# Regional Expenditure for Sustainable Development: Regional Original Revenue, General Allocation Fund, and Revenue Sharing Fund

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**ABSTRACT**

The main objective of this study is to determine the spending patterns of regional original revenue, general allocation fund, and revenue sharing fund by district and city governments in South Sulawesi Province. The research uses a quantitative technique and secondary data from the Regional Revenue and Expenditure Budget Report for 2019-2023 published by the South Sulawesi Provincial Government. Over the time frame of the survey, 21 districts and 3 cities in South Sulawesi Province were included in the population. Multiple linear regression makes use of a descriptive analytic approach, and the data is rigorously analyzed using SPSS software version 27.0, ensuring accurate and reliable results., it was found that local revenue does not influence regional expenditure. On the other hand, the general allocation fund and the revenue sharing fund showed a positive impact on regional expenditure.

Keywords: Regional Original Revenue; General Allocation Fund; Revenue Sharing Fund; Regional Expenditure.

***Belanja Daerah untuk Pembangunan Berkelanjutan: Pendapatan Asli Daerah, Dana Alokasi Umum, dan Dana Bagi Hasil Daerah***

***ABSTRAK***

*Tujuan utama penelitian ini adalah untuk mengetahui pola pembelanjaan pendapatan asli daerah, dana alokasi umum, dan dana bagi hasil oleh Pemerintah Kabupaten dan Kota di Provinsi Sulawesi Selatan. Penelitian ini menggunakan teknik kuantitatif dan data sekunder dari Laporan Anggaran Pendapatan dan Belanja Daerah tahun 2019-2023 yang diterbitkan oleh Pemerintah Provinsi Sulawesi Selatan. Selama jangka waktu survei, 21 kabupaten dan 3 kota di Provinsi Sulawesi Selatan dimasukkan dalam populasi. Regresi linier berganda menggunakan pendekatan analitik deskriptif, dan data dianalisis secara ketat menggunakan perangkat lunak SPSS versi 27.0, memastikan hasil yang akurat dan dapat diandalkan., ditemukan bahwa pendapatan asli daerah tidak mempengaruhi belanja daerah. Di sisi lain, Dana Alokasi Umum dan Dana Bagi Hasil menunjukkan dampak positif terhadap belanja daerah.*

*Kata Kunci: Pendapatan Asli Daerah; Dana Alokasi Umum; Dana Bagi Hasil; Belanja Daerah.*

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## INTRODUCTION

The policy of regional autonomy highlights the important contributions of both government and community in improving the quality of development in the region. An increase in the resources required to sustain the expansion of public facilities and infrastructure is a direct result of regional autonomy. In addition to maximizing both natural and human resources, which ultimately enhances the well-being of the local population (Ependi et al., 2023). The first law establishing regional autonomy in Indonesia, "Law 22 of 1999", dealt with regional government. This policy brought significant changes to the governmental system and people's lives. "Law Number 32 of 2004" further establishes regional finance as the authority and capacity to explore financial resources, supplemented by a balance fund from the State Revenue and Expenditure Budget. There are three funds that make up this budget: "Revenue Sharing, General Allocation, and Special Allocation" (Sommaliagustina, 2019).

Local governments need to be independent because they have an autonomous status, including in economic affairs. However, the state still provides compensation and assistance to local governments. Each region has different financial capabilities to finance various operational activities. This causes financial imbalances between local governments and central governments, as well as between one region and another (Fitriani & Hendaris, 2023). The government provides a solution by allocating funds from the State Income and Expenditure Budget that can be utilized by the community to support sustainable development to the conditions of each region (Sutrisna, 2021).

The development undertaken must be capable of effecting a positive and sustainable impact on change (Juardi et al., 2022). To achieve sustainable development goals, regional expenditure must be in line with sustainable development goals. In addition to the state budget, funding sources for sustainable development also include regional budgets, general allocation funds, and funds from other legal and non-binding (Duanti & Arifin, 2020).

Swift regional growth necessitates a significant allocation of resources, including both regular expenses and development costs reflected in the Regional Revenue and Expenditure Budget. However, regional financial management is still inadequate, with weak budget planning and unsustainable revenues. This causes the budget to be ineffective in encouraging the acceleration of development (Wahab, 2021). The budget for public service funding must be adjusted to the number of people in each region. Meanwhile, budget expenditures for other developments must be following the mechanism (Horoshkova et al., 2019).

Research on the impact of regional original revenue, general allocation fund, and revenue sharing fund on regional expenditure is very important and urgent to be conducted considering that effective and efficient regional financial management is crucial in improving the quality of public services and regional economic development. This study aims to examine the effects of regional original expenditure, general allocation fund, and revenue sharing fund on regional expenditure and its implications for regional financial management. The findings are expected to provide valuable insights for regional governments to improve financial management, enhance transparency and accountability, and optimize resource allocation, ultimately leading to better public services and sustainable regional economic growth.

The regulation on regional expenditure is detailed in the "Minister of Home Affairs Regulation Number 13 of 2006", which specifies that funds are allocated for the affairs of provincial and district/city governments, as well as for partnerships between the government and local authorities. Regional expenditure management is important for economic stability and progress, as well as transparency of government performance. However, there are several problems faced by the government in budget management, namely budget allocation not according to the needs of the community, limited budgets, and inefficient and non-standardized and transparent service procedures (Augustine, 2022). Regional spending plays an important role in achieving sustainable development at the regional level. Sustainable development seeks to fulfill present needs while preserving the ability of future generations to meet theirs.

Regional original revenue is allocated to fund various development activities both at the national and regional levels. Local governments need to have the ability to identify and manage existing sources of income so that they can be used optimally to improve the quality of life and welfare of local communities (Riswandi, 2023).

The general allocation fund aims to balance the financial capabilities across regions, ensuring more equitable distribution of resources for regional spending. This fund plays a crucial role in supporting decentralization by providing financial assistance to regions with fewer resources, allowing them to meet their expenditure needs and contribute to the overall development of the country. General allocation funds help reduce fiscal disparities between regions (Rahula & Bowo, 2020).

Revenue sharing is an important source of income for regions with great potential. It serves as a primary capital for local governments to acquire funds for development projects, acts as a key resource for local governments to obtain funding for development initiatives, and supports costs at the regional level that cannot be met through special allocation funds, allocation funds, or original local revenue. The distribution of these funds is carried out according to a fraction of local earnings, and the municipal authorities use these funds to deliver services to their residents (Sunan et al., 2024).

South Sulawesi Province has an area of 15,698.70 km2 and abundant natural resources but faces an APBD deficit of Rp 1.5 trillion. This deficit is caused by insufficient Regional Original Revenue for district spending. According to a report from CNBC Indonesia written by Rachman (2023) published on October 13, 2023, the person in charge of the South Sulawesi Governor, Bahtiar Baharuddin, cited an inappropriate budget as a factor causing this deficit. To overcome the deficit, a plan to reduce spending until the end of 2023 is being implemented. For the Southern Province to rise, it is necessary to increase expenditure efficiency and optimize sectors that have the potential to increase local income (Radjak & Latarang, 2021)

The budget deficit for regional revenue and expenditure, as stated by the Directorate General of Financial Balance, is a condition when regional revenue is smaller than regional expenditure in a fiscal year. This deficit arises when total revenue is insufficient to cover the total planned expenditure (Radjak & Latarang, 2021) The shift in composition in regional financial management is a strategy to balance regional original revenue with regional spending. This includes directing higher local revenue to lower regional spending, or vice versa, and changing the composition between local revenue and regional spending (Gulo & Purba, 2022).

According to Jensen & Meckling, (1976), the central tenet of agency theory is the relationship between principals and agents, who are legally bound to look out for one another's best interests. This agency theory explains the potential for agency conflicts due to differences in interests and information inequality between the two, which can be overcome by harmonizing the rights of each between the principal and the agent. According to Octaviana, (2021), agency theory in regional management is applied through fiscal decentralization. In this arrangement, the federal government acts as principal and the state or regional governments as agents, managing funds and delegating responsibilities. Local governments are responsible for carrying out activities for the benefit of the community, while the central government provides authority and resources, so agency theory helps explain cooperation in managing regional finances.

Local governments are granted autonomy by the federal government to allow for self-regulation by the areas. The federal government also provides funds to support local government's autonomy. The independence of the regions must be upheld in debates about the funding relationship between the federal and state governments. When it comes to distributing these monies, the federal government plays the role of principal and the state and regional governments play the role of agent (Fadilah & Helmayunita, 2020). In the context of local government, information asymmetry is a situation when the central government (principal) does not have complete information about the activities and decisions taken by the local government (agent).

Information asymmetry can be the main cause of agency conflicts. Local governments may have more information about local conditions, community needs, and development priorities. Meanwhile, the central government tends to have a general view and limited information about the areas. In particular, when it comes to spending the allotted monies, this can cause local governments to fall short of what the federal government expects of them. In regional financial management, agency theory states that local governments play the role of agents who implement policies and spend funds for the benefit of local communities. However, due to information asymmetry, the central government must rely on reports and evaluations provided by local governments to guarantee that funds are utilized effectively and in a manner that serves the public interest.

Based on research conducted by Andrean & Sari, (2020), Nirmala & Putra, (2021), and Ependi et al., (2023), discovered that local income positively influences regional spending. However, research conducted by Akbar & Huda, (2024), Noveliana & Nugroho, (2024), and Fitriani et al., (2024) states that regional original revenue does not affect regional expenditure. The studies by Dahliah, (2022), Ependi et al., (2023), and Akbar & Huda, (2024) imply that regional spending is influenced by general allocation funds, while studies by Nur et al., (2022), Fitriani & Hendaris, (2023), and Amanda & Ratih, (2024) state that general allocation funds do not affect regional spending. Furthermore, the studies by Safa'ah et al., (2021) and Silaturrahmi et al., (2023) find that revenue-sharing funds positively affect regional expenditure. However, study carried out by Mbuinga et al., (2022) and Fitriani et al., (2024) argue that revenue-sharing funds do not impact regional spending.

According to agency theory, the relationship between the central government (principal) and the local government (agent) determines the main factor influencing the effect of local income on the regional. Incentives, accountability, efficient management, and suitability of spending priorities are key factors that determine how much local revenue can affect regional spending. With good management and support from the central government, local revenue can contribute significantly to the increase in regional spending that is beneficial to the community. According to Baharuddin, (2022), local revenue is important in meeting regional expenditure because it shows that the region can raise funds for routine activities and development.

The increase in the development of a region is significantly influenced by its capacity to effectively leverage the potential of regional original revenue. According to the study carried out by Mbuinga et al., (2022), within the framework of local government finance, there exists a reciprocal connection between local revenue and regional expenditure. As the local revenue increases, so too does the expenditure of the respective region. Based on the study carried out by Ependi et al. (2023), the effect of local revenue on regional expenditure has been found to be beneficial. Similarly, the findings of research conducted by Nirmala & Putra, (2021) and Amanda & Ratih, (2024) correspond to the conclusion of (Ependi et al., 2023). The theoretical basis and empirical findings above produce the following hypotheses:

$H_1$: “Regional original revenue exerts a positive impact on regional expenditure.”

The general allocation fund is a financial resource originating from the national budget, established to fulfill regional governmental expenditure requirements. The general allocation fund, as explained by the organization Governments at the state and regional levels receive funding from the federal government, according to this view. Local governments must optimize the utilization of these funds in executing regional operations. The federal government gives money to state and local governments in the form of general allocation funds so that they can raise more money for things like salaries, benefits, and public service improvements. Additionally, general funds are commonly known as transfer funds (Astutiawaty et al., 2022).

Measuring the influence of the general allocation funds on regional spending significantly can be seen if the more general allocation funds increase, the higher the regional expenditure. Therefore, regional spending is positively impacted by general allocation money. The study from Ependi et al., (2023) discovered that regional expenditure is positively affected by general allocation money. Likewise, the study of research conducted by Dahliah, (2022) and Akbar & Huda, (2024) have similar results by Ependi et al., (2023). The theoretical basis and empirical findings above produce the following hypotheses:

$H_2$: “General allocation funds exert a positive impact on regional expenditure.”

Agency theory-based revenue sharing seeks to enhance the vertical equilibrium between the federal government as principal and the states and municipalities as agents by taking resource-producing regions' potential into account. The existence of revenue-sharing funds from natural resources and significant taxes can contribute to improving public services, which can be realized through regional spending. The amount of money available for regional expenditures is directly proportional to the size of the revenue-sharing fund. Thus, regional revenue is positively impacted by the revenue-sharing funds. Studies by Safa'ah et al., (2021) and Silaturrahmi et al., (2023) have demonstrated that revenue-sharing funds positively influence regional spending. The theoretical basis and empirical findings above produce the following hypotheses:

$H_3$: "Revenue Sharing Fund has a positive impact on regional expenditure."

The research model used in this study is illustrated in Figure 1, which depicts the relationship between regional original revenue, general allocation fund, revenue sharing fund on regional expenditure.

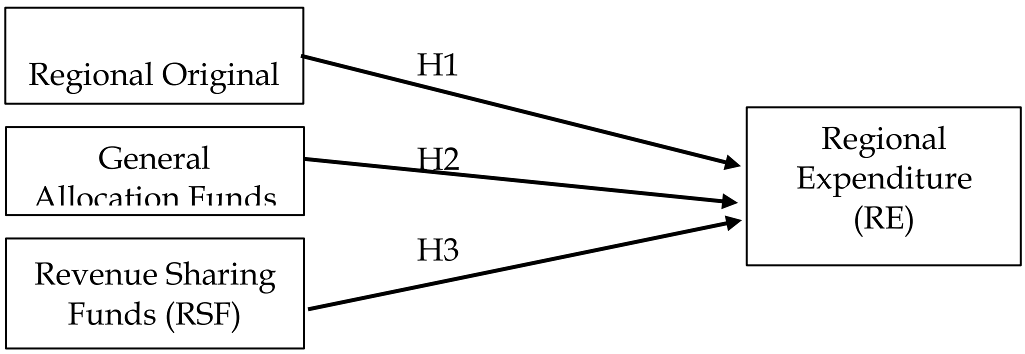


**Figure 1. Research Model**

*Source:* Research Data, 2025

## RESEARCH METHODS

The case study conducted in this research focuses on the Regency/City governments in South Sulawesi Province for the period from 2019 to 2023. The selection of regencies/cities in South Sulawesi Province as the study location is due to the anticipated defected in the regional budget for 2023, resulting from a mismatch between projected revenue and required expenditures. The selection of this period was based on the problems in financial management in South Sulawesi province that were identified at that time.

Information on regional expenditures, general allocation funds, revenue sharing funds, and regional original revenue from all district and city governments in South Sulawesi Province from 2019 to 2023 (or up to 5 years) makes up the study's population. The number of entities studied in this context consists of 21 districts and 3 cities in South Sulawesi Province. The number of valid samples for this study was 112 after excluding problematic samples that could not be processed and had to be removed from the research sample. By removing inappropriate data, more accurate results can be obtained.

**Table 1. Sample Selection Overview**

| Information | Total |
|---|---|

| | |
|---|---|
| The objects of this study are original income, general allocation fund, revenue sharing fund and regional expenditure of regencies/ cities in South Sulawesi Province, specially for the period of 1029-2023 | 24 |
| Number of research samples over 5 years | 24 x 5 = 120 |
| Casewise data | (8) |
| Number of research data processed | 112 |

*Source:* Research Data, 2025

This research adopts a quantitative approach method, in which data collection is carried out secondarily, namely by obtaining data indirectly through intermediary media. The data utilized in this study consist of reports on the realization of regional expenditure and balancing funds for regencies/cities in South Sulawesi Province, which are publicly accessible through the Directorate General of Fiscal Balance website www.djpk.kemenkeu.go.id. The research process begins with studying the necessary data, followed by recording and calculating by collecting information to solve problems based on relevant data.

**Table 2. Definition and Measurement of Variables**

| Variable | Operational Definition | Measurement |
|---|---|---|
| Regional Original Revenue | Income generated from local resources. | Total regional original Revenue for the area according to the report concerning the implementation of the Regional Revenue and Expenditure Budget. |
| General Allocation Fund | Funds provided by the central government to support local financial needs. | Total general allocation funds as indicated in the Financial Transfer Report released by the Central Government |
| Revenue Sharing Fund | Funds sourced from state revenues allocated to regions based on a certain percentage. | Total revenue sharing funds as outlined in the Financial Transfer Report provided by the Central Government |
| Regional Expenditure | Expenditures made by local governments for public services and development. | Overall regional spending is detailed in the regional revenue and expenditure budget |

*Source:* Research Data, 2025

Regional expenditures mandated by "Law No. 33 of 2004", serve as a reduction in the net asset value for the specific fiscal year and are recognized as an obligation of local governments. According to Octaviana, (2021), explained that the revenue obtained from both regional revenue and the balance fund, which, of course, is used by local governments to finance regional expenditures, which are designated for the implementation of governmental affairs within their jurisdiction. Following Government Regulation Number 71 of 2010, the formula for calculating regional expenditure was formulated by Rafi & Arza, (2023) as follows:

Regional Expenditure = Operating Expenditure + Capital Expenditure + Unexpected Expenditure………………………………...…………………………………..(1)

Regional original revenue refers to the income by regions based on their unique economic potential. This revenue is collected in accordance with local regulations in line with applicable laws and regulations (Andrean & Sari, 2020). Based on Mardiasmo, (2002), state that local own-source revenues encompass income derived from local taxation, local fees, profits from regionally owned enterprises, returns from the management of separated regional assets, and other legitimate sources of local revenues. In line with Government Regulation Number 71 of 2010, the formula for calculating regional original revenue was formulated by Astutiawaty et al., (2022) as follows:

Regional Original Revenue = Local Tax + Local Levies + Results of Management of Segregated Regional Wealth + Other Legitimate Regional Revenue…………..(2)

A distribution of funds from the federal government to state and regional governments is known as the general allocation fund, specifically designated for regional use (Wanma et al., 2020). To make sure that every region has the same amount of money, the general allocation fund is created by utilizing the regional revenue and spending budget. This fund is specifically designated to address the regional requirements associated with the execution of decentralization. (Astutiawaty et al., 2022). The formula for calculating general allocation funds is formulated by Devi & Tjahjono, (2023) as follows:

General Allocation Fund = Fiscal Gap + Basic Allocation…………………………(3)

Revenue-sharing funds come from the budget for income and expenditure at the regional level and are distributed to producing regions according to specified percentages. These funds constitute a source of revenue for the region that can be utilized for regional spending. This mechanism is intended to enhance the regional budget and ensure the effective distribution of resources (Purnasari et al., 2022). Profit-sharing funds play an important role in supporting local government programs. The richer the natural resources and the higher the tax rate of a region, the greater the funds it receives through the profit-sharing fund (Alvaro, 2022) The profit-sharing fund is calculated using the formula explained by Astutiawaty et al., (2022) as follows:

Revenue Sharing Fund = Tax Revenue Sharing Fund + Non-Tax Revenue Sharing Fund……………………………………………………………………………………..(4)

The methodology employed to examine the hypothesis is “multiple linear regression analysis”, utilizing the SPSS version 27.0. This technique is particularly advantageous for researchers seeking to ascertain the impact of multiple independent variables on dependent variables (Astutiawaty et al., 2022). The impact of regional spending on local revenue, general allocation funds, and profit-sharing funds was examined in this study using multiple linear regression analysis. The following is the description of the multiple linear regression model that was used for this analysis:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + e \quad (5)$$

The relationship can be expressed as follows:
Y = Regional Expenditure
α = Constant
β = Regression Coefficient
X1 = Regional Original Revenue
X2 = General Allocation Fund
X3 = Revenue Sharing Fund
e = Error

## RESULTS AND DISCUSSION

Descriptive statistics are used to describe or briefly describe data of variables in research. To achieve this, descriptive analysis was conducted, offering insights into the examined dataset. The tools employed in this analysis included measures such as the standard deviation, mean, and mode, as well as the minimum and maximum values. (Ghozali, 2018). The results of the descriptive statistics test are presented in Tabel 3.

**Table 3. Descriptive Statistical Test Results (The data is presented in Indonesian Rupiah (IDR))**

| Variables | ROR | GAF | RSF | RE |
|---|---|---|---|---|
| N | 112 | 112 | 112 | 112 |
| Standard Deviation | 162,504,224,212.37 | 121,504,533,240.52 | 46,403,531,482.35 | 306,239,428,193.43 |
| Mean | 169,991,517,857.14 | 615,148,303,571.43 | 32,023,303,571.43 | 1,273,886,875,000.00 |
| Maximum | 1,375,870,000,000 | 1,145,190,000,000.00 | 335,230,000,000.00 | 2,431,290,000,000.00 |
| Minimum | 42,870,000,000.00 | 429,880,000,000.00 | 11,890,000,000.00 | 842,980,000,000.00 |

*Source:* Research Data, 2025

According to Table 3, the statistical test revealed an N value of 112. Indicates that the study is based on a dataset consisting of 112 entries, derived from the Regency/City Budget Realization Reports of South Sulawesi Province for the fiscal years 2019 to 2023.

Data processing results showed that the first regional revenue was IDR 42,870,000,000 from North Toraja Regency in 2022. The highest value of IDR 1,375,870,000,000 was obtained from Bulukumba Regency in 2022. Meanwhile, the mean value of IDR 169,991,517,857.14 with a standard deviation value of IDR 162,504,224,212,371. The mean of regional income shows that districts/cities in South Sulawesi Province generally have substantial regional income. However, some districts/cities may have income levels significantly below or above mean, suggesting considerable variation in regional income across the province. This suggests disparities in the ability to collect regional income, which can be attributed to differences in economic potential, natural resources, and regional tax administration capabilities. These variations can also impact the districts/cities ability to allocate resources to enhance public service quality and regional economic development. Therefore, local governments need to evaluate and improve regional financial management to enhance income collection capabilities and reduce regional disparities.

The general allocation fund resulting from the data processing shows the lowest value of IDR 429,880,000,000 which came from the City of Pare-Pare in 2021.

The highest value of IDR 1,145,190,000,000 was obtained from Bone Regency in 2019. Meanwhile, the mean value of IDR 615,148,303,571.43 with a standard deviation value of IDR 121,504,533,240,522. The mean general allocation fund value shows that districts/cities in South Sulawesi Province generally receive substantial fund allocations. However, this average also reveals notable variations in fund allocations across regions, suggesting differing regional needs and fiscal capacities. This suggests a difference in fund allocation determination between regions, potentially due to variations in regional fiscal needs and capabilities. These differences can impact the region's ability to complement development programs and enhance public service quality. Therefore, evaluation and adjustment are necessary in determining general allocation fund allocations to ensure effective and efficient use of funds in supporting regional development.

The revenue sharing fund derived from the data processing indicates a minimum value of IDR 11,890,000,000 attributed to the North Toraja Regency in 2023. The highest value of IDR 335,230,000,000 was obtained from East Luwu Regency in 2023. Meanwhile, the mean value of IDR 32,023,303,571.43. The mean revenue sharing fund value shows that districts/cities in South Sulawesi Province generally receive substantial revenues. However, this average also reveals considerable variations in revenue distributions across regions, highlighting disparities in regional economic potential and resources allocation. This suggests differences in the ability of regions to optimize resources and economic potential, affecting the amount of revenue sharing funds received. Variations in natural resource types and quantities, as well as regional resource management policies, may contribute to these differences. Further analysis is needed to understand the factors influencing revenue sharing fund receipts and to identify strategies for regions to optimize their economic potential.

Regional expenditure on data processing results was obtained with the lowest value of IDR 842,980,000,000 obtained from Pare-Pare City in 2020. The highest value of IDR 2,431,290,000,000 was obtained from Bone Regency in 2020. Meanwhile, the mean value of IDR 1,273,886,875,000.00 with a standard deviation value of IDR 306,239,428,193,426. The mean regional expenditure value shows that districts/cities in South Sulawesi Province generally have substantial regional expenditures. However, this average also reveals notable variations in expenditure patterns across regions, reflecting differing regional priorities and financial capacities. This indicates that there are differences in development priorities and regional financial capacity, which can be influenced by several factors such as community needs, government policies, and available resources. These variations can also reflect the ability of regions to allocate resources to improve the quality of public services and regional economic development. Therefore, further evaluation and analysis are needed to understand the factors that influence difference in regional expenditure and to optimize resource allocation to improve community welfare.

The results of the classical assumption test can be seen in Table 4, which includes tests for normality, multicollinearity, heteroscedasticity, and autocorrelation.

**Table 4. Results of the Classic Assumption Test**

| | *Kolmogorov-smirnov* | B | *Tolerance* | Uji Glejser | Durbin-Watson |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Asymp. Sig. (2-tailed) | 0,165 | - | - | - | - |
| ROR | - | 1,090 | 0,918 | 0,528 | - |
| GAF | - | 1,037 | 0,964 | 0,359 | - |
| RSF | - | 1,079 | 0,927 | 0,399 | - |
| Durbin Watson | - | - | - | - | 1,374 |

*Source:* Research Data, 2025

Table 4 presents the outcomes of the normality test, indicating an Asymp. Sig. (2-tailed) value of 0.165, which is greater than the significant value of 0.05. The leads to the conclusion that the data in this research adheres to a "normal distribution." According to the outcomes of the multicollinearity test show the VIF value of all variables < 10 and the tolerance value > 0.1, allowing us to conclude that all variables are declared to have no symptoms of multicollinearity. The heteroscedasticity test conducted using the glacier test indicated that each variable was > a significant value of 0.5, hence, it is possible to infer that heteroscedasticity is no longer present in the version of the regression equation. The autocorrelation test carried out by Watson's Durbin approach has a value of 1.374. According to Algifari, (2000), the value of the Watson Durbin is in the range of 1.08-1.66 without conclusion. This means that Watson's Durbin value of 1.374 is within a range where there is no clear conclusion about the presence or absence of autocorrelation.

After completing the test for classical assumptions, the subsequent step is to conduct a multiple regression analysis. Researchers that want to find out how many independent variables affect dependent variables will find this strategy quite useful (Astutiawaty et al., 2022).

The results of the multiple linear regression analysis are presented in Table 5, illustrating the effects of the independent variables on the dependent variable.

**Table 5. Results of the Analysis on Multiple Linear Regression**

| | B | Std. Error | Beta | t | Sig. |
|---|---|---|---|---|---|
| Constant | -190,329,817,819,854 | 54,052,073,209,832 | | -3.521 | 0.001 |
| ROR | 0.045 | 0.066 | 0.024 | 0.679 | 0.499 |
| GAF | 2.237 | 0.086 | 0.888 | 26.127 | 0.000 |
| RSF | 2.515 | 0.229 | 0.381 | 11.001 | 0.000 |
| F count | 263.607 | | | | |
| Adj. R Square | 0.877 | | | | |

According on the table of analysis results, the equation model for multiple linear regression analysis utilized in this research is expressed as follows:

$RE = \alpha + \beta_1 ROR + \beta_2 GAF + \beta_3 RSF + e$……………………………………………..……(2)

$RE = 190329817819{,}854 + 0{,}045ROR + 2{,}237GAF + 2{,}515RSF + e$…………………..(3)

Based on the results of the findings from the regression analysis that has been conducted, it is observed that the constant value of 190329817819.854 indicates that when the original regional revenue, general allocation fund, and revenue-sharing fund (X) are all set to zero (*constant*), the value of regional expenditure (Y) will still be constant at 190329817819.854. For regional original revenue (X1) is 0.045. This implies that with one unit in regional original revenue increase, regional expenditure will increase by 0,045. This illustrates a positive correlation between regional spending. The regression coefficient for general allocation funds (X2) stands at 2,237. This means that regional spending will climb by 2,237 if the general allocation budget increases by one unit. This reflects a positive correlation between general allocation funds and regional spending. Meanwhile, the regression coefficient for the revenue-sharing funds (X3) is recorded at 2,515. This means that a 2.515 percent increase in regional expenditure is possible with a one unit increase to the revenue-sharing fund. This reflects a positive correlation between revenue-sharing funds and regional spending.

The significance of the coefficient of determination (*Adjusted R2*) is 0.877 as indicated by table 5. The data indicates the impact of "local original revenue" (X1), "general allocation fund" (X2), and "revenue sharing fund" (X3) on "regional expenditure" (Y) accounts for 87,7%. Conversely, variables not covered in this study have an impact on the remaining 12,3% of regional spending.

The regression model meets the required criteria, according to the F test for the model's viability, which uses the goodness of fit test. The computed F value of 263.607 above the F table of 2,70 illustrates this. Furthermore, a significance value below 0,05 was also obtained. The regression model meets both of these requirements, suggesting it is both statistically significant and practical for future applications.

Each independent variable, regional original revenue, general allocation funds, and revenue-sharing funds, was tested for their effect on the dependent variable, regional expenditure, using a t-test.

According to the test analysis results presented in Table 5, the regional original revenue has a value of t = 0.679 and a significance level of 0.499, which indicates that the value > 0.05. This result suggests that regional expenditure is unaffected by local own-sources revenue. The impact of own-sources revenue on regional expenditure cannot be supported, leading to the rejection of the first hypothesis in this study. In the context of agency theory, these results indicate that local revenue sources increase effective regional expenditure. There may be a large dependence on other sources of income, such as transfers from the central government, so that local revenue has not become a significant source of income. This findings is in line with previous studies Safa'ah et al., (2021), Fitriani et al., (2024), and Noveliana & Nugroho, (2024), which show that regional revenue has not fully contributed to increasing effective regional expenditure. Therefore, local governments need to increase their efforts to optimize local revenue sources, so the contribution of local revenue to regional expenditure and meet community needs more effectively.

The general allocation fund variable has a t-value of 26.127 and a significance value of 0.000 < 0.05, according to the test findings shown in Table 5. These results indicate that the general allocation fund is an important source of funding for regional governments in implementing development programs. In the context of agency theory, these results indicate that the central government as the principal has given trust to regional governments as agents to manage and allocate general allocation funds according to the priority of regional needs. The flexibility provided allows regional governments to respond more appropriately to the dynamics and challenges of development at the regional level . Several earlier studies suggest Ependi et al., (2023), Akbar & Huda, (2024), and Dahliah, (2022), which show that general allocation has an important role in supporting regional expenditure and regional development. These results strengthen empirical evidence on the effectiveness of general allocation funds as the main source of funding for regional governments that need to continue to improve synergy and coordination in the management of general allocation funds to ensure that these funds are used effectively and efficiently in supporting regional development.

The hypothesis analysis results are shown in Table 5, highlighting the impact of the revenue-sharing fund on regional expenditure, showing a significance value of 0.000 < 0.05, indicating strong evidence against the null hypothesis. This finding indicates that revenue sharing funds significantly increase regional expenditure, so the hypothesis is accepted. In the context of agency theory, this results indicates that the central government as the principal has given trust to the local government as an agent to manage revenue sharing funds received from the utilization of natural resources. This process not only increases regional income but also ensures that local communities directly benefit from the utilization of existing natural resources. The results of this research are backed by Safa'ah et al., (2021), and Silaturrahmi et al., (2023), which show that revenue sharing funds have an important role in increasing regional income and financing regional expenditure. This results strengthens empirical evidence on the importance of revenue sharing funds as a crucial source of regional income for local governments. Therefore, the central and local governments should enhance synergy and coordination in managing revenue sharing funds to ensure their effective and efficient use in supporting regional development and improving local community welfare.

## CONCLUSION

In order to propel regional expenditure towards sustainable growth, this study examines the substantial roles played by regional original revenue, the general allocation fund, and the revenue sharing fund. Regional original revenue had little effect on regional expenditure, according to this analysis; the only funds that had any effect were the general allocation fund and the revenue sharing fund. South Sulawesi Province's regencies and cities' budget situations will differ significantly from one another from 2019 to 2023. This is reflected in the standard deviation value of each variable, such as regional original revenue, general allocation fund, revenue sharing fund, and regional expenditure. This variation indicates a difference in the potential and financial capabilities of each region.

These findings provide several important implications for local governments to maximize the management of general allocation funds and revenue sharing funds, increase local revenue for fiscal independence, and be more selective in spending allocation by prioritizing sustainable development programs. The implications for future research should make a more significant contribution to the understanding and management of regional finances in Indonesia. The limitations of this study include a limited scope, researchers were unable to obtain comprehensive information from the sources utilized, potentially impacting the study's completeness. This study uses several specific variables that may limit the understanding of other factors that affect regional finances. Future research is expected to include samples from various districts and cities outside South Sulawesi province. To have a better grasp of the phenomenon being studied, it is helpful to broaden the scope of the research so that the findings may be compared with other areas. Additionally, further research is expected to incorporate regional economic growth variables to gain a deeper understanding of the dynamics between fiscal policies and regional development. This approach will enhance the depth of the analysis and offer a more comprehensive view of dynamics present in various regions.

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