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THE EFFECT OF REGIONAL FINANCIAL REFORM, GOOD GOVERNANCE, POTENTIAL REGIONAL INCOME, THE ROLE OF INSTITUTIONS, ON REGIONAL INCOME ON REGIONAL CAPITAL EXPENDITURE

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Abstract:

This research is motivated by reform of regional finance, good governance, potential regional income, the role of institutions which are not yet optimal. This research was conducted at the Regency Government BPKAD in the Lake Toba Tourism area, North Sumatra Province. The purpose of this study is to analyze and examine descriptively and verification related to the influence of regional financial reform, good governance, potential regional income, the role of institutions on regional income which has implications for regional capital expenditures. The research method used is a quantitative method which is carried out descriptively and verification. The sampling technique was carried out by proportional cluster random sampling. Sources of data from primary and secondary data, by observation, distributing questionnaires, interviews and documentation. The analytical technique used is SEM analysis. The results of the research show that: 1. Descriptively, regional financial reform, good governance, potential regional income, institutional role, regional income and regional capital expenditure are in the category of good enough to good. 2. The results of the verification research show that regional financial reform, good governance, potential regional income, the role of institutions have a positive and significant effect on regional income both simultaneously and partially. 3. The results of the verification study show that regional income has a positive and significant effect on regional capital expenditures.

Keywords: Regional Financial Reform, Good Governance, Regional Revenue Potential, Institutional Role, Regional Revenue, Regional Capital Expenditure

1. INTRODUCTION

The general purpose of implementing regional autonomy is to increase independence, increase government responsiveness to public needs and increase efficiency and effectiveness of financial management. Independence is meant here to reduce fiscal dependence on the central government. Increasing regional independence is closely related to the ability of the region to manage local revenue (PAD). To increase independence, regions must be able to recognize regional potential and explore sources of income owned by the region in accordance with their authority in the financial sector.

In order to comply with Undang-Undang No 33 of 2004 Article 3, Regional Governments are required to be able to increase their original regional income as much as possible. However, local governments face various challenges and obstacles in their efforts to increase their own local revenue, one of which is the weak local financial management. Regional financial management concerns revenue management, expenditure management and expenditure management.

According to Mahmudi (2020) problems related to the urgency of income within the public sector organization are influenced by several factors. Among other things, technical factors, related to the use of forecasting techniques. Economic factors are related to economic turbulence and uncertainty. Administrative factors related to changes in regulations, related legislation that affect revenue. The role of the legislature is related to the use of budget rights by the council and the implementation of the function of budget legislation.

Regional expenditure components consist of personnel expenditures, goods and services expenditures,

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capital expenditures, and other expenditures. This research focuses on the study of regional capital expenditures. Capital expenditures are expenditures that can encourage real economic growth (Halim, 2016). Infrastructure financed by capital expenditures will accelerate the wheels of the economy so that economic activities can run smoothly because the distribution of goods and services can be carried out more efficiently and effectively.

Regional income is very important in the regional development process. One of the major problems after regional autonomy is the dependence of local governments on balancing funds from the central government. This is because the local government is still weak in managing the potential that exists in the region so that it can increase their original income. Therefore, revenue management is needed so that each region can understand their income potential and can also maximize their income to finance government activities and public services.

From the description above, it can be seen that various efforts are needed to increase income because income plays an important role in determining the level of distribution of regional expenditure allocations, high regional income can increase the distribution of regional capital expenditure/development allocations. However, from the preliminary survey conducted, there are indications that regional capital expenditures are still very low compared to regional operational expenditures. This indication of regional capital expenditure is seen from the dimensions of planning, implementation and administration.

RESEARCH PURPOSES

The purpose of this research is to find out, analyze and examine in depth about: (1) Regional financial reform, good governance, regional income potential and the role of institutions in the Regency Government in the Lake Toba tourism area, North Sumatra Province. (2) Regional income to the Regency Government in the tourism area of Lake Toba, North Sumatra Province. (3) Regional capital expenditures at the Regency Government in the Lake Toba Tourism area, North Sumatra Province (4) The magnitude of the influence of regional financial reform, good governance, regional income potential, the role of institutions on regional income in the Regency Government in the Lake Toba tourism area, North Sumatra Province. (5) The magnitude of the influence of regional financial reform on regional income in the Regency Government in the tourism area of Lake Toba, North Sumatra Province. (6) The magnitude of the influence of good governance on regional income in the Regency Government in the tourism area of Lake Toba, North Sumatra Province. (7) The magnitude of the influence of potential regional income on regional income in the Regency Government in the Lake Toba tourism area, North Sumatra Province. (8) The magnitude of the influence of the institutional role on regional income in the Regency Government in the Lake Toba tourism area, North Sumatra Province. (9) The magnitude of the influence of regional income on regional capital expenditures in the Regency Government in the Lake Toba Tourism area, North Sumatra Province.

2. THEORETICAL RAME WORK

2.1 Financial Management

According to Atmaja (2012:2) financial disciplines can be divided into three areas, namely: (1) Corporate finance, relating to the operations of a company from the company's point of view which can generally be grouped on the asset side and the asset side. liabilities and equity, (2) Investment, related to investment decisions, (3) Financial markets and intermediaries, related to corporate funding decisions.

These three areas of finance are interconnected. The company makes investment decisions, funding decisions, and dividend decisions from the company's financial point of view in relation to financial markets and financial intermediaries, from the point of view of third parties. Investment is a financial sector which is also related to the company's funding decisions from the investor's point of view. The three financial fields are not only in corporate organizations, but also in public sector organizations.

A company or organization can be said to be developing well if the company or organization has good financial management. A company or organization is required to have good financial management so that the company or organization can compete with other companies or organizations. In order for finances to be managed properly, optimal financial management is needed. Optimal financial management pays attention to three activities, namely; fund use activities, fund acquisition activities and asset management activities.

Today financial management can be grouped into two, namely corporate financial management and public financial management. The two types of finance have in common, namely emphasizing on assessment and decision making. Assessment, about the value of

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securities, while making decisions on how to obtain funds to finance the operations of a company or organization. Valuation and decision making are interrelated because financial decisions depend on valuation, for example the decision to buy an asset is taken only if the value of the asset is higher than the costs incurred by Atmaja (2012:1). Meanwhile, what distinguishes the two types of finance lies in the source and purpose of funding. The commercial sector is funded by sales, share ownership and is oriented towards maximizing profits. The public sector is funded by taxes and levies and is oriented towards investing in non-profits. Nordiawan et al. (2012:6). This study examines public sector finance.

2.2 Financial Management Goals

The objective of financial management for the business sector according to Atmaja (2012:4) is to maximize the market value of the firm with the assumption that shareholders will prosper if their wealth increases. This means that with the investment invested by the owner of wealth, the owner is increasing.

The theory above is in line with the opinion of Paramasivan and Subramayan (2018:5) objective of financial management my be broadly divided into two parts such as : (1) Profit Maximization. Main aim of any kind of economic activity is earning profit. A business concern is also functioning mainly for the purpose of earning profit. Profit is the measuring techniques to understand the business efficiency of the concern. Profit maximization also the tradisional and narrow approach, wich aim at, maximizes the profit of the concern. (2) Wealt maximization is one of the modern approaches, wich involves lates innovations and improvements in the field of the business concern. The term wealt means shareholders wealts or the wealt of the persons those who are involved in the business concern.

This theory explains that the purpose of all economics is to make a profit. Profit is a measure of business efficiency of concern. Wealth maximization is one of the modern approaches that involve improvement in business innovation. Wealth maximization is also known as value maximization or current net worth.

Meanwhile, according to Syahyunan (2015:3) the purpose of financial management is to increase the value of the company or maximize the wealth of the owners or shareholders of the company. This means that the company was founded to get the maximum profit.

The theory, for the purpose of financial management for profit-seeking organizations or business sectors. According to Halim (2014:31) for public sector financial management, the purpose of public sector financial management is as regional financial administration. This can be stated based on the position of regional financial management. Regional financial management is a tool for implementing regional financial management. Governance can be interpreted as the efforts made by managers, namely the local government in spending funds owned by the region according to the needs and characteristics of the area and in obtaining the funds needed to finance these expenditures.

2.3 Regional Financial Reform

Regional financial reform was marked by the enactment of Law Number 22 of 1999 concerning Regional Government and Law Number 25 of 1999 concerning Financial Balance between Central and Regional Governments which replaced Law Number 5 of 1974 concerning Principles of Regional Government and Law No. Number 32 of 1956 concerning Financial Balance between the State and the Regions which manage their own household, successively.

Regional financial management reform in the pre- and post-reform era and how far these changes can be seen from the stages of regional financial management reform itself. The stages of changes in regional financial management in the pre-reform era, the reform era for the 1999-2004 period and the advanced reform era from 2004 to the present.

The reform of the regional financial management system in Indonesia is a consequence of the implementation of fiscal decentralization and regional autonomy. According to Mardiasmo (2018:65) The reform of the regional financial management system in Indonesia illustrates the new paradigm of regional financial management as one of the keys to facing the global era, in addition to developing regional autonomy and fiscal decentralization. Reform of the regional financial management system in Indonesia is expected to increase local revenue. Regional original income is an illustration of regional independence.

Learning from the study of regional expenditures or expenditures, it was found that conditions were not ideal in the management of regional finances in the past which had to be corrected immediately as an effort to improve the quality of local government services to the community. According to Mardiasmo (2018:130) the need for reform of regional financial management and regional budgets. In this regard, the regional budget must be able to optimally function as a tool for determining the amount of income and expenditure, assisting decision making and development planning, authorizing expenditures, in the future, a source of developing standard measures for performance evaluation, a tool to motivation of employees, and coordination tools of various for work.

2.4 Main Aspects of Regional Financial Management Reform

Since the reformation, there have been various changes to the legislation in the regional government system in Indonesia, namely from Law Number 5 of 1974 to Law Number 22 of 1999 which was later renewed by Law Number 32 of 2004. led to fundamental changes in local financial management.

According to Mahmudi (2020:4) the main aspects of regional financial management reform include: (1) Changes in the budget system from a traditional budget system to a work performance-based budget system. (2) Changes in Regional Financial Management Institutions (3) Changes in Regional Financial Accounting System (3) Changes in Accounting Recording Base. (4) Change from Cash Basis to Accrual.

The development of laws and regulations related to financial management starts from regional financial management in the pre-reform era, regional financial management in the post-reform era from 1999 to 2004 and further reforms from 2004 to the present. The development of pre-reform regional finance is the laws and government regulations on government and regional finance 1999 and below. Regional financial management in the post-reform era is the laws and regulations concerning regional government and finance between 1999 and 2004. Meanwhile, the further reformed regional financial management is the laws and regulations on regional government and finance from 2004 to the present.

2.5 Good Governance

In various organizational sectors, both the business sector, the public sector, and social sector organizations are required to be able to implement the principles of good governance, or what is commonly known as good governance (Berto and Nurazi 2021:9). Empowerment of the state apparatus is a demand to realize state administration that is able to support the smooth and integrated implementation of the duties and functions of state administration and development by practicing the principles of good governance. The implementation of good governance is the main prerequisite for realizing the aspirations of the people in achieving the goals and ideals of the nation and state.

Judging from various forums, good governance has become an important issue in the world. Organizations have a key role to play in promoting economic and social development. According to Moenek and Swanda (2019:65) the goal of good governance will be achieved if the three pillar actors of the government, the private sector, and the community apply the principles of good governance with a synergistic and constructive process between the three. Good governance has three main functions, namely effectiveness that comes from corporate culture, principles of company management policies to realize efficient, effective and profitable organization in running the organization, and a set of regulations that direct companies to achieve value.

2.6 Regional Income Potential

In order to make a comprehensive and more realistic budget plan, in addition to an income estimate, it is necessary to calculate the potential income. Potential income does not have to be fully realized in one fiscal year but can be gradual over several budget years.

To realize all this potential, it is necessary to make efforts to raise awareness and tax compliance, which will take time. Tax compliance awareness by taxpayers cannot be realized in just one fiscal year. In addition, achieving all potential income also requires greater revenue collection costs and this of course requires consideration of current financial capabilities.

2.7 Recognizing Regional Income Potential

For public managers, the ability to recognize potential income and utilize it optimally is an important thing that shows their entrepreneurial capacity to manage public sector organizations. According to Mahmudi (2020: 48) it is important to grow entrepreneurial government and a government that is able to create income, not just spending the budget. The income potential from one region to another is different due to different demographic, economic, sociological, cultural, geomorphological, and environmental factors. However, sometimes a potential cannot be processed due to limited human resources, capital, and the laws and regulations that limit it.

According to Mahmudi (2020:48) when viewed from the potential ownership and ability to manage existing potential, an area can be categorized into four, namely:

(1) Has high potential and ability to manage, (2) Has high potential but low ability to manage, (3) Has low potential but has high ability to manage (4) Has low potential and low ability to manage.

Utilization of all potentials or resources can create various business opportunities which can then increase the pace of the community's economy in a sustainable manner, which in turn will have a wide multiplier effect on various sectors of people's lives. Therefore, the region must be able to identify all of its potential in an effort to develop it optimally, directed and planned so that this potential can become a locomotive for regional economic growth, a source of regional income, and an increase in community income. Therefore, the potentials of the regions will be able to indicate what are the core competencies of the regions, which then need to be developed in the future through various efforts and involvement of local governments, communities and business actors.

2.8 Institutional Role

One of the objectives of regional autonomy is to realize good governance which is characterized by increasing regional independence. With regional independence, regions have the discretion to carry out broader development in serving public needs. Achieving regional independence is not an easy thing to do, two decades of regional autonomy in progress, the region is more dependent on funds from the government that is higher above it.

It takes the involvement of other institutions outside the local government to achieve local government independence. It is hoped that these other institutions will play an active role in contributing to the increase in Regional Original Income as an indicator of regional independence. Regionally-owned enterprises (BUMD) make a large contribution to local revenue. Increasing local revenue is not only a concern for the executive but also for the legislature because the small local revenue will affect the salary structure of council members.

It is undeniable, limited local government funds to develop the regional economy requires the role of the private sector which has excess funds. The presence of the role of investors is expected to provide a multiplier effect for the regional economy. Not only providing input to local governments in the form of taxes, but also opening up wider job opportunities for local residents to work for companies or business entities formed by investors.

To bridge investment growth in the regions so that the region becomes a haven for investors, the design of a licensing service model known as the One-Stop Integrated Service (PTSA) needs to be further strengthened. The PTSA concept was well received by investors. PTSA has cut the long road for business licensing so that the costs for licensing can be kept to a minimum.

2.9 Regional Income

Regional income is very important in the regional development process. One problem that is quite important in the regional development process. One of the major problems after regional autonomy is the dependence of local governments on funds from the central government. This is because the local government is still weak in managing the potential that exists in the area so that it can increase local revenue. According to Law Number 33 of 2004 concerning the financial balance between the central and regional governments, Article 5, regional income is sourced from regional original income, balancing funds, and other income.

Regional income affects the discretion of local governments in carrying out development. Large regional incomes can carry out development or services to the wider community. Meanwhile, small regional income will limit the extent of development or services to the community. Large regional income shows the progress of a region in carrying out development.

When compared to the business sector, local government revenue sources are relatively predictable and more stable because these revenues are regulated by binding and enforceable local laws and regulations. Meanwhile, local governments with the legal umbrella of laws and regulations have the right to collect regional taxes and regional levies. Even the government can force taxpayers to pay taxes and provide sanctions if they do not comply with taxes. Because the government's income is relatively stable.

However, local governments need to do good revenue management in order to obtain optimal income. In terms of the source of revenue that is the right of the region, Law Number 23 of 2014 concerning Regional Government article 157 states that regional income consists of regional original income, balancing funds, and legitimate regional income. Then Law Number 33 of 2004 concerning the financial balance between the central government and regional governments explains that the

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source of regional income in article 5 consists of regional original income, balancing funds, and other income.

2.10 Regional Capital Expenditure

Regional autonomy makes the division of authority between the central and local governments, but local governments still have to synchronize the policies taken with the policies taken by the central government. This policy synchronization allows for alignment of priority programs allocated in the central and regional government budgets. Currently, the central government prioritizes budget allocation for infrastructure development. The priority of infrastructure development can be seen from the size and increase in capital expenditure of the central government. This priority for infrastructure development makes local governments allocate large funds for capital expenditures.

Capital expenditure is very important to encourage economic growth. The World Bank at the end of 2011 reminded the Indonesian government that capital expenditures can affect the performance of various government agencies because if the government is able to make capital expenditures wisely, it is hoped that it will be able to provide a multiplier effect in the national economy. Based on the latest World Bank report, in 2015 the Indonesian government increased capital expenditure significantly so that it could support economic growth in the third quarter and could accelerate growth in the next, if the realization of capital expenditure continues to improve because currently absorption of capital expenditure by the government is still low. Halim (2016:211).

Based on agency theory in the public sector, government performance is assessed through the budget it makes, so it is hoped that government spending that touches on the service function to the community, which is tangible in capital expenditure, should get a relatively large portion. However, from the development expenditure study, it is clear that the allocation of the budget for regional development is usually done after the allocation for operational activities is fulfilled, so that the fiscal capacity allocated for development activities is highly dependent on the size of the operational needs.

3. RESEARCH METHODS

3.1 Variable

Table 1. Definitions and dimensions of the research construct

Construct	Definition	Dimension
Regional Financial Reform	Policies from the government of the Republic of Indonesia that reform various matters including the management of regional finances are carried out by changing the law	1. Changes to the budget system 2. Changes in regional financial management institutions 3. Changes in the regional financial accounting system 4. Changes in the basis of accounting records
Good Governance	As behavior in terms of public affairs and public resource management	1. Efficiency and Effectiveness 2. Legislation 3. Ethics of Conduct 4. Sound financial management
Regional income potential	Something that actually already exists, it just hasn't been obtained or has not been obtained in the hands to obtain it requires certain efforts	1. Recognizing the potential for regional income 2. Calculation of potential income on a macro basis 3. Calculation of potential income on a micro basis
Institutional Role	As a regulation of behavior that is generally accepted by members	1. Regional Investment Coordinating Board (BKPMD)

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Construct	Definition	Dimension
	of a social group or rules that limit behavior to build a structure for political, economic and social interaction.	2. Regionally Owned Enterprises (BUMD)
Regional Income	All regional rights that are recognized as an addition to the value of net assets in the period of the relevant fiscal year	1. Regional Original Income (PAD) 2. Balancing Fund 3. Other Legitimate Regional Income
Regional Capital Expenditure	Budget expenditures for the expenditure of fixed assets and other assets that benefit more than one accounting period	1. Planning 2. Implementation 3. Administration

3.2 The hypotheses tested in this study

Hypothesis 1: Regional financial reform, good governance, potential regional income, and the role of institutions affect regional income

Hypothesis 2: Regional financial reform affects regional income

Hypothesis 3: Good governance affects regional income

Hypothesis 4: The potential of regional income affects regional income

Hypothesis 5: Institutional roles affect regional income

Hypothesis 6 : Regional income affects regional capital expenditure

3.3 Research Overview and Respondent Profile

The number of samples taken is based on the proportional cluster random sampling technique. Then each district is taken proportionally, as follows:

Table 2. Sample Distribution by District

No	Districts	Proportional Sample	Number of Samples
1	Kab. Tapanuli Utara	53/322 x 178 = 29,36289	29
2	Kabupaten Karo	41/322 x 178 = 22,71469	23
3	Kabupaten Simalungun	50/322 x 178 = 27,70084	28
4	Kabupaten Dairi	52/322 x 178 = 28,80887	29
5	Kabupaten Toba Samosir	44/322 x 178 = 24,37674	24
6	Kabupaten Humbang Hasundutan	40/322 x 178 = 22,16067	22
7	Kabupaten Samosir	42/322 x 178 = 23,2687	23
Total			178

Source: Data processing (2020)

The next step is to distribute the sample using stratified random sampling method. In this study, the strata used looked at the level of employee positions at the BPKAD of the Sugiyono Regency Government (2016: 82). Based on this technique, the sample size for each strata is proportionally distributed. By using this method, the distribution of respondents by employee position at BPKAD is as shown in table 2

3.4 Measurement Model Analysis

Structural Equation Modeling (SEM) was used to test the model and hypothesis. SEM is known by different names, but all of them are referred to and implemented in several computer programs such as LISREL, COSAN, EQS, and AMOS. This study uses LISREL.8.80

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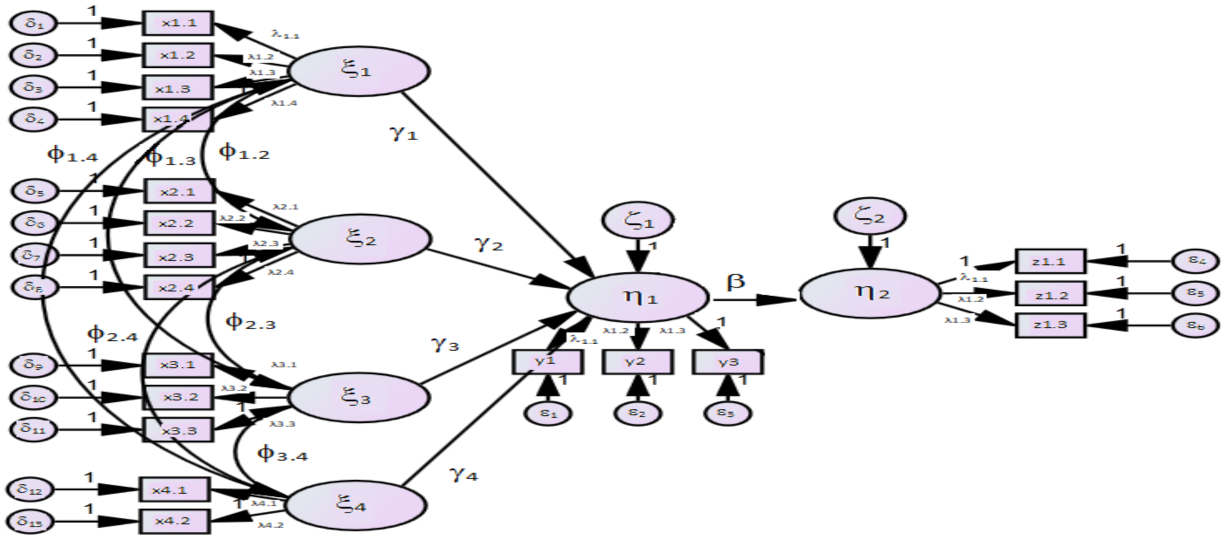
Structural equation model can be used in two-way (reciprocal) and recursive causal (causal) relationship models. Parameter estimation is carried out at the same time to create a structural model. The output of the structural equation model is in the form of determinant factors, so it can be used to test the relationship and influence. The overall equation model in the following picture:



Source: SEM processing results (2020)

Figure 1. Structural Equation Medeling (SEM)

4. RESEARCH AND DISCUSSION RESULTS

4.1 Verification Analysis

After analyzing the research instrument and scaling analysis and descriptive analysis, the data that has been collected is then used to analyze and test the hypothesis testing formulation based on Structural Equation Modeling (SEM) using LISREL 8.80 software, the model is obtained as shown in the following figure.

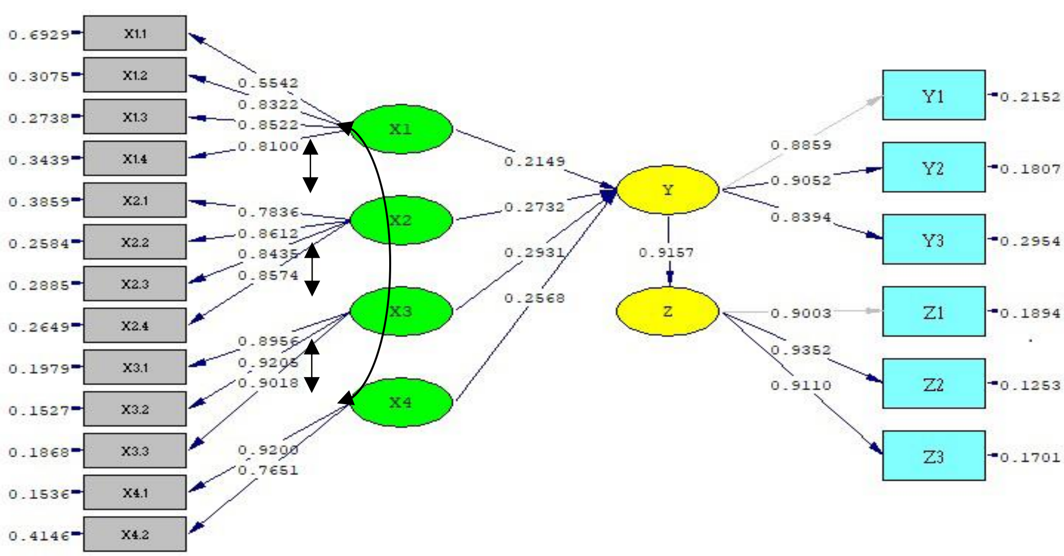


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Figure 2. Relationship Structure of All Research Variables

The estimation results using the LISREL 8.80 software for each research dimension need to be explained further. This explanation is needed because each variable is measured indirectly, but a number of indicators are formed that need to be studied for their role in shaping these variables.

4.2 Effect Analysis and Research Variable Hypothesis Testing

Based on the results of the LISREL 8.80 program data processing for structural model 1, according to the proposed hypothesis, the following results are obtained:

Y = 0.2149X1 + 0.2732X2 + 0.2931X3 + 0.2568X4, Errorvar.= 0.2124
(0.07024) (0.08783) (0.07278) (0.08218) 0.03332)
3.0595 3.1107 4.0272 3.1248 5.3172

Where the value of the termination coefficient is 78.76 percent (R2 = 0.7876).

Based on the above equation, it can be explained that: (1) Regional income (Y) is positively influenced by regional financial reform (X1) with a path coefficient of 0.2149, positively influenced by good governance (X2) with a path coefficient of 0.2732, positively influenced by the potential of regional income (X3) with a path coefficient of 0.2931, and positively influenced by the role of institutions (X4) with a path coefficient of 0.2568. (2) For the path coefficient of regional financial reform (X1) to regional income (Y) of 0.2149, it means that if regional financial reform has increased, regional income will increase by 0.2149 units or regional financial reform will contribute to an increase in regional income of 0.2149 units. (3) For the path coefficient of good governance (X2) to regional income (Y) of 0.2732, it means that if good governance has increased, regional income will increase by 0.2732 units or good governance contributes to an increase in regional income of 0.2732 unit. (4) For the path coefficient of potential regional income (X3) to regional income (Y) of 0.2931 meaning that if the potential of regional income has increased, regional income will increase by 0.2931 units or potential regional income to contribute to an increase in regional income of 0.2931 units. (5) For the path coefficient of the institutional role (X4) to regional income (Y) of 0.2568, it means that if the institutional role has increased, regional income will increase by 0.2568 units or the role of institutions contributes to the increase in Regional Income of 0.2568 unit.

Based on the results of the LISREL 8.80 program data processing for structural model 2, according to the proposed hypothesis, the following results are obtained:

Z = 0.9157*Y, Errorvar.= 0.1615 , R^2 = 0.8385
(0.06205) (0.03720)
14.3698 5.5124

Based on the above equation, it can be explained that the regional income variable is positively influenced by the regional capital expenditure variable with a path coefficient of 0.9157, meaning that if regional income increases, regional capital expenditure will increase by the path coefficient of 0.9157 or any increase in income. regions will contribute to the increase in regional capital expenditure by 0.9157 units.

Thus the proposed conceptual hypothesis has been tested and can be accepted. The complete structural model for substructure 2 can be described as follows:

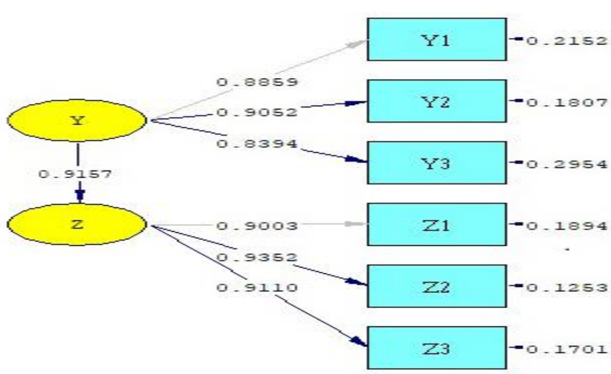

Figure 3. Coefficient of Regional Income Path to Regional Capital Expenditure

4.3 Discussion of the Influence of Regional Financial Reform, Good Governance, Regional Revenue Potential and Institutional Role on Regional Revenues

The results of verifiative research prove empirically that: simultaneously regional financial reform, good governance, regional revenue potential and institutional roles have a positive and significant effect on regional income, amounting to 78.76% and the remaining 21.24% influenced by other factors outside this study, such as: regional gross regional domestic product, regional potential, demographics, culture, human resource limitations, capital and restrictive laws and regulations. The amount of simultaneous direct influence of regional financial reform variables, good governance, regional revenue potential and institutional roles is 27.27%, while the simultaneous indirect influence is 51.48%.

The amount of direct influence of regional financial reform on regional income and its indirect influence through good governance, regional revenue potential and institutional roles is 15.17%. The direct influence of good governance, regional on regional income and indirect influence through regional financial reform, regional revenue potential and institutional role of 21.40%. The direct influence of regional revenue potential on regional income and the indirect influence of the influence of regional financial reform, good governance and institutional roles amounted to 22.62%. Direct influence of institutional roles on regional decommissioning and indirect influence through regional financial reform, good governance and revenue potential of 19.57%.

Then it can be known that the total influence is the largest partial is the potential of regional income with a total influence on regional income of 22.62%, so that conclusions can be drawn to increase regional income must be supported by the potential for good analysis of regional revenue potential. However, the influence of other variables affecting regional income studied in this study is also quite large, namely regional financial reform by 15.17%, good governance by 21.40% and institutional roles by 19.57%.

Based on the degree of contribution of the variable regional financial reform to regional income 0.2149 which means that the better the regional financial reform will contribute to regional income. At the degree of contribution of good governance variables to regional income of 0.2732 which means that the higher the good governance will contribute to regional income. At the degree of variable contribution of regional revenue potential to regional income of 0.2931 which means that the higher the regional revenue potential will contribute to regional income. At the degree of variable contribution of institutional roles to regional income of 0.2568 which means that the higher the institutional role will contribute to regional income.

4.4 Discussion of the Influence of Regional Revenue on Regional Capital Expenditures

Verifiative research results prove empirically that regional income has a positive and significant effect on regional capital expenditures, amounting to 83.85%, and the remaining 16.15% is influenced by other factors not discussed in this study, such as: budget policies that are more likely to be political, regional medium-term development plans (RPJMD), local government work plans (RKPD) and APBD general policies (KUA).

It can be explained that the dimension of the balance fund has a strong / important role, then other income and local native income form regional income. In other words, the balance fund, makes the most powerful or dominant contribution compared to other dimensions in forming regional income. The balance fund is the largest in this dimension because one of the big problems post-regional economy is the dependence of local governments on balance funds from the central government. Balance funds are important because of the weak ability of local governments to manage the potential in their area so as to increase their original income.

The other dimension is not unimportant in forming regional income, but other dimensions can be a supporter of increasing good regional income. Especially for other dimensions of income as the smallest dimension / not dominant because other income cannot be established because other income that is valid in the form of grant income, emergency fund income and transfers from the provincial government does not have a formula to determine the amount of receipts. For this reason, it is necessary to calculate the amount of transfer funds from the provincial government that will be transferred to the district / city government.

From the above analysis, it can be said that the dimensions of balance funds related to regional independence, the magnitude of transfers, the transaction of the amount of transfers, the estimated amount of receipts, objective transfer of funds, simple fund transfer design, the existence of revenue sharing fund transfers, the existence of general allocation fund transfers and the transfer of special allocation funds are

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good. In line with the results of descriptive analysis that balance funds are the dominant factor in forming regional income. Thus to streamline regional income can be done by increasing and optimizing balance funds.

The implementation dimension has a strong / important role, then followed by management and subsequent planning. In other words, the implementation of capital expenditure contributes the most strongly and dominantly compared to other dimensions of regional capital expenditure. Implementation becomes dominant in capital expenditure due to capital expenditure activities, work results, procurement of capital expenditures budget absorption, realization of spending and budget absorption is good.

The other dimension is not unimportant in regional capital expenditure, but other dimensions can be a support for increasing capital expenditure. Especially for the dimension of capital expenditure planning as the smallest dimension / not dominant, this is because the planned regional expenditures do not have a logical with the planning documents outlined in the work plan of the regional device work unit (Renja SKPD), the local government work plan (RKPD), the regional medium-term development plan (RPJMD) and the regional long-term development plan (RPJPD).

From the above analysis, it can be said that the dimensions of the implementation of nods related to capital expenditure activities, work results, capital expenditure procurement, budget absorption, realization of spending and budget absorption are good. In line with the results of descriptive analysis that implementation is the dominant factor in shaping regional capital expenditures.

From the discussion above, it can be seen that effective regional income can encourage optimal regional spending. This can be achieved if the regional financial manager is really working to improve regional revenue management. Optimal capital expenditure will encourage real economic growth. Infrastructure structure financed by capital expenditure will accelerate the wheels of the economy so that economic activities can run smoothly because the distribution of goods and services can be done efficiently and effectively.

5. CONCLUSIONS

1. There is a positive and significant influence, both directly and indirectly, from regional financial reform, good governance, potential regional income and the role of institutions on regional income at the Regional Financial and Asset Management Agency of the Regency Government in the Lake Toba tourism area, North Sumatra Province. Likewise, the strength of the relationship between independent variables, obtained a strong and positive relationship between regional financial reform and good governance, then the relationship between regional financial reform and potential regional income, then the relationship between regional financial reform and institutional roles, then the relationship between good governance and revenue potential, Then the relationship between good governance and the role of institutions, then the relationship between the potential of regional income and the role of institutions has a very strong and definite relationship.
2. There is a positive and significant effect of regional financial reform on regional income. The most dominant forming (loading factor) of regional financial reform is a change in the regional financial accounting system, followed by changes in regional financial management institutions, changes from the cash basis to accruals and changes in the budget system. According to expert judgment, the better/higher regional financial reform is, the higher regional income will be. Regional financial reform is the beginning and means for improving good financial management.
3. There is a positive and significant effect of good governance on regional income. The most dominant forming factors (loading factors) are laws and regulations, sound financial management, ethical behavior and efficiency and effectiveness. According to expert judgment, the better/higher good governance the district government has, the higher the regional income will be. The existence of good governance is the initial capital to improve the welfare of the community.
4. There is a positive and significant influence of the potential of regional income on regional income. The most dominant forming (loading factor) of the potential regional income is the calculation of the potential income of a macro basis, the calculation of the potential of the micro basis and recognize the potential of regional income. According to expert judgment, the higher/better the management of regional revenue potential, the higher regional income. With high regional potential and high management ability, it will increase regional income.

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5. There is a positive and significant influence of the institutional role on regional income. The most dominant forming (loading factor) of the institutional role is the Regional Investment Coordinating Board (BKPMD) followed by Regional Owned Enterprises (BUMD). According to expert judgment, the higher/stronger the institutional role, the higher the regional income. With the role of institutions, it will encourage economic growth that can increase regional income and community welfare.
6. There is a positive and significant influence of regional income on regional capital expenditures. The most dominant forming (loading factor) of regional income is from balancing funds followed by regional original income, followed by other income. Likewise, regional capital expenditures which become the most dominant forming (loading factor) are balancing funds, regional original income and the next is other income. According to expert judgment, the better/increased regional income will encourage an increase in capital expenditure.

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