 2024, before declining to Rp17.70 trillion in 2025. This phenomenon demonstrates that an increase in local revenue sources is not always accompanied by an increase in capital expenditures, indicating a divergence in the trends of revenue growth and local budget allocation.

Fiscal Decentralization Theory

Fiscal decentralization is a policy that grants local governments the authority to manage financial resources according to local needs (Ramadhan, 2025). According to Bird (1981) as cited in Gedeona (2009), fiscal decentralization encompasses authority over expenditures, revenues, intergovernmental transfers, and local borrowing. In this study, the theory of fiscal decentralization serves as the basis for explaining PAD, DAU, and DAK as sources of local financing that can be utilized in the allocation of capital expenditures.

Capital Expenditure

Capital expenditures are government expenditures made to acquire or add fixed assets that provide benefits over more than one budget period (Sudaryo, 2021). Capital expenditures include expenditures on land, equipment and machinery, buildings and structures, roads, irrigation and networks, as well as other fixed assets. The allocation of capital expenditures supports the administration of government and the delivery of public services through the provision of local assets.

Local Revenue (PAD)

Local Revenue (PAD) consists of revenues derived from local potential and used to finance local government operations and regional development (Ramadhan, 2025). PAD comprises local taxes, local fees, proceeds from the management of segregated local assets, and other legitimate PAD sources. The higher the PAD, the greater the region's fiscal capacity to allocate the budget, including capital expenditures.

H1: Local Revenue (PAD) has a significant effect on Capital Expenditures in regencies and cities in East Java Province.

General Allocation Fund (DAU)

The General Allocation Fund (DAU) is a transfer fund sourced from the State Budget and allocated to local governments as part of the implementation of fiscal decentralization (Abae, 2025). The DAU aims to support the equitable distribution of financial capacity among regions in funding the needs of government administration. Regions with relatively low financial capacity tend to receive

larger DAU allocations compared to regions with higher financial capacity. Therefore, the DAU can serve as a funding source for capital expenditures.

H2: The General Allocation Fund (DAU) has a significant impact on Capital Expenditures in regencies and cities in East Java Province.

Special Allocation Fund (DAK)

The Special Allocation Fund (DAK) is a fund sourced from the State Budget (APBN) and allocated to specific regions to finance activities that fall under regional jurisdiction and align with national priorities (Puspita, 2026). DAK is directed toward specific needs, such as the construction and improvement of educational and health facilities, roads, irrigation, and sanitation. Because its use is directed toward specific activities, DAK can serve as a funding source that supports development and the acquisition of regional assets through capital expenditures.

H3: The Special Allocation Fund (DAK) has a significant effect on Capital Expenditures in regencies and cities in East Java Province.

Regional Financial Independence Ratio

Regional Financial Independence Ratio is used to assess a local government's ability to finance local needs using revenue sources derived from the region itself (Nailufar, 2026). This ratio indicates the region's level of dependence on external funding. The greater the contribution of Local Revenue (PAD), the higher the level of financial autonomy and capacity of the region to support development financing. In this study, the ratio is used as a moderating variable to test whether the level of regional financial independence strengthens or weakens the influence of PAD, General Allocation Fund (DAU), and Special Allocation Fund (DAK) on Capital Expenditures.

H4: Regional Financial Independence Ratio moderates the effect of Local Revenue (PAD) on Capital Expenditures in regencies/cities in East Java Province.

H5: Regional Financial Independence Ratio moderates the effect of General Allocation Fund (DAU) on Capital Expenditures in regencies/cities in East Java Province.

H6: Regional Financial Independence Ratio moderates the effect of Special Allocation Fund (DAK) on Capital Expenditures in regencies/cities in East Java Province.

B. METHOD

This study uses regency and city governments in East Java Province as the research objects. The data used are secondary data obtained from the Direktorat Jenderal Perimbangan Keuangan (DJPk) Kementerian Keuangan Republik Indonesia through its official website (<https://djpk.kemenkeu.go.id>). The data include Local Revenue (PAD), General Allocation Funds (DAU), Special Allocation Funds (DAK), Capital Expenditures, and The Regional Financial Independence Ratio for the period 2019 – 2025. All members of the population were selected as the sample using a saturated sampling technique (census), resulting in 38 local governments and 266 initial observations. Prior to data analysis, outlier testing was conducted, resulting in the exclusion of 31 observations. Therefore, a total of 235 observations were used in the final data analysis. The variables used in this study are operationalized based on their respective indicators, as presented in Table 1.

Tabel 1. Results of Operationalization of Research Variables

Variable	Indicator
Local Revenue (PAD)	Realization of Local Revenue (Rp)
General Allocation Funds (DAU)	Realization of General Allocation Funds (Rp)
Special Allocation Funds (DAK)	Realization of Special Allocation Funds (Rp)
Capital Expenditures	Realization of Capital Expenditures (Rp)
Regional Financial Independence Ratio	$\frac{\text{Local Revenue (PAD)}}{\text{Transfer Revenue}} \times 100\%$

Source: Processed Data (2026)

C. RESULTS AND DISCUSSIONS**Descriptive Statistic****Tabel 2. Results of Descriptive Statistical Tests**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
PAD	235	131.837	7.258.026	537.269,94	800.003,973
DAU	235	367.580	1.961.730	907.115,91	293.436,154
DAK	235	59.440	783.840	317.305,83	153.342,924
Capital Expenditures	235	47.236	2.037.798	310.964,29	244.881,520
Regional Financial Independence Ratio	235	8,62%	220,09%	27,8764%	22,93361%
Valid N (listwise)	235				

Source: Processed Data (2026)

Based on Table 2, the study uses 235 observations. PAD has a minimum value of 131,837, a maximum of 7,258,026, a mean of 537,269.94, and a standard deviation of 800,003.973. DAU has a minimum value of 367,580, a maximum of 1,961,730, a mean of 907,115.91, and a standard deviation of 293,436.154. DAK has a minimum value of 59,440, a maximum of 783,840, a mean of 317,305.83, and a standard deviation of 153,342.924. Capital Expenditures has a minimum value of 47,236, a maximum of 2,037,798, a mean of 310,964.29, and a standard deviation of 244,881.520. Meanwhile, the Regional Financial Independence Ratio ranges from 8,62% to 220,09%, with a mean of 27,8764% and a standard deviation of 22,93361%.

Classical Assumption Tests Normality Test

The normality test was tested using the One-Sample Kolmogorov–Smirnov Test. The residuals are considered normally distributed when the Asymp. Sig. (2-tailed) value is greater than 0,05. The results of the normality test are presented in Table 3. Based on Table 3, the Asymp. Sig. (2-tailed) value is 0,200. Since the value is greater than 0,05 ($0,200 > 0,05$), the residuals in the regression model are normally distributed.

Tabel 3. Results of Normality Test

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual

N		235
Normal Parameters ^{a,b}	Mean	-0,00017
	Std. Deviation	93.361.029.892 ,864720
Most Extreme Differences	Absolute	0,043
	Positive	0,043
	Negative	-0,034
Test Statistic		0,043
Asymp. Sig. (2-tailed)		0,200 ^{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: Processed Data (2026)

Multicollinearity Test

The regression model is considered free from multicollinearity if the tolerance value is greater than 0,10 and the VIF value is less than 10. The results of the multicollinearity test are presented in Table 4. Based on Table 4, all independent variables have tolerance values above 0,10 and VIF values below 10. Therefore, it can be concluded that the regression model in this study does not experience multicollinearity. PAD has a tolerance value of 0,604 and a VIF value of 1,654. DAU have a tolerance value of 0,182 and a VIF value of 5,504, while DAK have a tolerance value of 0,144 and a VIF value of 6,921.

Tabel 4. Results of Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	PAD	0,604	1,654
	DAU	0,182	5,504
	DAK	0,144	6,921
a. Dependent Variable: Capital Expenditures			

Source: Processed Data (2026)

Heteroscedasticity Test

The regression model is considered free from heteroscedasticity, if the significance value is less than 0,05 (Sig. < 0,05), the regression model is indicated to have heteroscedasticity. The results of the heteroscedasticity test are presented in Table 5.

Tabel 5. Results of Heteroscedasticity Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.197.927.424.618,444	418.113.022.195,350		-2,865	0,005
	LN_PAD	8.085.663.742,447	15.244.335.282,867	0,095	0,530	0,596
	LN_DAU	51.316.041.092,802	33.791.514.844,647	0,321	1,519	0,130
	LN_DAK	-13.777.472.514,617	16.982.099.052,783	-0,150	-0,811	0,418
	Regional Financial Independence Ratio	292.527.973,472	360.654.422,227	0,116	0,811	0,418

a. Dependent Variable: ABS_RES

Source: Processed Data (2026)

Based on Table 5, the results of the Glejser test show that the significance values of all independent variables are greater than 0,05. The significance value for Local Revenue (LN_PAD) is 0,596, General Allocation Funds (LN_DAU) is 0,130, Special Allocation Funds (LN_DAK) is 0,418, and The Regional Financial Independence Ratio is 0,418. Therefore, it can be concluded that the regression model in this study does not experience heteroscedasticity and meets the homoscedasticity assumption.

Autocorrelation Test

The regression model is considered free from autocorrelation if the Durbin–Watson (DW) value falls within the interval $dU < DW < 4 - dU$. The results of the autocorrelation test are presented in Table 6.

Tabel 6. Results of Autocorrelation Test

Model Summary ^b			
Model	dU	Durbin-Watson	4-dU
1	1,7990	1,896	2,2010
a. Predictors: (Constant), PAD, DAU, DAK			
b. Dependent Variable: Capital Expenditures			

Source: Processed Data (2026)

Based on Table 6, the Durbin–Watson (DW) value is 1.896, while the upper bound (dU) is 1,7990 and $4 - dU$ is 2,2010. The test results show that the Durbin–Watson value falls within the interval $1,7990 < 1,896 < 2,2010$. Therefore, it can be concluded that the regression model in this study does not experience autocorrelation.

Multiple Linear Regression Analysis

Tabel 7. Results of Multiple Linear Regression Analysis

Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	-21.731.128.199,290	22.132.570.776,321	
	PAD	0,242	0,010	0,790
	DAU	0,227	0,049	0,272
	DAK	-0,009	0,105	-0,006

a. Dependent Variable: Capital Expenditures

Source: Processed Data (2026)

Based on Table 7, the multiple linear regression equation can be formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

$$Y = -21,731,128,199.290 + 0.242(\text{PAD}) + 0.227(\text{DAU}) - 0.009(\text{DAK})$$

Based on the multiple linear regression equation, the constant value of $-21.731.128.199.290$ indicates that when PAD, DAU, and DAK are assumed to be zero, Capital Expenditures are estimated at $-21.731.128.199.290$. The regression coefficient of PAD is 0,242, indicating a positive relationship with Capital Expenditures. This means that every one-unit increase in PAD, assuming the other independent variables remain constant, is followed by an increase in Capital Expenditures of 0,242 units. The regression coefficient of DAU is 0,227, also indicating a positive relationship with Capital Expenditures. This means that every one-unit increase in DAU, assuming the other independent variables remain constant, increases Capital Expenditures by 0,227 units. The regression coefficient of DAK is $-0,009$, indicating a negative relationship with Capital Expenditure. This indicates that every one-unit increase in DAK, assuming the other independent variables remain constant, decreases Capital Expenditures by 0,009 units.

Hypothesis Testing t-Test

The hypothesis is accepted if the significance value is less than 0,05 and the calculated t-value is greater than the t-table value. Conversely, the hypothesis is rejected if the significance value is greater than 0,05 and the calculated t-value is less than the t-table value. The results of the t-test are presented in Table 8.

Tabel 8. Results of t-Test

Coefficients ^a			
Model		t	Sig.
1	(Constant)	-0,982	0,327
	PAD	24,482	0,000
	DAU	4,616	0,000
	DAK	-0,085	0,933
a. Dependent Variable: Capital Expenditures			

Source: Processed Data (2026)

Based on the t-test results in Table 8, PAD has a significance value of $0,000 < 0,05$ and a calculated t-value of $24,482 >$ the t-table value of 1,970. These results indicate that PAD has a significant effect on Capital Expenditures, so H_1 is accepted. DAU have a significance value of $0,000 < 0,05$ and a calculated t-value of $4,616 >$ the t-table value of 1,970. These results indicate that DAU have a significant effect on Capital Expenditures, so H_2 is accepted. DAK have a significance value of $0,933 > 0,05$ and a calculated t-value of $-0,085 <$ the t-table value of 1,970. These results indicate that DAK do not have a significant effect on Capital Expenditures, so H_3 is rejected.

F-Test

The hypothesis is accepted if the significance value is less than 0,05 and the calculated F-value is greater than the F-table value. Conversely, the hypothesis is rejected if the significance value is greater than 0,05 and the calculated F-value is less than the F-table value. The results of the F-test are presented in Table 9.

Tabel 9. Results of t-Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.992.658.371.753.373.000.000.000	3	3.997.552.790.584.458.000.000.000	452,751	0,000 ^b
	Residual	2.039.609.965.221.591.600.000.000	231	8.829.480.368.924.639.000.000		
	Total	14.032.268.336.974.966.000.000.000	234			
a. Dependent Variable: Capital Expenditures						
b. Predictors: (Constant), PAD, DAU, DAK						

Source: Processed Data (2026)

Based on the F-test results in Table 9, the significance value is $0,000 < 0,05$ and the calculated F-value is greater than the F-table value, namely $452,751 > 2,64$. These results indicate that PAD, DAU, and DAK simultaneously have a significant effect on Capital Expenditures.

Coefficient of Determination Test (R^2)

Tabel 10. Results of R2 Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,924 ^a	0,855	0,853	93.965.314.711,997
a. Predictors: (Constant), PAD, DAU, DAK				
b. Dependent Variable: Capital Expenditures				

Source: Processed Data (2026)

Based on Table 10, the Adjusted R Square value is 0,853. This value indicates that 85,3% of the variation in Capital Expenditures can be jointly explained by PAD, DAU, and DAK. Meanwhile, the remaining 14,7% is explained by other variables outside the research model.

Moderated Regression Analysis (MRA) Test

The Moderated Regression Analysis (MRA) is used to examine the role of the moderating variable in the relationship between the independent variables and the dependent variable. The decision is based on the significance value, where a significance value of $< 0,05$ indicates that the hypothesis is accepted, while a significance value of $> 0,05$ indicates that the hypothesis is rejected. The results of the MRA for Equation II are presented in Table 11.

Tabel 11. Results of MRA Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-30.384,459	56.246,667		-0,540	0,590
	PAD	0,511	0,079	1,671	6,468	0,000
	DAU	0,396	0,076	0,474	5,196	0,000
	DAK	-0,187	0,165	-0,117	-1,138	0,256
	Regional Financial Independence Ratio	-185,221	1.957,454	-0,017	-0,095	0,925
	PAD*Regional Financial Independence Ratio	0,001	0,000	0,437	2,797	0,006
	DAU*Regional Financial Independence Ratio	-0,008	0,002	-1,059	-3,775	0,000
	DAK*Regional Financial Independence Ratio	-0,003	0,005	-0,250	-0,709	0,479
a. Dependent Variable: Capital Expenditures						

Source: Processed Data (2026)

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 (X_1 \times Z) + \beta_6 (X_2 \times Z) + \beta_7 (X_3 \times Z) \quad (\text{Equation 2})$$

Based on the results of MRA for Equation II in Table 4.11, the interaction between PAD and Regional Financial Independence Ratio has a significance value of $0,006 < 0,05$ and a calculated t-value of 2,797. Therefore, Regional Financial Independence Ratio is able to moderate the effect of PAD on Capital Expenditures, so H4 is accepted. The interaction between DAU and Regional Financial Independence Ratio has a significance value of $0,000 < 0,05$ and a calculated t-value of -3,775. Therefore, Regional Financial Independence Ratio is able to moderate the effect of DAU on Capital Expenditures, so H5 is accepted. The interaction between DAK and Regional Financial Independence Ratio has a significance value of $0,479 > 0,05$ and a calculated t-value of -0,709. Therefore, Regional Financial Independence Ratio is not able to moderate the effect of DAK on Capital Expenditures CAPEX, so H6 is rejected.

Discussions

The Effect of Local Revenue (PAD) on Capital Expenditures

The results show that Local Revenue (PAD) has a positive and significant effect on Capital Expenditures, so H1 is accepted. Higher Local Revenue (PAD) reflects stronger fiscal capacity, allowing local governments to allocate more funds to infrastructure, public facilities, and other fixed assets. This finding is consistent with Fiscal Decentralization Theory and previous studies by Hadisantoso et al. (2023), Mu'am et al. (2023), Kurniawan et al. (2023) and Purba et al. (2024).

The Effect of General Allocation Funds (DAU) on Capital Expenditures

The results show that General Allocation Funds (DAU) have a positive and significant effect on Capital Expenditures, so H2 is accepted. DAU provides additional fiscal capacity that enables local governments to finance infrastructure, public facilities, and other development needs. This finding is consistent with Fiscal Decentralization Theory and previous studies by Ningsih et al. (2023), Mayasari et al. (2024), Ningrum et al. (2024), and Pratama et al. (2025).

The Effect of Special Allocation Funds (DAK) on Capital Expenditures

The results show that Special Allocation Funds (DAK) do not significantly affect Capital Expenditures, so H3 is rejected. This may occur because DAK is an earmarked transfer whose allocation and use are directed to specific sectors and national priorities. Therefore, changes in DAK do not necessarily increase total Capital Expenditures. This finding is consistent with Tejabaskara et al. (2026), Pratama et al. (2025), Maula et al. (2023), Mayasari et al. (2022), and Dini et al. (2020).

The Regional Financial Independence Ratio as a Moderating Variable in the Effect of Local Revenue (PAD) on Capital Expenditures

The results show that The Regional Financial Independence Ratio moderates the effect of Local Revenue (PAD) on Capital Expenditures, so H4 is accepted. Higher financial independence strengthens the ability of local governments to utilize PAD for development expenditure and reduces dependence on central government transfers. This finding is consistent with Fiscal Decentralization Theory and Rahayu et al. (2025).

The Regional Financial Independence Ratio as a Moderating Variable in the Effect of General Allocation Funds (DAU) on Capital Expenditures

The results show that The Regional Financial Independence Ratio moderates the effect of General Allocation Funds (DAU) on Capital Expenditures, so H5 is accepted. Greater financial independence enables local governments to manage DAU together with their own revenues more effectively to support development expenditure. This finding is consistent with Fiscal Decentralization Theory and provides empirical evidence that financial independence plays a moderating role in the relationship between DAU and Capital Expenditures.

The Regional Financial Independence Ratio as a Moderating Variable in the Effect of Special Allocation Funds (DAK) on Capital Expenditures

The results show that The Regional Financial Independence Ratio does not moderate the effect of Special Allocation Funds (DAK) on Capital Expenditures, so H6 is rejected. This may occur because DAK is an earmarked transfer whose allocation and use remain subject to central government policies and national priorities. Thus, differences in regional financial independence do not substantially change the relationship between DAK and Capital Expenditures.

D. CONCLUSIONS

The results indicate that Local Revenue (PAD) and General Allocation Funds (DAU) have a significant effect on Capital Expenditures, while Special Allocation Funds (DAK) do not have a significant effect. The limited effect of DAK may be attributed to its specific allocation for predetermined sectors and priority programs, which restricts local government flexibility in its utilization. The Regional Financial Independence Ratio moderates the effects of PAD and DAU on Capital Expenditures, indicating that regional financial independence influences the utilization of these funding sources for capital expenditure. However, it does not moderate the effect of DAK, as its utilization remains largely determined by central government policies and priorities. Overall, the findings highlight the importance of strengthening regional financial independence and optimizing PAD to support regional development and Capital Expenditures.

E. SUGGESTIONS

Future researchers are advised to include other variables that may influence Capital Expenditures, such as Revenue Sharing Funds (DBH), SiLPA, economic growth, and local government size. Future studies may also expand the research area to other provinces or regions to improve the generalizability of the findings. Extending the observation period is recommended to capture changes in local government financial conditions over a longer period. Researchers may also consider other moderating or mediating variables that could provide a broader explanation of the relationship between regional financial factors and Capital Expenditures. Different analytical methods may be considered to provide additional perspectives and strengthen the interpretation of the research findings. These developments are expected to provide more comprehensive evidence regarding the factors influencing Capital Expenditures in local governments

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