

ABSTRACT

The research aims to give empirical evidence and examines the effect of economic growth, local income, general budget on capital expenditure by considering pooled data. The research objects are Province, Regency/ Municipality of Indonesia. The data used in this research taken from 2005-2007 and Province, regency / municipality governments recorded in table of general budget calculation issued by treasury department and table of gross regional domestic product regencies / municipalities in Indonesia issued by central Statistic .

The analysis found that local income and general budget have effect on capital expenditure. It means local governments was abble to predict capital expenditur based on local income and general budget. Next analysis showed show that economic growt has not effect on capital expenditure.

Keywords: APBD, capital expenditure, agency theory

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