ABSTRACT

Fiscal decentralization brings more advantages for regions to manage their own fiscal capacities. Regions governments have opportunity to increase economic efficiency because the governments have informational advantages concerning resource allocation. This objective of the research was examined the effect of General Budget (DAU) on Regional Own Revenue (PAD) using Capital Expenditure (Belanja Modal) as intervening variable. This reasearch also intended to examine the direct and indirect effect the changes of General Budget (DAU) to the regional own revenue (PAD).

The sample of the research are 255 Regency / Municipalities in Java. The data used in this research taken from fiscal year 2006-2008. This research using secondary data of the Regional Revenues and Expenditures Budget (APBD) of regional government and analized with Path Analysis.

The analysis found that DAU have positive effect on capital expenditure and also DAU and (belanja modal) have positive effect on regional own revenue (PAD). It means that the government's decision to alocate the greater capital expenditure to the supported economic growth wiil brings more regional own revenue.

Key words: General Budget (DAU), Capital Expenditures (belanja modal), Regional Own Revenue (PAD)

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