EJEM
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Economic Journal of Emerging Markets
Available athttp://journal.uii.ac.id/index.php/jep

The inclusive economic development model in Sulawesi island

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Article Info

Article history:
Received : 4 June 2018
Accepted : 2 July 2018
Published : 1 October 2018

Keywords:
fiscal decentralization, inclusive economic development model

JEL Classification:
H72, H75, R11

DOI:10.20885/ejem.vol10.iss2.art2

Abstract

This study aims to determine whether there is an inclusive economic development in Sulawesi Island. Data used are secondary data sourced from the financial statements of the Local Government regency and city in Sulawesi Island in 2009-2016. The data analysis technique used is Partial Least Square which tested on nine different sample areas. The results showed that general allocation fund and own source revenue have positive effect on capital expenditure. The capital expenditure has positive effect on economic growth. However, the economic growth has negative effect on welfare of society and poverty.

Introduction

The regional autonomy is one tool that can be used to create the public decision-making process more democratic and provide better public services to delegate authority to the levels of government for spending. In the implementation of equitable development in each region, the regional autonomy system is one instrument that is considered effective. With the implementation of regional autonomy is expected to reduce the inequality between regions that are considered as a result of lack of fairness of a centralized system. Badrudin & Kuncorojati (2017) argues that with the holding of regional autonomy, the government policies will be better targeted, it is because for regional governments tend to better understand the circumstances and situation of the region, and the potential existing in the region rather than the central government.

Intergovernmental transfers is a common phenomenon that occurs in all countries of the world regardless of the system of government and even have become the hallmark of the most prominent of the financial relationship between central and local. The main objective is to transfer the implementation of fiscal externalities that arise across the region, improvement of the tax system, correction of fiscal inefficiency and fiscal equalization among regions.

To realize economic growth, Sulawesi provincial administration should be able to balance between revenue and budget regional. Economic growth can be realized if the fiscal decentralization in Sulawesi Island government can run well. Capital expenditure could be funded with block grants and revenue. If the capital expenditure in an area more dominant funded using public funds allocation, this region still relies on the transfer of funds from the central government. In the implementation of regional autonomy, regional government is able to manage its own finances, and to finance its capital expenditure are expected to rely more on the regional government of own source revenue. Then, if the economic growth of a region can be improved, it is expected to improve welfare of society and reduce poverty.

This study aims to determine the development of an inclusive model of economic development in Sulawesi Island to see how the effects of general allocation fund and own source revenue on capital expenditure, the effect of capital expenditure on economic growth, and also see how the effect of economic growth on welfare of society and poverty. In this study, the hypothesis was tested using nine samples different areas by using the same model. In addition to the hypothesis tested in all regenciss and cities in Sulawesi Island, this hypothesis was also tested using samples each region or each province. This is done because in this study wanted to see if the test results would be different if the data is tested by using sample each province as compared to the overall samples, so that it can be seen each region in real conditions.

P ISSN 2086-3128 | E ISSN 2502-180X

The agency theory relating to solve two problems that may occur in relation to an organization, which is the agency problem that arises when the desire or purpose of the principal could not be fulfilled by the agent, and the problem difficult for the principal to verify what the agent actually is right or not. According to Lane (2013), agency theory can be applied in public organizations. There is a connection in agreements principal-agent that can be traced through the budget process, namely, voter-legislature, the legislature-the government, the minister of finance-budget users, the prime minister-bureaucrats, officials and service providers.

The problems facing the legislature can be interpreted as a phenomenon called agency problems. Agency problem involves at least two parties, the principal has the authority to take action, and the agent who received the delegation of authority from the principal. The government there is a connection in agreements principal-agent that can be traced through the budget process. General allocation fund is derived from the state budget funds allocated to financial equalization between regions and the financing needs of regional spending in the framework of the implementation of decentralization (Darwanto & Yustikasari, 2007).

According to Law No. 33/2004 on Financial Balance between Central and Regional Article 1, own source revenue aims to provide flexibility to local governments to dig funds in the implementation of regional autonomy. According to Kusumadewi & Rahman (2007), capital expenditure is the expenditure budget for the acquisition of fixed assets and other assets that benefit more than one year and aims to increase assets or wealth area, where the assets are will lead to more spending.

The phenomenon of flypaper implications that the transfer will increase the expenditures of regional government greater than the acceptance of the transfer itself. The flypaper as a result of the behavior of bureaucrats who transfer spend more freely than raising taxes derived from the original income is referred to as the greed of politicians. The economic growth is a study of the increased production of goods and services in economic activities. Economic growth is also a science that studies the increase in Gross Domestic Product (GDP) or Gross National Product (GNP) regardless of whether the increase in GDP or GNP was larger or smaller than the rate of population growth (Badrudin & Kuncorojati, 2017). If a country can provide economic goods, it is hoped that people can use so that the welfare of society is increasing and can reduce poverty.

The welfare of society is a way to associate welfare with social choices objectively obtained by summing the satisfaction of individuals in society. According to Badrudin & Kuncorojati (2017), the level of per capita income does not fully reflect the level of prosperity because of the weakness which is based on imperfections in the calculation of national income, each capita income and the weakness stems from the fact that the level of welfare of society is not only determined by income levels but also by other factors. Human Development Index (HDI) is a powerful tool to measure the level of welfare of society between countries and between regions.

The central government provides general grants to regional governments to finance the activities of regional expenditure. By this central and regional government wished to allocate it wisely, because it is not always able to supervise the performance of the central government, a regional government. It is difficult for the principal that the central government to verify what the agent, the regional gis right or not. If a regional government can allocate each of its funds effectively and efficiently, it will hopefully be able to fund its capital expenditure. Darwanto & Yustikasari (2007) proved that the general allocation fund has a real connection with capital expenditure. Siregar & Badrudin (2017) proved that the general allocation fund positive effect on capital expenditure. Based on the explanation, the hypothesis is formulated as follows:
H1: General allocation fund has positive effect on capital expenditure

Own source revenue must meet the elements of rationality, future oriented, can be used for in the future, and can be used as a benchmark for the success and failure of implementation of activities in a region. The province can increase revenue by allocating more resources that can be extracted from the province. Darwanto & Yustikasari (2007) argues that the region's ability to provide the funding coming from the region is highly dependent on the ability of the region to realize its economic potential for sustainable regional development. Darwanto & Yustikasari (2007) also proved that the own source revenue has a positive influence on the capital expenditure. Based on the explanation, the hypothesis is formulated as follows:
H2: Own source revenue has positive effect on capital expenditure

An area can achieve economic growth if the area can always improve the existing infrastructure in the region. The decision to increase capital spending is part of a desire to improve the quality and quantity of public services. If the quality and quantity of public services is increasing, it is expected to boost economic

growth in a region. Badrudin & Kuncorojati (2017) showed that the actual capital expenditure have a positive influence on economic growth. Based on the explanation, the hypothesis is formulated as follows:
H3: Capital expenditure has positive effect on economic growth

The economic growth is an important part in the development of a region that would later have an impact on welfare of society. With the quality of human capital, economic performance in an area believed to also be better. Therefore, in order to achieve good economic growth, the regional government must also consider the aspect of increasing the quality of its people, including in the context of the regional economy. Improving the quality of the public also will provide benefits in reducing inequality between regions, so that the imbalance that has been happening can be reduced and will further improve the welfare of society. Siregar & Badrudin (2017), Badrudin & Siregar (2015), and Sasana (2009) proved in research that significantly affect economic growth and have a positive relationship to the welfare of society. Based on the explanation, the hypothesis is formulated as follows:
H4: Economic growth has positive effect on welfare of society

The economic growth can be highly influential instrument in poverty reduction in the region. An area of increasing economic growth, is expected to reduce the level of poverty. The granting greater autonomy will give greater impact to economic growth. This is supported by Jonaidi (2012) which proves that there is a strong two-way relationship between economic growth and poverty and economic growth has a significant effect on poverty reduction. However, Manek & Badrudin (2016) proved that the economic growth no significant effect on decreasing the number of poor people. Based on the research of Jonaidi (2012), it can be concluded that economic growth has a negative effect on poverty in an area. Based on the description above, the hypothesis is formulated as follows:
H5: Economic growth has negative effect on poverty

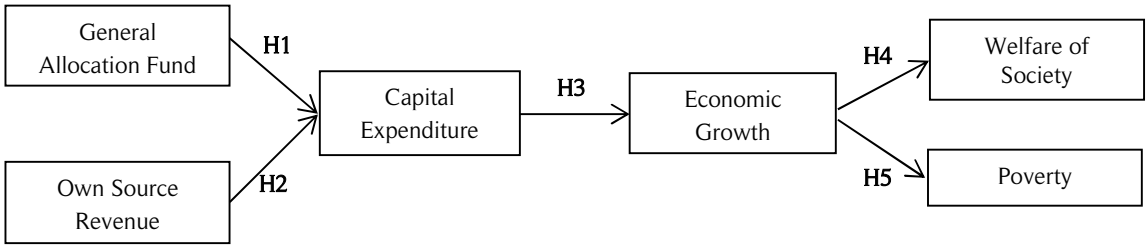

Figure 1. Theoretical Framework

Methods

In this study, the area that will be the object of research is the whole regencies and cities in Sulawesi Island. Sulawesi Island has six provinces, namely the province of Central Sulawesi, Southeast Sulawesi, North Sulawesi, West Sulawesi, South Sulawesi, and Gorontalo Province. The data used in this research is secondary data obtained from the Directorate General of Budget Ministry of Finance in the form of data realized budget from 2009-2016, GRDP, Human Development Index, and Percentage of Poor People of Sulawesi Island. The analysis technique used is the Partial Least Square ($\alpha = 0.05$). Tests conducted in nine samples of different areas but with same model.

Classification of variables is based on theoretical and empirical studies as a reference framework of thinking that consists of two variables are exogenous and endogenous. Exogenous variables are variables that affect the operation of a model economy and the variable is not affected by any relationship described by the model. Exogenous variables in this study is the general allocation fund and own source revenue. According to Law No. 33 of 2004, the general allocation fund has a definition that funds from the state budget allocated to the purpose of equalization of fiscal capacity among regions to fund the needs of the region in the implementation of decentralization, while own source revenue has a definition of regional income sourced from the local tax, the results of retribution, results management wealth separated areas, and others are legitimate, which aims to provide flexibility to local governments in funding in decentralization as a manifestation of the principle of decentralization.

Endogenous variables are variables that are influenced by exogenous variables. Endogenous variables in this study are: (a) an endogenous variable that has a meaning intervening variables that take effect when the exogenous variables affect the endogenous variables depend. Endogenous variables intervening in this

study are the capital expenditure and the economic growth. The capital expenditure by Government Accounting Standards has a definition of expenditure made in the context of capital formation that are adding fixed assets/inventory that benefit more than one accounting period, including the expenses for the maintenance cost nature maintain or increase its useful life, as well as increasing the capacity and quality of assets. Economic growth is described by the value of GRDP over prices come into force in a region. GRDP at current prices is the sum of the production value or the income or expenditure is assessed according to the prices prevailing during the year; (b) an endogenous dependent variable is the variable that is influenced by exogenous and endogenous variables intervening. Dependent endogenous variables in this study are the welfare of society and the poverty. According to Law No. 11 of 2009, the welfare of society is the fulfilment of the conditions of material, spiritual, social and citizens in order to live a decent and able to develop themselves, so that they can perform their social function. Public welfare in this study illustrated with HDI value of an area. The HDI is how residents can access development results in obtaining income, health, education, and so forth. The poverty is described by percentage of poor people.

Results Discussion

Sulawesi is one of the island which is crossed by the equator line in the quarter north of the island so most of Sulawesi Island is located in the southern hemisphere.

Table 1. Descriptive Statistic Analysis Results

Descriptive Statistic	General Alloca-tion Fund *	Own Source Revenue *	Capital Expenditure *	Growth (%)	Welfare of Society	Poverty (%)
Mean	288,979	26,955	113,151	7.53	71.37	14.89
Maximum	647,300	619,593	419,034	17.65	80.17	77.69
Minimum	1,454	415	23,354	-6.62	63.17	4.70

Remarks: *) in millions of rupiah

Based on Table 1 it appears that the variable of general allocation fund had an average for all regencies and cities in Sulawesi Island for 2009-2016 amounted to Rp288,979 billion, the highest general fund allocation indicated by Makassar City, South Sulawesi Province in 2012 amounted to Rp647,300 billion, and general allocation fund indicated by the lowest common in Selayar Regency, South Sulawesi Province. The own source revenue had an average for all regencies and cities in Sulawesi Island for 2009-2016 amounted to Rp26,955 billion. The capital expenditure had average for all regencies and cities in Sulawesi Island for 2009-2016 amounted to Rp113,151 billion. If the views of the average for 2009-2016, capital expenditure in Sulawesi Island more funded using general allocation fund compared to use own source revenue. Judging from the results of descriptive analysis, average economic growth in Sulawesi Island is only 7.53%. This indicates that economic growth in Sulawesi Island is still not evenly distributed. This is indicated by the value of HDI as measured by welfare of society the range between 63.17 and 71.37 and the average ratio of poor people is 14.89%.

Inductive analysis using Partial Least Square (PLS) includes research goodness of fit model (inner model). Results of testing the goodness of fit model can be seen in Table 2 below:

Table 2. Goodness of Fit Model

APC = 0.179, p_value <0.001	Good if p_value<0.05
ARS = 0.063, p_value =0.032	Good if p_value<0.05
AVIF=1.072	Good if ≤ 5

Based on the test results, the Average value of Path Coefficient (APC) of 0.179 with p_value <0.001, it means that a significant APC values (<0.05). The significant value of APC can prove that endogenous and exogenous variables have a cause and effect relationship either directly or indirectly. The Average value R-Squared (ARS) obtained the results of 0.063 with p_value = 0.032, it means that the value of ARS significant because p_value <0.05. In this research model does not happen multicolinearity, proved from the Average Variance Inflation Factor (AVIF) of 1.072 whose value ≤ 5.

The results of the analysis of the data if the first hypothesis is done by using nine different samples. In Table 3, showing that in fact when this hypothesis was tested on a sample of all regencies and cities in

Sulawesi Island has a p_value <0.01 that the value is smaller than significance level of 5%, which means the relationship between fund general allocation with capital expenditure have a significant effect. Path coefficient of 0.11 (is positive) indicates that the general allocation fund have a positive effect on capital expenditure. Judging from the test results, H1 is supported when tested using samples in all regencies and cities Sulawesi. When H1 is tested using samples of Southeast Sulawesi Province turned out hypothesis is also supported. The results of path coefficient of 0.35 (is positive) and the p_value <0.01 indicates that in Southeast Sulawesi Province, general allocation fund have a positive effect on capital expenditure. This hypothesis is rejected when tested using samples of West Sulawesi, South Sulawesi, Central Sulawesi, North Sulawesi and Gorontalo Province. So, when H1 is tested with a sample of each area, the general allocation fund relation to capital expenditure mostly do not significantly. Special tests were conducted with a sample in Western Sulawesi and Southern Sulawesi Province, the general allocation fund have a negative effect on capital expenditure. This is shown by the path coefficients of -0.55 and -0.02.

Table 3. The Hypothesis Testing Results (H1)

No	Sample Region	Path Coefficient	P_Value	Prediction	Findings
1	Regency and City	0.11	<0.01	Positive	Supported
2	Regency	0.34	<0.01	Positive	Supported
3	City	0.26	0.01	Positive	Supported
4	West Sulawesi Province	-0.55	0.01	Positive	Rejected
5	South Sulawesi Province	-0.02	0.38	Positive	Rejected
6	Southeast Sulawesi Province	0.35	<0.01	Positive	Supported
7	Central Sulawesi Province	0.26	0.10	Positive	Rejected
8	North Sulawesi Province	0.18	0.08	Positive	Rejected
9	Gorontalo Province	-0.42	<0.01	Positive	Rejected

H1 tested by using samples of all regencies and cities in Sulawesi Island and Southeast Sulawesi Province sampled in the first hypothesis is supported. This means that the bigger the general allocation fund will cause the amount spent on capital expenditure will also increase. Large capital expenditure will be used to finance infrastructure development in an area. These results support to study of Siregar & Badrudin (2017) and Darwanto & Yustikasari (2007), which showed that the general allocation fund has a positive effect on the capital expenditure.

However, when seen from the results of Table 3 of nine samples area used only three sample areas that the results of analysis supported H1 that samples a whole area of the regency and city in Sulawesi Island, samples a whole area of the regency in Sulawesi Island, and the sample area in Southeast Sulawesi Province. While the results of the analysis of samples in 5 other regions reject H1. It can be concluded that the first hypothesis is rejected, the test results prove that the general allocation fund negative effect on capital expenditure. These test results support to Wandira, (2013) that the general allocation fund has a significant negative effect on capital expenditure. Based on agency theory, the principals believe that the central government on the performance of the agencies that the regional government in terms of allocation of block grants given by the central government. It is difficult for the principal to oversee and verify what the agent is right or not. The central government can not directly oversee regional government in each province in Sulawesi Island in the allocation of public funds in each region. It is shown from the test results H1 in Table 3, many hypothesis are rejected when tested using a sample area each province.

Table 4. The Hypothesis Testing Results (H2)

No	Sample Region	Path Coefficient	P-Value	Prediction	Findings
1	Regency and City	0.35	<0.01	Positive	Supported
2	Regency	0.07	0.13	Positive	Rejected
3	City	0.49	<0.01	Positive	Supported
4	West Sulawesi Province	-0.30	0.04	Positive	Rejected
5	South Sulawesi Province	0.46	<0.01	Positive	Supported
6	Southeast Sulawesi Province	0.36	<0.01	Positive	Supported
7	Central Sulawesi Province	0.23	0.20	Positive	Rejected
8	North Sulawesi Province	0.37	<0.01	Positive	Supported
9	Gorontalo Province	-0.42	<0.01	Positive	Rejected

Viewed as a whole by using a sample of all regencies and cities in Sulawesi Island, the test H2 is supported. Great path coefficient of 0.35 (is positive) indicates that the own source revenue has positive effect on capital expenditure, and the magnitude of the p_value of <0.01 shows that own source revenue had a significant association with capital expenditure. In Table 4 of the nine samples area used, the results of the second hypothesis testing using the area received five samples, so that test results can be concluded in this study received H2. This means that the larger the own source revenue in Sulawesi Island greater the amount of capital expenditure. If an area has a lot of own source revenue, then it could be used to fund capital expenditure. These results support to study of Darwanto & Yustikasari (2007) which showed that the own source revenue has positive effect on capital expenditure.

If the H2 testing performed on samples of each region, the result of hypothesis testing using a sample both areas throughout the regency in Sulawesi Island, West Sulawesi, Central Sulawesi, and Gorontalo Province are rejected. So, the own source revenue had a negative influence on capital expenditure. The increase in local own source revenue are not able to increase capital expenditure. This may happen if own source revenue owned these areas are not too many allocated to capital expenditure.

Based on the analysis that has been summarized in Table 5, the third hypothesis testing conducted on six samples received the result region. It can be concluded in this study, the third hypothesis is supported. When viewed as a whole, to be tested using a sample of the entire territory of the regency and city in Sulawesi Island, the third hypothesis is supported. The magnitude of the path coefficient of 0.29 (is positive) indicates that capital expenditure has a positive influence on economic growth, and magnitude of p_value <0.01 indicates that capital expenditure has a significant relationship with economic growth. This means that the more the amount of capital expenditure in all regencies and cities in Sulawesi Island can boost economic growth. According to Badrudin & Kuncorojati (2017) and Setiawan & Hakim (2013), capital expenditure is part of a local desire to improve the quality of public services, which is expected to boost economic growth in the region. More and more funds allocated to capital expenditure, the more budget spent for infrastructure development in the area so expect economic growth can be achieved.

Table 5. The Hypothesis Testing Results (H3)

No	Sample Region	Path Coefficient	P-Value	Prediction	Findings
1	Regency and City	0.29	<0.01	Positive	Supported
2	Regency	0.28	<0.01	Positive	Supported
3	City	0.52	<0.01	Positive	Supported
4	West Sulawesi Province	0.07	0.40	Positive	Rejected
5	South Sulawesi Province	-0.39	<0.01	Positive	Rejected
6	Southeast Sulawesi Province	0.10	0.14	Positive	Rejected
7	Central Sulawesi Province	0.43	<0.01	Positive	Supported
8	North Sulawesi Province	0.41	<0.01	Positive	Supported
9	Gorontalo Province	0.62	0.04	Positive	Supported

The nine samples of the region, the results of testing the third hypothesis is supported in six samples of the area. Using a sample of regencies and cities in Sulawesi Island third hypothesis is supported. Even when tested using samples of all regencies in the region of Sulawesi Island and sample the whole area of the city in Sulawesi Island results are also supported. However, when the third hypothesis was tested using a sample area of each province in Sulawesi Island, precisely the third hypothesis is from six samples of the province, the third hypothesis is supported when it was tested only in three samples provinces, namely Central Sulawesi, North Sulawesi, and Gorontalo Province. This proves, that the real economic growth in Sulawesi Island is the exclusive economic growth, because economic growth has not been evenly distributed across the province, one of them in all provinces in Sulawesi Island.

Seen in Table 6, if H4 is tested using a sample area all regencies and cities in Sulawesi Island, the H4 is rejected. Whereas if H4 is tested using a sample area of each province in Sulawesi Island, the results of six samples of the province, five samples received using the province. Of the nine samples used area, in the region of six samples fourth hypothesis is supported so that it can be concluded in this study received the fourth hypothesis that economic growth positively affects the welfare of society. The higher economic growth in the region will improve welfare of society. The fourth hypothesis results support to study of Siregar & Badrudin, (2017), Badrudin & Siregar, (2015), and Sasana (2009) which proved positive effect of the economic growth on the welfare of society.

Table 6. The Hypothesis Testing Results (H4)

No	Sample Region	Path Coefficient	P-Value	Prediction	Findings
1	Regency and City	0.05	0.12	Positive	Rejected
2	Regency	0.30	<0.01	Positive	Supported
3	City	-0.39	<0.01	Positive	Rejected
4	West Sulawesi Province	0.10	0.13	Positive	Rejected
5	South Sulawesi Province	0.47	<0.01	Positive	Supported
6	Southeast Sulawesi Province	0.43	<0.01	Positive	Supported
7	Central Sulawesi Province	0.40	<0.01	Positive	Supported
8	North Sulawesi Province	0.18	0.04	Positive	Supported
9	Gorontalo Province	0.39	<0.01	Positive	Supported

In Table 6 it can be seen if H4 tested as a whole by using a sample of all regencies and cities in Sulawesi Island, the H4 is rejected. This is indicated by the path coefficient value of 0.05 (is positive) and its large p_value of 0.12 indicating economic growth is not significant relationship with the welfare of society. It turned out that when viewed as a whole, in Sulawesi Island, economic growth was not able to improve the welfare of society. This could be due to economic growth in the respective provinces in Sulawesi Island are not evenly distributed in accordance with the test results H3. The results of this analysis shows that economic growth in Sulawesi Island is an exclusive economic growth.

Based on the results of the analysis are summarized in Table 7 of the nine samples of this region, there are six sample areas that states that the fifth hypothesis is supported, so it can be concluded that in this study the fifth hypothesis is supported. Based on the results of the analysis are summarized in Table 7, if the fifth hypothesis was tested using a sample area per province, the fifth hypothesis is supported when using the sample region in West Sulawesi, South Sulawesi, Southeast Sulawesi, Central Sulawesi, and North Sulawesi Province. Of the six provinces in Sulawesi Island, there are five provinces that showed hypothesis testing is supported.

Table 7. The Hypothesis Testing Results (H5)

No	Sample Region	Path Coefficient	P-Value	Prediction	Findings
1	Regency and City	0.09	0.01	Negative	Rejected
2	Regency	-0.40	<0.01	Negative	Supported
3	City	0.32	<0.01	Negative	Rejected
4	West Sulawesi Province	-0.65	0.01	Negative	Supported
5	South Sulawesi Province	-0.43	<0.01	Negative	Supported
6	Southeast Sulawesi Province	-0.52	<0.01	Negative	Supported
7	Central Sulawesi Province	-0.38	<0.01	Negative	Supported
8	North Sulawesi Province	-0.29	<0.01	Negative	Supported
9	Gorontalo Province	0.52	0.29	Negative	Rejected

Viewed as a whole, if the fifth hypothesis was tested using a sample of the entire territory of regencies and cities in Sulawesi Island, the fifth hypothesis is rejected. The fifth hypothesis testing using samples of all regencies and cities in Sulawesi Island shows the path coefficient value of 0.09 (is positive) indicates that economic growth has a positive effect on poverty, while economic growth is expected to have a negative effect on poverty. This means an increase in economic growth when viewed using a sample of the entire territory of the regency and city in Sulawesi Island can not reduce poverty. The results of this analysis shows that economic growth in Sulawesi Island is an exclusive economic growth. The fifth hypothesis results support to study of Manek & Badrudin (2016) but not align with the finding by Jonaidi (2012).

When tested on the whole regencies and cities five hypothesis is rejected, but when tested using samples per province mostly five hypothesis test result is supported. This suggests that overall economic growth in Sulawesi Island have exclusive economic growth. However, when the hypothesis is tested using five samples each province region turned out to show economic growth inclusive, namely sustainable economic growth and broad-based in various provinces to reduce income inequality. This means that there is the influence of mobility among economic actors between regencies and cities in each province. So that the correlation between the regency and the city was important, since regional autonomy.

Conclusion

Hypothesis 1 which states that general allocation fund has positive effect on capital expenditure is supported. This means that the bigger the general allocation fund will cause the amount spent on capital expenditure will also increase. Large capital expenditure will be used to finance infrastructure development in an area. Hypothesis 2 which states that own source revenue has positive effect on capital expenditure is supported. This means that the larger the own source revenue in Sulawesi Island greater the amount of capital expenditure. If an area has a lot of own source revenue, then it could be used to fund capital expenditure. Hypothesis 3 which states that capital expenditure has positive effect on economic growth is supported. This means that the more the amount of capital expenditure in all regencies and cities in Sulawesi Island can boost economic growth. The capital expenditure is part of a local desire to improve the quality of public services, which is expected to boost economic growth in the region. More and more funds allocated to capital expenditure, the more budget spent for infrastructure development in the area so expect economic growth can be achieved.

Hypothesis 4 which states that economic growth has positive effect on welfare of society is rejected. It turned out that when viewed as a whole, in Sulawesi Island, economic growth was not able to improve the welfare of society. This could be due to economic growth in the respective provinces in Sulawesi Island are not evenly distributed in accordance with the test results Hypothesis 3. Based on the results of economic growth in Indonesia is an exclusive economic growth so that economic growth is uneven, it will not be used to improve the welfare of whole society on the island of sulawesi island. Hypothesis 5 which states that economic growth has negative effect on poverty is rejected. This suggests that overall economic growth in Sulawesi Island have exclusive growth. This means that five samples each province region turned out to show economic growth inclusive.

The proportion of the magnitude of the path coefficients obtained each variable general allocation fund and own source revenue turned out path of general allocation fund is smaller than the path coefficient of own source revenue. So it can be said that the effect of general allocation fund on capital expenditure is stronger than the effect of own source revenue on capital expenditure. The regional government in setting policy budget more stimulated by a number of general allocation fund received compared with own source revenue areas. This proves the existence of flypaper effect in the regional government's response to the general allocation fund and own source revenue.

The testing hypothesis 1 to 5 different results for inter-regional tests such as regencies with cities and testing each province due to the influence of the location of the area. This is based on the position of the area whether in quadrant on Klassen typology that measures the economic strength of each region. Thus, the economic strength of each region will determine the successful implementation of regional autonomy in achieving inclusive economic growth as measured by the achievements of welfare of society and poverty.

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