
**THE EFFECT OF ELECTIONS ON CAPITAL EXPENDITURE AND
SOCIAL ASSISTANCE EXPENDITURE**



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Abstract

The purpose of this study was to determine the differences in the allocation of capital expenditures and social assistance expenditures before and during the election of regional heads. This study uses the Wilcoxon test as a non-parametric test. The results showed that the proportion of capital expenditure and social assistance expenditure during the election was not greater than the proportion of capital expenditure and social assistance expenditure before the election. However, the proportion of capital expenditure during the election was not different from before the election.

Keywords: capital expenditure, social assistance expenditure, election.

INTRODUCTION

Based on the Government Regulation of the Republic of Indonesia Number 58 of 2005 concerning Regional Financial Management, it is stated that the regional head as the head of the regional government is the holder of the power of regional financial management in the ownership of separated regional assets, so that as the holder of the power of regional financial management has the authority to determine policies on the implementation of the APBD. The incumbent has a large enough opportunity to take advantage of expenditure items in the APBD preparation process to fulfill his interests for re-nomination. Expenditure posts that are often targeted by incumbent regional head candidates are grant spending and social assistance spending. The allocation for this expenditure post is used as a means to lure the public to vote for themselves again in the upcoming post-conflict local election. This reason is quite basic because based on Permendagri Number 59 of 2007, these two types of expenditure are part of the indirect component of expenditure which is not distributed through programs and activities, these two types of expenditure are also non-binding and continuous (Ritonga & Alam, 2010).

In an effort to anticipate the act of politicizing the grant and social assistance budget by regional heads in the 2015 General Election, the government issued Permendagri 39 of 2012 with a process for disbursing grants and social assistance that is more stringent than the previous process. After the issuance of Permendagri 39 of 2012 budgeting for grants and social assistance no longer uses a package system, but includes the recipient's name, address of the recipient and the amount of the grant and social assistance in appendix III of the Regional Head Regulation on the Elaboration of the Regional Revenue and Expenditure Budget (APBD). In addition to allocations for grants and social assistance expenditures, other expenditure items allegedly used by candidates for regional heads are allocations for capital expenditures and expenditures for goods and services.

The capital expenditures can be carried out in the form of public service programs and infrastructure improvements, thus giving the impression that the wheels of government that have been led previously can be said to be successful. This of course provides an advantage for the incumbent regional head to be re-elected, because the community considers the government to be successful. By increasing capital expenditure, it will increase productivity. The capital expenditures can also be used by incumbent regional head candidates to realize their physical

projects. The purpose of this study was to determine the differences in the allocation of capital expenditures and social assistance expenditures before and during the election of regional heads.

REVIEW OF LITERATURE

The Regional Head Election

The Regional Head Election (Pilkada) is a political recruitment, namely the selection of the people against the figures who run for Regional Head, both Governor/Deputy Governor and Regent/Deputy Regent or Mayor/Deputy Mayor. Regional Head is a political position or public position in charge of leading the bureaucracy to move the wheels of government. Government functions are divided into protection, public service, and development. The Regional Head carries out the policy-making function of the three government functions. In the context of the power structure, the Regional Head is the chief executive in the region (Pilkada, 2016)

Capital Expenditure

According to the Government Accounting Standards (SAP), the definition of capital expenditures is expenditures made in the context of capital formation that are adding to fixed assets/inventory that provide benefits for more than one accounting period, including expenditures for maintenance costs that are maintaining or increasing the useful life, as well as increasing capacity and asset quality. Government Accounting Standards (SAP) are stipulated by Government Regulation no. 71 of 2010 in lieu of Government Regulation no. 24 of 2005. SAP is stated in the form of a Statement of Government Accounting Standards (PSAP), equipped with an Introduction to Governmental Accounting Standards and prepared referring to the Conceptual Framework for Accounting

Types of Capital Expenditure

In SAP, capital expenditure consists of 5 (five) types of capital expenditure which are categorized as follows: a) Land Capital Expenditure: Land capital expenditures are expenditures/costs used for procurement/purchase/acquisition, settlement, transfer of title and land lease, emptying, backfilling, leveling, maturation of land, making certificates, and other expenses in connection with the acquisition of land rights and until the land referred to in ready to use condition; b). Equipment and Machinery Capital Expenditure: Capital expenditures for equipment and machinery are expenditures/costs used for procurement/addition/replacement, and capacity building for equipment and machinery, as well as office inventory that provides benefits

for more than 12 (twelve) months, and until the equipment and machinery are in a ready-to-use condition; c). Building and Building Capital Expenditure: Capital expenditures for buildings and buildings are expenditures/costs used for procurement/additions/replacements, and includes expenditures for planning, monitoring and managing the construction of buildings and buildings that increase capacity until the buildings and buildings are in a ready-to-use condition; d). Road, Irrigation and Network Capital Expenditure: Capital expenditures for roads, irrigation and networks are expenditures/costs used for procurement/addition/replacement/improvement of construction/manufacture and maintenance, and includes expenditures for planning, monitoring and management of irrigation roads and networks that add capacity to irrigation roads and networks as referred to in ready to use condition. e). Other Physical Capital Expenditure: Other physical capital expenditures are expenditures/costs used for procurement/addition/replacement/improvement of construction/manufacture and maintenance of other physical which cannot be categorized into capital expenditure criteria for land, equipment and machinery, buildings and structures, and irrigation roads and networks. Included in this expenditure are capital expenditures for lease and purchase contracts, purchases of art goods, archaeological goods and goods for museums, livestock and plants, books, and scientific journals.

Social Assistance Expenditure

Minister of Home Affairs Regulation Number 32 of 2011 concerning Guidelines for Grants and Social Assistance Sourced from Regional Revenue and Expenditure Budgets, defines Social Assistance (Bansos) as the provision of assistance in the form of money/goods from local governments to individuals, families, groups and/or community that is not continuous and selective in nature which aims to protect from the possibility of social risks.

Social assistance sourced from the APBD can be grouped into two types, namely social assistance in the form of money and social assistance in the form of goods. Social assistance in the form of money is money that is given directly to recipients such as scholarships for poor children, foundations for managing orphans, poor fishermen, the elderly, neglected, and severely disabled and health allowances for the sons and daughters of heroes who cannot afford. Social assistance in the form of goods is goods that are given directly to recipients such as operational vehicle assistance for private special schools and the underprivileged, boat assistance for poor fishermen, food/clothing assistance for orphans/social tuna, and livestock for underprivileged

groups.

Hypothesis Development

Ritonga and Mansur (2010) conducted a study with the aim of investigating (1) whether there were differences in allocating the grant budget and the local government social assistance budget before and during the regional head election process; (2) whether there are differences in allocating grants and spending on social assistance during the regional head election process between incumbents and non-incumbent candidates. This study uses a purposive sampling method to analyze districts and cities that practice the process of selecting regional heads involving incumbents and incumbent candidates in Indonesia. The objects investigated are grants and spending on social assistance in the 2009-2010 APBD.

The data were analyzed using statistical hypothesis testing paired sample t-test and independent sample t-test. The results of the research are (1) the allocation of grant expenditure budget to incumbent regions during the regional head election process is higher than the grant budget allocation prior to the regional head election process. (2) the budget allocation for social assistance spending in incumbent regions during the regional head election process is higher than the budget allocation before the regional election process. (3) the period of budget allocation for grant spending in incumbent regions. (4) budget allocation for social assistance spending in incumbent regions during the election process is higher than the same regional budget allocation before the regional head election process. Another study was conducted by Amalia and Pratolo (2013) who wanted to prove whether there was use of grant spending, social assistance spending and financial aid spending by the incumbent of Regional General Elections and to test the increase in the effectiveness of grant spending, social assistance spending and financial aid spending through the influence of the three sources of spending.

The population of this research is the provinces and districts that held the 2011 Pilkada with an observation period of 2009 to 2011 then obtained 62 regions that held the Pilkada consisting of 37 incumbent regions and 25 non-incumbent regions. The results of the analysis show an increase in spending grants, spending on social assistance and spending on financial assistance between before the General Election and during the General Election in the incumbent region in 2011. The results of the study showing an increase prove that there is a possibility of using three sources of spending in the Pilkada by incumbents for their political interests. Meanwhile Sjahrir et al. (2013) stated that the election had a positive and significant effect on

spending in other categories in direct elections; electoral influence is stronger if there are incumbents running for election.

Winoto & Falikhatun (2015) found that there was no significant difference between the proportion of grant spending and social assistance before and before the 2015 General Election; Regional financial capacity has a significant effect on the proportion of Discretionary Fund allocations (Grants and Social Assistance) ahead of the 2015 General Election; Political factors (incumbents/non-incumbents) have a significant effect on the proportion of Discretionary Fund allocations (Grants and Social Assistance) before the 2015 General Election. Based on the previous studies above, the hypothesis in this study is structured as follows:

H01: There is no effect of The Regional Head Election (Pilkada) on Capital Expenditure

Ha1: There is an effect of The Regional Head Election (Pilkada) on Capital Expenditure

H02: There is no effect of The Regional Head Election (Pilkada) on Social Assistance Expenditure

Ha2: There is an effect of The Regional Head Election (Pilkada) on Social Assistance Expenditure during the regional head election process is higher than the budget allocation for non incumbent regions during the regional head election process.

RESEARCH METHOD

Population

According to Hadi, S; the entire population intended to be investigated is called the population or universe (2015: 190). The population in this study were 7 provincial governments that held the 2017 post-conflict local elections, namely Aceh, Bangka Belitung, DKI Jakarta, Banten, Gorontalo, West Sulawesi, and West Papua.

Operational Definition and Measurement of Variables

The Regional Head Election (Pilkada)

The Regional Head Election (Pilkada) is a process of direct election of leaders who will lead level I and level II regions in Indonesia.

Capital Expenditure

Capital Expenditure according to Halim (2008: 101) is a budget expenditure for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period

Social Assistance Expenditure

According to the Regulation of the Minister of Finance Number 254/PMK.05/2015, social assistance expenditure is expenditure in the form of transfers of money, goods or services provided by the Government to the poor or unable to protect the community from possible social risks, increase economic capacity and/or public welfare.

Capital Expenditure

Capital Expenditure observed is the allocation of capital expenditure for 2016-2017 fiscal year in the post-conflict local election area. The object of observation is whether there is an increase in the allocation of capital expenditures ahead of the post-conflict local election.

Social Assistance Expenditure

The Social Assistance Expenditure observed is the allocation of social assistance expenditure for 2016-2017 fiscal year. The object of observation is the allocation of social assistance spending intended for community groups and individuals.

Data analysis technique

In this study, the analytical tool used to test the hypothesis is a statistical technique of different test of two paired sample variables. The selection of the type of test for the different test (t-test) is carried out after testing for normality. If the normality criteria are not met, then the Wilcoxon test is used. The confidence level is set at 5%. The Wilcoxon marked test is a test that is used to determine whether there is a difference between two dependent samples that are paired or related and is used as an alternative to the Paired Sample t-test if the data is not normally distributed. The Wilcoxon test is suitable if we know not only the magnitude of each difference but also the direction of the price of the observation concerned, so we can assign a rating to each of these differences. The Wilcoxon test is used to test the difference between paired data, to test the comparison between 2 observations before and after (before after design) and to determine the effectiveness of a treatment (Dede, 2013).

RESULTS AND DISCUSSION

Descriptive Analysis

Based on the results of descriptive statistical tests, the results are known as the table:

Table 1
Pre and Post Analysis

Pre-Social Assistance Expenditure	Mean		423700300572.2860	340792279325.58700
	95% Confidence Interval for Mean	Lower Bound	-410188366488.1640	
		Upper Bound	1257588967632.7400	
	5% Trimmed Mean		334463275080.3180	
	Median		24596437000.0000	
	Variance		812975643535501000000000.000	
	Std. Deviation		901651619826.36100	
	Minimum		7.17E+08	
	Maximum		2.45E+12	
	Range		2452232940000.00	
	Interquartile Range		296840392994.00	
	Skewness		2.566	.794
	Kurtosis		6.656	1.587
	Post-Social Assistance Expenditure	Mean		444138915014.2860
95% Confidence Interval for Mean		Lower Bound	-404746074865.0310	
		Upper Bound	1293023904893.6000	
5% Trimmed Mean		354518072238.0950		
Median		43660000000.0000		
Variance		842479030580822000000000.000		
Std. Deviation		917866564692.72400		
Minimum		2.10E+09		
Maximum		2.50E+12		
Range		2497247000000.00		
Interquartile Range		407884594900.00		
Skewness		2.516	.794	
Kurtosis		6.425	1.587	

Normality Test

Based on the results of the Shapiro-Wilk normality test, it shows that all the variables in the hypothesis do not meet the criteria for normality, because the significance level is less than 0.05. Therefore, data analysis was carried out using the Wilcoxon test to test the null hypothesis and the alternative hypothesis. The results of testing the normality of the data are presented in the following table:

Table 2
Test of Normality

	Kolmogrov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Pre-Capital Expenditure	.340	7	.014	.664	7	.001
Post-Capital Expenditure	.423	7	.000	.555	7	.000
Pre-Social Assistance Expenditure	.405	7	.001	.547	7	.000
Post-Social Assistance Expenditure	.371	7	.004	.568	7	.000

a. Lilliefors Significance Correction

Hypothesis test

Table 3
Ranks

		N	Rank	Ranks
		Post-Capital Expenditure - Pre-Capital Expenditure	Negative Ranks	3 ^a
Positive Ranks	4 ^b		4.25	17.00
Ties	0 ^c			
Total	7			
Post-Social Assistance Expenditure - Pre-Social Assistance Expenditure	Negative Ranks	2 ^d	4.00	8.00
	Positive Ranks	5 ^e	4.00	20.00
	Ties	0 ^f		
	Total	7		

- a. Post-Capital Expenditure < Pre-Capital Expenditure
- b. Post-Capital Expenditure > Pre-Capital Expenditure
- c. Post-Capital Expenditure = Pre-Capital Expenditure
- d. Post-Social Assistance Expenditure < Pre-Social Assistance Expenditure
- e. Post-Social Assistance Expenditure > Pre-Social Assistance Expenditure
- f. Post-Social Assistance Expenditure = Pre-Social Assistance Expenditure

Interpretation of Wilcoxon test results

Capital Expenditure

Negative Ranks show that there are 3 declines in value from pre capital expenditure to post capital expenditure. Positive Ranks show that there are 4 increases in value from pre-capital expenditure to post-capital expenditure with an average increase in value of 4.25. Ties = 0,

indicating there is no similarity in value between pre-capital expenditure and post-capital expenditure.

Social Assistance Expenditure

Negative Ranks show that there are 2 declines in value from pre spending on social assistance to post spending on social assistance. Positive Ranks show that there are 5 increases in value from pre spending on social assistance to post spending on social assistance with an average increase of 4. Ties = 0, indicating that there is no similarity in value between pre spending on social assistance and post spending on social assistance.

Hypothesis Testing Results

The results of testing the first alternative hypothesis show a significance of 0.612 (greater than = 0.05) which means it is not significant. Thus Ha1 cannot be accepted, which means that there is no increase in Capital Expenditure during 2017 General Election compared to the previous year.

The results of the second alternative hypothesis testing showed a significance of 0.310 (greater than = 0.05). Thus, Ha2 cannot be accepted, which means that there was no increase in Social Assistance Expenditure during 2017 General Elections compared to the previous year. The results of testing the first and second alternative hypotheses are presented in the following table:

Table 4
Test Statistics

	Post-Capital Expenditure – Pre Capital Expenditure	Post-Social Assistance Expenditure – Pre Social Assistance Expenditure
Z	-.507 ^b	-1.014 ^b
Asymp Sig	.612	.310

a. Wilcoxon Signed Ranks Test

b. Based on negative ranks.

Discussion

The results of this study are not in line with some studies. The first difference is with research conducted by Ritonga and Mansur (2010) which states that the proportion of Capital Expenditure and Social Assistance Expenditure at the time of the Regional Head General Election for incumbent regions is greater than before the Regional Head General Election (2009). The second difference is the research conducted by Amalia and Suryo (2013) which states that

the allocation of Capital Expenditures and Regional Financial Aid Expenditures for incumbents at the time of the Regional Head General Election is greater than before the Regional Head General Election, the increase in Capital Expenditures and Financial Aid Expenditures in 2009-2010. The third difference when compared with the research of Sjahrir et. al., (2013) which states that significant Political Budget Cycles are seen in the direct election of regional heads at the local government level, especially if the regional head nominates another regional head candidate. But the results of this study are in line with the research of Winoto & Falikhatun (2015) which found that there was no significant difference between the proportion of grant spending and social assistance before and before the 2015 General Election. The results of this study have provided evidence that there is no indication of the use of capital expenditures and expenditures. Social Assistance for the benefit of 2017 Regional Head Election.

CONCLUSION

Based on the analysis of the results and discussion, it can be concluded that the proportion of Capital Expenditure at the time of the General Election of Regional Heads is not greater than the proportion of Capital Expenditures prior to the implementation of the Regional Head General Election. The proportion of Social Assistance Expenditure at the time of the General Election of Regional Heads is not greater than the proportion of Social Assistance Expenditure prior to the implementation of the Regional Head General Election. The research that has been carried out has several limitations, namely this study only compares conditions during the General Election and before the General Election by using the variables of Capital Expenditure and Social Assistance Expenditure in the Provincial Government Budget. Researchers suggest to strengthen the results of the study, it is necessary to add other variables, such as Financial Aid.

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