THE INFLUENCE OF LOCAL TAXES AND LOCAL RETRIBUTIONS ON REGIONAL EXPENDITURE THROUGH LOCAL OWN-SOURCE REVENUE AS A MEDIATING VARIABLE DURING THE PANDEMIC PERIOD
(Empirical Study in Cities/Districts in West Java)

Ervina[1], Nurul Hidayah[2]
[1,2] Fakultas Ekonomi Dan Bisnis, Universitas Mercu Buana, Indonesia
Email: 55520120057@student.mercubuana.ac.id, nurul.hidayah@mercubuana.ac.id

ABSTRACT

Local Own Source Revenue had been greatly impacted by the Covid-19 pandemic. Local Taxes and Local Retribution has been decreased as many hotels, restaurants and entertainment businesses were not allowed to open. The aim of this research is to determine the effect of Local Taxes and Local Retribution during the Covid-19 pandemic on Local Own Source Revenue, which impacted on Capital Expenditures during the Covid-19 pandemic. The population in this study is 54 Local Government Yearly Financial Statement from 27 cities/regencies in West Java Province for 2020 and 2021. Sampling Method that is being used is non probability sampling method, with a total sample of 54. The independent variables of this research are Local Taxes and Local Retributions, the dependent variable of the research is Capital Expenditure and the mediation variable is Local Own Source Revenue. The research results show that Local Taxes and Local Retribution have a significant positive effect on Local Own Source Revenue and Capital Expenditures during the Covid-19 pandemic, and Local Own Source Revenue positively mediates Local Taxes and Local Retriburtion on Capital Expenditures during the Covid-19 pandemic.

INTRODUCTION

In the effort to recover the economy due to the COVID-19 pandemic, the West Java Provincial Government has implemented several policies to alleviate the burden on the community and address the COVID-19 pandemic. The West Java Provincial Local Government has introduced the Triple Untung Plus Program in 2021, where the exemption of principal and/or administrative sanctions in the form of motor vehicle transfer fees for the second and subsequent transfers is applied. This program also includes the exemption of the fifth-year overdue Motor Vehicle Tax (PKB) for taxpayers who make PKB payments and/or exemption of principal and/or fines for the second and subsequent Vehicle Ownership Transfer Fees (BBNKB), and the exemption of administrative sanctions in the form of fines for Motor Vehicle Taxes.

Regional development, as an integral part of national development, is based on the principles of regional autonomy and the management of national resources to enhance democracy and regional performance (Apriliawati & Handayani, 2016). Indonesia adheres to the principle of decentralization through regional autonomy policies (Putri & Rahayu, 2015; Akbar et al., 2019). Regional autonomy involves the delegation of authority from the Central Government to Regional Governments, as stipulated in Law No. 22 of 1999. Financial factors

for regions, especially Local Own-Source Revenue (PAD), are regulated by Law No. 28 of 2009 concerning Regional Taxes and Retributions.

The Central Government expects autonomous regions to explore new potentials and PAD, reducing dependency on balance funds. Local Own-Source Revenue becomes a key factor in the success of regional autonomy, with the consequence of increased PAD to finance local affairs, enhance public service quality, and create better governance. Amidst geopolitical turmoil and global economic pressures, Indonesia's economy remains relatively stable, supported by the State Budget as a shock absorber. Budget allocations focus on welfare programs such as PKH, subsidized staple cards, BLT (Direct Cash Assistance), subsidized KUR interest, assistance for street vendors, and village BLT (Menkeu Sri Mulyani Indrawati, October 11, 2022). The State Budget has reached 61.6% of the total allocation, with expenditures amounting to IDR 1,913.9 trillion, and IDR 307.1 trillion has been directly distributed to beneficiaries until the end of September 2022.

In 2020, the Ministry of Finance reported that Local Own-Source Revenue (PAD) in Indonesia totaled IDR 250.38 trillion, marking a 15% decline from the previous year. Various regions, such as Banyuwangi and Badung Regency, witnessed decreases across all aspects of PAD due to the COVID-19 pandemic. To support struggling businesses, the Bogor City Government implemented a local tax deferral scheme. PAD encompasses regional taxes, local retributions, state-owned enterprise revenues, and other sources, serving as critical funding streams for regional governments. Regional expenditures exceeding PAD are seen as a reduction in net wealth value under Law No. 23 of 2014 concerning Regional Governments, indicating a lack of financial independence (Nurul Hidayah, Hari Setiyawati 2014).

The efficiency of regional spending is evaluated through an efficiency ratio comparing actual spending with the budget. To enhance PAD, regional governments must explore local tax and retribution potentials effectively, prioritizing reliable types of taxes. Research highlights by Anasta & Nengsih (2019) said the significant contribution of Regional Taxes to PAD, while findings on the impact of Local Retributions vary. Studies suggest that to further boost levies' contribution to PAD, local governments should explore potential revenue sources, particularly focusing on reliable tax types.

Research demonstrates the substantial impact of Regional Taxes on PAD, affirming their contribution to Local Own-Source Revenue. Additionally, findings indicate that Local Retributions influence PAD growth in certain regions, although results may vary across locations.This research formulates several issues focusing on the relationship between regional taxes, local retributions, local own-source revenue, and regional spending. These questions include the influence of regional taxes and local retributions on local own-source revenue, the influence of regional taxes and local retributions on regional spending, and the influence of local own-source revenue on regional spending. The objective of this research is to investigate the extent of the impact of regional taxes and local retributions on local own-source revenue, regional spending, and whether local own-source revenue plays a mediating role in the relationship between regional taxes, local retributions, and regional spending.

Based on the issues outlined above, it can be understood that regional taxes and local retributions are crucial components in local own-source revenue. Therefore, this research is titled "The Influence of Regional Taxes and Local Retributions on Regional Spending through Local Own-Source Revenue as a Mediating Variable During the Pandemic (Empirical Study in Regencies/Cities in West Java)."

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RESEARCH METHOD

This research employs a quantitative research design with an associative approach and a time series research timeframe. The study focuses on the relationship between regional taxes, local retributions, local own-source revenue, and regional spending. The quantitative research type was chosen because it utilizes statistical and mathematical foundations to address the research objectives. An associative approach is used because there is more than one variable with a cause-and-effect relationship, where regional taxes and local retributions are presumed to influence regional spending, which, in turn, affects local own-source revenue. The research timeframe used is a time series, with data collected over time on the research objects.

Operational definitions of variables involve explanations of regional taxes, local retributions, regional spending, and local own-source revenue, including the measurement scales for each variable. The research population is the province of West Java from 2020 to 2021, with 27 regencies/cities as samples using a saturation method in non-probability sampling. Data collection techniques are carried out using secondary data from the Local Government Financial Reports. Data analysis methods involve the use of Microsoft Excel 2016 and Econometric Views (Eviews) version 13 for panel data analysis. Multiple linear regression analysis is used to determine the influence of independent variables (regional taxes, local retributions) on dependent variables (local own-source revenue, regional spending), with a multiple regression equation model.

Classic assumption tests, such as tests for normality, multicollinearity, heteroskedasticity, and autocorrelation, are conducted to ensure the model's fitness. Hypothesis tests involve t-tests, F-tests, and multiple coefficient determination tests (R^2). Path analysis with Sobel test is also used to analyze the indirect influence of independent variables on dependent variables through intervening variables.

RESULTS AND DISCUSSION

Results of Data Analysis Method

Descriptive Data Analysis

Descriptive statistical analysis is used to form a picture of the distribution and behavior of sample data seen from the minimum, maximum, mean and standard deviation values of each dependent variable and independent variable (Ghozali, 2018). The following is a descriptive analysis of this study:

Table 1. Descriptive Statistical Test Results

Date: 09/04/23
Time: 18:22
Sample: 2020 2021

	Y	X1	X2	Z
Mean	2.05E+08	48175680	23802327	9.01E+08
Median	1.87E+08	29961795	21178976	8.97E+08
Maximum	4.21E+08	5.99E+08	84877261	1.38E+09
Minimum	73304444	9441194.	6969707.	3.87E+08
Std. Dev.	81154288	81342195	12801117	2.18E+08
Skewness	0.640049	5.945368	2.391131	-0.371995
Kurtosis	2.642436	40.46361	11.20504	3.412293
Jarque-Bera	3.974634	3476.052	202.9334	1.627887
Probability	0.137063	0.000000	0.000000	0.443107
Sum	1.10E+10	2.60E+09	1.29E+09	4.86E+10

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Date:	09/04/23			
Time: 18:22				
Sample: 2020 2021				
	Y	X1	X2	Z
Sum Sq. Dev.	3.49E+17	3.51E+17	8.69E+15	2.52E+18
Observations	54	54	54	54

Table 1 provides insights into several key metrics from the data analysis:
a. The dataset comprises 54 observations, representing 27 regencies/cities in West Java, sampled from 2020 to 2021.
b. The mean Regional Tax (X1) is 48,175,680, with a minimum value of -9,441,194 and a maximum value of 599,000,000, indicating considerable variance. The standard deviation of 81,342,195 suggests that the Regional Tax values deviate significantly from the mean during the observed period.
c. The mean Regional Levy (X2) is 23,802,327, with a minimum value of 6,969,707 and a maximum value of 84,877,261, showing less variance compared to Regional Tax. The standard deviation of 12,801,117 indicates relatively consistent Regional Levy values.
d. Regional Original Income (Z) has a mean of 901,000,000, with values ranging from 387,000,000 to 1,380,000,000. The standard deviation of 218,000,000 suggests moderate variance in Regional Original Income during the period.
e. Regional Expenditure (Y) also has a mean of 901,000,000, with similar minimum and maximum values as Regional Original Income. The standard deviation of 218,000,000 indicates moderate variance in Regional Expenditure, comparable to Regional Original Income. Overall, the analysis suggests that while Regional Tax exhibits significant variability, Regional Levy, Regional Original Income, and Regional Expenditure demonstrate relatively consistent patterns over the observed period.

Panel Data Regression Model Selection Test
Test *Chow*

This test is carried out to find out whether the research model uses *Fixed Effect* or *Common Effect*. The results of the *Chow* Test show the probability value of *Cross Section Chi-Square* is 0.0001. This probability value is lower than the test criterion that gives the *Chi-Square* constraint of 0.05. This causes the model to fit when using *Fixed Effect Model*.

Hausman Test

This test is performed to determine whether the regression estimation of panel data uses *Fixed Effect* or *Random Effect models*. The results of the Hausman Test in this study shows a *Cross-Section Random probability value* of 0.0028. The probability value is below the Cross Section Random limitation criterion in this study, which is 0.05. So that the panel data regression model that is fit for use in this study is the *Fixed Effect model.*

Lagrangian Multiplier Test

This test is carried out to find out whether the research model uses *Common Effect* or *Random Effect*. Here are the results of the *Lagrangian Multiplier* Test in this study shows the probability value of *the Breusch - Pagan Cross-Section* of 0.7949. The probability value is within the constraint criterion *of CrossSection Breusch - Pagan* in this study which is 0.05. So that the panel data regression model that is fit for use in this study is the *Common Effect model.*

Classical Assumption Test

Normality Test

The normality test aims to test whether in a regression model, confounding or residual variables are normally distributed (Ghozali, 2010). To test normality, this study used the Jarque-Bera test. The assessment criteria of this test are: if the significant data calculation results (SIG) > 5% then the data is normally distributed, while if the significance of the data calculation results (SIG) is < 5% then the data is not normally distributed.

Based on the normality test, the probability shows a value of 0.8556 > 0.05, so it can be concluded that Ho is accepted and the data has been distributed normally. Hypothesis testing for this normal distribution data test uses a two-way test by testing residual data from regression results.

Multicollinearity Test

To test whether the regression model found a correlation between independent variables. If there is a correlation, then there is a multicollinearity problem. A good regression model should not have correlations among independent variables. Multicollinearity does not occur if it has a correlation value between independent variables not exceeding 0.90. Based on the results of the multicollinearity test, the value of the test results does not have a correlation value of >0.90. From these results, it can be concluded that the regression model is free from the problem of multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test is used to test whether there is an inequality of variance from the residuals of one observation to another in the regression model. The criteria used state whether heteroscedacity occurs or not can be explained using coefficient significance. The coefficient of significance must be compared with the previously set alpha level (usually 5%) if the coefficient of signification (probability value) is more than the number set, then it can be concluded that heteroscedacity does not occur. In the heteroscedasticity test, it shows the probability value of each independent variable > α (α=0.05) against the residual value absolutized by the glacier method, so it can be concluded that the data does not contain elements of heteroscedasticity.

Autocorrelation Test

To test whether in a linear regression model there is a correlation between all confounding in period t and errors in period t-1 (previous). If there is a correlation, then there is an autocorrelation problem. Of course a good regression model is one that is free from autocorrelation. Autocorrelation in most cases is found in regressions where the data is time series, or based on periodic time, such as months, years and so on. To test this autocorrelation with Durbin Waston magnitudes. If the DW number is below -2 then there is a positive autocorrelation. If the DW number is between -2 to +2 then there is no autocorrelation. If the DW number is above +2 then there is a negative autocorrelation.

The Durbin-Watson value is calculated to obtain a value of 2.00. Alpha level of 5%, with the amount of data (n) = 54, and value (k) = 3, obtained a dL value of 1.48 and obtained a dU value of 1.63, then (4 - dU) = 4 - 1.63 = 2.37 and (4 - dL) = 4 - 1.48 = 2.52 This means that the DW value of 2.00 is in the Ho reception area, which is described (dU < d < 4 - dU) = 1.63 < 2.00 < 2.37 This indicates that the estimated model does not autocorrelate.

Hypothesis Testing

Equation Multiple Linear Regression

The following are the results of *multiple linear regression* testing in Tables 2

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Table 2. Multiple Linear Regression Equation

Dependent Variable: Y
Method: Panel Least Squares
Date: 09/04/23   Time: 18:33
Sample: 2020 2021
Periods included: 2
Cross-sections included: 27
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.443273	0.603326	7.364633	0.0000
X1	0.348490	0.132550	2.629109	0.0096
X2	0.923787	0.335560	2.752976	0.0067
Z	0.500322	0.175632	2.848693	0.0051
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.771180	Mean dependent var		0.307937
Adjusted R-squared	0.723310	S.D. dependent var		0.302062
S.E. of regression	0.229386	Akaike info criterion		0.121594
Sum squared resid	1.525918	Schwarz criterion		0.586036
Log likelihood	8.568119	Hannan-Quinn criter.		0.289522
F-statistic	3.862737	Durbin-Watson stat		2.012799
Prob(F-statistic)	0.002090			

source: (Processed by Researcher, 2023)

In Table 2 systematically the results of *multiple linear regression* analysis can be described as follows*:*

Y = 4.443 + 0.348X1 + 0.923X2 + 0.500Z

1) The constant of 4,443 shows that if the variables Regional Tax, Regional Retribution, Local Original Revenue are worth "0" the variable Regional Expenditure is worth 4,443 units.
2) The Regional Tax variable has a coefficient of 0.348 indicating that if the Regional Tax variable increases by 1 level, it will also increase the Regional Expenditure variable by 0.348 units, with constant conditions on the others
3) The Regional Levy variable has a coefficient of 0.923 indicating that if the Regional Levy variable increases by 1 level, it will also increase the Regional Expenditure variable by 0.923 units, with constant conditions in others
4) The Regional Original Income variable has a coefficient of 0.500 indicating that if the Regional Original Income variable increases by 1 level, it will also increase the Regional Expenditure variable by 0.500 units, with constant conditions in others.

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Test t

The t test is used to prove the effect of the variables Regional Tax, Regional Levy, Local Original Revenue on Regional Expenditure partially assuming other things are constant. The test results can be seen in Table 3.

Table. 3. T Test Results *of Multiple Linear Regression* Equation

Dependent Variable: Y
Method: Panel Least Squares
Date: 09/04/23   Time: 18:33
Sample: 2020 2021
Periods included: 2
Cross-sections included: 27
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.443273	0.603326	7.364633	0.0000
X1	0.348490	0.132550	2.629109	0.0096
X2	0.923787	0.335560	2.752976	0.0067
Z	0.500322	0.175632	2.848693	0.0051

Effects Specification				
Cross-section fixed (dummy variables)				

R-squared	0.771180	Mean dependent var		0.307937
Adjusted R-squared	0.723310	S.D. dependent var		0.302062
S.E. of regression	0.229386	Akaike info criterion		0.121594
Sum squared resid	1.525918	Schwarz criterion		0.586036
Log likelihood	8.568119	Hannan-Quinn criter.		0.289522
F-statistic	3.862737	Durbin-Watson stat		2.012799
Prob(F-statistic)	0.002090			

source: (Processed by Researcher, 2023)

The results of data processing in table 3 can be described in the following description:

1) Test the Effect of Local Taxes on Regional Spending.

The results of data processing show the value of Sig = 0.0096 < ***Level of Significant*** = 0.05, then Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Regional Tax on Regional Expenditure

2) Test the Effect of Regional Levies on Regional Spending.

The results of data processing show the intention of Sig = 0.0067 < ***Level of Significant*** = 0.05, then Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Regional Retribution on Regional Expenditure

3) Test the Effect of Local Original Income on Regional Expenditure.

The results of the data processing show that Sig = 0.0051 < ***Level of Significant*** = 0.05, then Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Regional Original Income on Regional Expenditure.

Test F

The F test or *Goodness of Fit* is a form of testing used to see the feasibility of multiple regression functions obtained as predictors for ROA. Decision making whether or not it is feasible is based on probability values.If the probability > 0.05 then Ho is accepted, and the existing function is said to be infeasible, otherwise If the probability < 0.05 then Ha is accepted, and the existing function is said to be feasible.

Table 4. Test Results F Multiple Linear *Regression* Equation I

Dependent Variable: Y
Method: Panel Least Squares
Date: 09/04/23   Time: 18:33
Sample: 2020 2021
Periods included: 2
Cross-sections included: 27
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.443273	0.603326	7.364633	0.0000
X1	0.348490	0.132550	2.629109	0.0096
X2	0.923787	0.335560	2.752976	0.0067
Z	0.500322	0.175632	2.848693	0.0051

Effects Specification				

Cross-section fixed (dummy variables)

R-squared	0.771180	Mean dependent var	0.307937
Adjusted R-squared	0.723310	S.D. dependent var	0.302062
S.E. of regression	0.229386	Akaike info criterion	0.121594
Sum squared resid	1.525918	Schwarz criterion	0.586036
Log likelihood	8.568119	Hannan-Quinn criter.	0.289522
F-statistic	3.862737	Durbin-Watson stat	2.012799
Prob(F-statistic)	0.002090		

source: (Processed by Researcher, 2023)

Judging from table 4 obtained a probability value of 0.002< Alpha level = 0.05, Conclusion Ha means that the existing multiple regression function is worthy as a predictor for Y. Significant results support this F test model so that the existing multiple regression function is feasible to use as a predictor for estimating magnitude Y.

Coefficient of Determination

In his writing, Ghozali (2018) states that the coefficient of determination (R2) serves to explain how far the independent variable is in explaining the dependent variable. The coefficient of determination is $0 < R^2 < 1$ or it can be interpreted that the value of the determinary coefficient is between zero and one. This explains if the R2 value is close to one then it explains a strong relationship. However, if the R2 value is close to zero, it indicates a weak relationship. The R2 category set by Hair et al. (2019) that there are three categories,

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namely the weak category, which is with a percentage less than equal to 25%, the medium category, which is between 25% and above to a percentage of 50 %, and the strong category with a percentage of 50% and above.

Adjusted R Square is used to cover the shortcomings in the bias that exists in the coefficient of determination so that the best model is obtained. As well as the determination of the relationship is the same as the coefficient of determination. The following is the result of data processing using a coefficient of determination model to find the value of *Adjusted R Square*.

Table 5. Result of *Adjusted R Square* Model Regresi I

Dependent Variable: Y
Method: Panel Least Squares
Date: 09/04/23   Time: 18:33
Sample: 2020 2021
Periods included: 2
Cross-sections included: 27
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.443273	0.603326	7.364633	0.0000
X1	0.348490	0.132550	2.629109	0.0096
X2	0.923787	0.335560	2.752976	0.0067
Z	0.500322	0.175632	2.848693	0.0051

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.771180	Mean dependent var	0.307937
Adjusted R-squared	0.723310	S.D. dependent var	0.302062
S.E. of regression	0.229386	Akaike info criterion	0.121594
Sum squared resid	1.525918	Schwarz criterion	0.586036
Log likelihood	8.568119	Hannan-Quinn criter.	0.289522
F-statistic	3.862737	Durbin-Watson stat	2.012799
Prob(F-statistic)	0.002090		

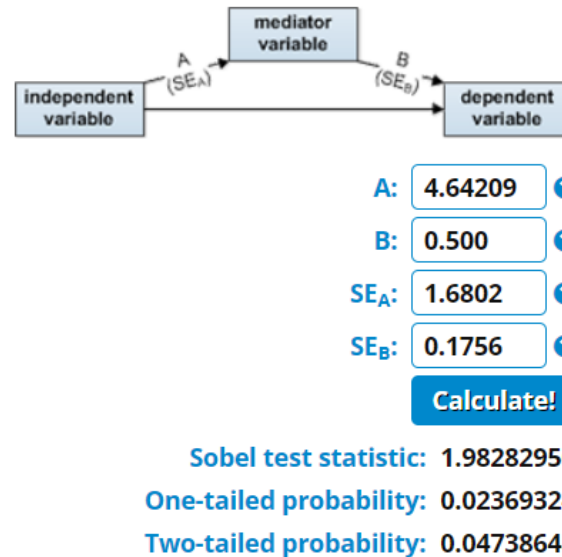*source: (Processed by Researcher, 2023)*

The output of the regression in Table 5 can be described that the *Adjusted R Square value of* 0.723 is obtained, meaning that the independent variables, namely Regional Taxes, Regional Levies, Local Original Revenues are able to explain 72.3% of the dependent variable variants, namely Regional Expenditures, and other things are explained by things that are not in the model. In accordance with the provisions by Hair et al. (2019) that the category of detrmination coefficient is strong with a percentage of 50% and above so that predictions of regression models are sufficient to be used as a reliable prediction medium.

Sobel Test

Path analysis is part of a regression model that can be used to analyze causal relationships between one variable and another. Pathway analysis is used using the Sobel Test so that it can

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be known to arrive at the dependent variable, must go through a direct route or through an intervening variable (Ghozali, 2016).

Table 6. X1-Z-Y Sobel Test Results

A:	4.64209
B:	0.500
SE_A:	1.6802
SE_B:	0.1756

Calculate!

Sobel test statistic: 1.98282950
One-tailed probability: 0.02369324
Two-tailed probability: 0.04738648

source: (Processed by Researcher, 2023)

The output of the sobel test in Table 6 can be described that the results of the sobel test data *processing show* the value of Sig = 0.047 < Level of Significant = 0.05*, then Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant effect of Regional Original Revenue mediation on the relationship between Regional Tax and* Regional Expenditure.

Discussion of Research Results

The Effect of Local Taxes on Local Original Revenue

The results of data processing show significant results in accordance with *the grand theory in this study, namely the* agency *theory* where the state apparatus becomes an agent that acts to be able to regulate local taxes for the benefit of original revenue. Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Local Tax on Local Original Revenue. Local tax is a mandatory contribution to the region by individuals or entities that are coercive, do not get compensation and for regional purposes. This shows that local taxes are very important things to be considered by the government in achieving the targets that have been set. The realization of PAD can achieve the target due to the influence of high local tax sources. This is reinforced by reports on the realization of regional taxes every year which have increased, of course, greatly affecting PAD. The results of this study are also in accordance with research conducted by Nisa et al., (2020) states that "local *tax significantly affects local own-source revenue".*

The Effect of Regional Retribution on Local Original Revenue

The results of data processing show significant results in accordance with *the grand theory in this study, namely* the agency *theory* where the state apparatus becomes an agent that acts to be able to regulate regional levies for the benefit of local original revenue. Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Regional Retribution on Local Original Revenue. According to Rahardjo

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Adisasmita in his book "Regional Revenue & Budget Management", the main characteristic that shows a rich region lies in the ability to explore its own financial resources that are sufficient enough to finance the implementation of its local government. Retribution is also part of Regional Original Revenue as a support for the ability of an area that provides potential wealth extractors of an area. This is in line with *the agency* theory where local governments become agents to run regional levies that are used in various sectors to increase local original income. The results of this study are also in accordance with research conducted by Rahmawati &; Masyuroh (2021), namely regional taxes and regional levies affect local original income.

The Effect of Local Original Income on Regional Expenditure

The results of data processing show significant results in accordance with *the grand theory in this study, namely the* agency *theory* where the state apparatus becomes an agent that acts to be able to regulate local original income for the benefit of regional spending. Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Local Original Revenue on Regional Expenditure. PAD has a significant role in determining the ability of regions to carry out government activities and regional development programs. The government has an obligation to improve the welfare of the people and maintain and maintain public peace and order. So, local original income has a significant effect on capital expenditure (Febriana, 2015). The results of this study are also in accordance with research conducted by Hidayah &; Setiyawati (2014) Local Original Income has a positive and significant effect on direct spending.

The Effect of Local Taxes on Regional Spending

The results of data processing show significant results in accordance with the *grand* theory in this study, namely the *agency theory* where the state apparatus becomes an agent that acts to be able to regulate regional taxes for the benefit of regional spending. Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Local Tax on Regional Expenditure. One of the factors that affect regional spending in terms of financial factors is revenue. The results of this study are also in accordance with research conducted by Simanjuntak &; Ginting (2019) Regional taxes and regional levies have a significant positive effect on regional spending.

The Effect of Regional Levies on Regional Spending

The results of data processing show significant results in accordance with the *grand* theory in this study, namely the *agency theory* where the state apparatus becomes an agent that acts to be able to regulate regional levies for the benefit of regional spending. Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant influence of Regional Retribution on Regional Spending. Like the Regional Tax, Regional Retribution is also one of the factors that affect Regional Expenditure when viewed in terms of financial factors, namely revenue derived from the region itself. The results of this study are also in accordance with research conducted by Chumairoh &; Andi (2022) concluding that "*Local retribution affects capital expenditure*".

Local Original Revenue Mediates Local Taxes Against Local Expenditures

The results of data processing show significant results in accordance with the *grand* theory in this study, namely *the agency theory* where the state apparatus becomes an agent that acts to be able to regulate the mediating effect of local original revenue for regional tax purposes on regional expenditures. Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant effect of Local Original Revenue mediation on the relationship between Regional Tax and Regional Expenditure. The significant mediating effect in correlating between Regional Tax to Regional Expenditure makes a positive impact on regional spending in West Java province. Local Original Revenue is an important factor that

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can spur an increase in Regional Expenditure in an effort to budget efficiency and effectiveness. The results of this study are also in accordance with research conducted by Dilapanga et al., (2020) concluded that *"The higher local taxes revenues can increase capital spending"*. Likewise, research conducted by Nisa et al., (2020) states that "*Capital expenditure significantly affects local own source revenue*".

Local Original Revenue Mediates Regional Levies on Regional Expenditures

The results of data processing show significant results in accordance with *the grand theory in this study, namely* the agency *theory* where the state apparatus becomes an agent that acts to be able to regulate the mediating effect of local original income for the benefit of regional retribution on regional expenditures. Ho is rejected or Ha is accepted, meaning that it can be concluded that there is a positive and significant effect of Local Original Revenue mediation on the relationship between Regional Tax and Regional Expenditure. The significant mediating effect in correlating between Regional Retribution to Regional Expenditure makes a positive impact on regional spending in West Java province. Local Original Revenue is an important factor that can spur an increase in Regional Expenditure in an effort to budget efficiency and effectiveness.

The results of this study are also in accordance with research conducted by Chumairoh &; Andi (2022) concluding that "*Local retribution affects capital expenditure*". Where in research conducted by Nisa et al., (2020) states that "*Capital expenditure significantly affects local own source revenue*".

CONCLUSION

Based on the description above, it can be concluded that this research aims to investigate the effect of Regional Tax, Regional Levy, and Local Original Revenue variables on Regional Expenditure, with Regional Original Revenue as a mediation variable. An analysis was conducted on 27 regencies and cities in West Java in the 2020-2021 period with a total of 54 sample data. Based on the results of research, statistical testing, and discussion, several things can be concluded. First, Regional Taxes and Regional Levies have a positive effect on Local Original Revenue. Second, Local Original Revenue has a positive influence on Regional Expenditure. Third, Regional Taxes, Regional Levies, and Local Original Revenues have a positive influence on Regional Expenditure. Fourth, Regional Original Revenue acts as a mediator between Regional Taxes and Regional Levies and Regional Expenditures.

For advice going forward, the study suggests a few things. First, local governments should consider expanding the subject and object of local taxes to increase Local Original Revenue. Second, budgeting for Regional Expenditures can be focused on infrastructure development to increase Regional Retribution. Third, the West Java Provincial government is advised to continue to manage Regional Original Revenue optimally, according to regional needs and financial capabilities. Fourth, the implementation of the results of this research can be supported by the government to improve the effectiveness of regional financial policies.

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