
BUDGETING POLITIC FOR SUPPORTING COMPETITIVE INDUSTRY SECTOR

Djoko Susanto and Rudy Badrudin

Sekolah Tinggi Ilmu Ekonomi YKPN Yogyakarta

Jalan Seturan Yogyakarta 55281

rudybadrudin.stieykpn@gmail.com

ABSTRACT

The purpose of this study to evaluate the budget policy through allocations APBD to support the competitiveness industrial sector using descriptive and inductive analysis. Descriptive analysis method used for the calculation of the proportion of the budget allocation of capital expenditures. Inductive analysis method using test ANOVA to examine the relationship between capital expenditures, economic growth, and industry competitiveness in counties/city in DIY during the period 2006-2013. The study shows that the proportion and the absorption of capital expenditures is relatively low in DIY. This causes development activities through the allocation of capital expenditures be constrained so that the impact on private investment for the industrial sector. Industry sector activities that will not optimal in achieving a competitiveness industrial sector. In addition, the limited of budget both types of investment spending results in low economic growth rate and in low industrial sector competitiveness in counties/city in DIY.

Keywords: *budget policy, industry, competitiveness*

1. INTRODUCTION

Background Research

Regional economic growth is an indicator of the success of regional economic development. Therefore, economic growth in the region is relatively low shows the region's economic development has not been successful. One cause of low economic growth in the region is the high proportion of private consumption and a low proportion of public and private investment expenditure in Gross Domestic Product (GDP). Regional economic growth is expected that economic growth is sustainable economic growth that could support itself (Badrudin, 2015). That is, economic growth in an economic sector for example, the industrial sector will lead growth in other economic sectors resulting in pro growth accompanied by pro-job, pro-poor, pro-equality, and pro-environment.

Investment for industrialization activities of government and private sources. Lack of government investment in the form of capital spending results in low private investment. This is called the multiplier effect of capital expenditure to economic growth through their effect connection with private investment spending. Therefore, to support the acceleration of competitive industries sector in the scope of industrialization required capital expenditure spending and private investment. Low capital expenditure of local governments due to the inability of local governments to manage the budget.

The allocation of resources into the capital budget is a process that is loaded with political interests. Capital expenditure budget is meant to meet the public demand for public facilities and infrastructure provided by the local government. However, the political interests of the legislature are involved in the preparation of the budget process lead to capex distorted and often ineffective in solving problems in society.

According to the Regulation of the Minister of the Interior of the Republic of Indonesia Number 37 of 2014 on Guidelines for Budgetary Revenues and Expenditures for Fiscal Year 2015, the planned allocation of expenditure in the budget in order to prioritize partisanship in the public interest (capital expenditure) rather than the interests of personnel (personnel expenditure). In allocating the capital expenditure component must consider several things: 1) direct capital expenditure for the construction of supporting infrastructure investment in the region in promoting economic growth in the region; 2) an evaluation and assessment of the inventory items are available both from the state and its economic life so that the procurement of inventory items can be selectively carried out according to the needs of each Local Government Unit (SKPD); and 3) make capital expenditures for the purchase price / wake fixed assets plus all expenditures associated with procurement / construction of fixed assets until ready to use.

Regulation of the Minister of the Interior as it was always prepared ahead of next year's local budget goes. But the problems that arise are always routine, such as the proportion of capital expenditure and capital expenditure budget absorption rate is low. This relates to the politics of local government budgets in managing the budget. Budgets are policy instruments owned by the local government to describe a comprehensive statement about the priorities of the region and also shows the estimated performance of local governments that will be achieved during a certain period. Thus, the stage of budgeting is very important, because the budget is not effective and not performance oriented will thwart the plans that have been prepared. Therefore, the principle of performance-based budgeting should be and as much as possible for the prosperity of society. Policy makers need to understand the budget, means that the budget is drawn up to be scalable, as well as meet the elements of input, output, outcome, benefit, and impact.

Politics budget relates to the management of the budget should be based on the public interest that appears on the magnitude of the budget allocation for the public interest and the amount of public participation (DPRD) in the planning, implementation and monitoring of local development. In addition, the budget politics is also related to local governance is good governance which local governments should be able to meet the basic principles of financial management, which is transparent, efficient, effective, accountable, and participatory. These five principles must be reflected in any implementation of financial management policies, both in the context of the preparation, the process of defining, implementing, and budget accountability.

Transparent requires the disclosure of government (bureaucracy) in in the process of decision-making on the budget so the public and Parliament can find out, reviewing and providing input as well oversee the implementation of public policy relating to the budget in the budget management policy. Transparent built on freedom of information, meaning that information relating to the public interest directly may be obtained for the needy.

Efficient in the management of the budget based on the idea that each local budget expenditure should be kept as efficient as possible in order to produce adequate output. Indispensable austerity budget in order to achieve efficiency. With a budget that no government should achieve the minimum target. A minimum service standards targets to be achieved in proportion to the cost of the set.

Effective in the process of policy implementation and management of the budget means the budget should be right on target. Thought long regardless of whether the targets will be achieved from the budget right or not because of the important realization of the budget as planned and consumable should be replaced with new thinking that using a performance-based budget approach that is results-oriented. Based on the terms of expenditure, effectively meaning that any kind of expenditure in the budget should be able to produce immediate benefits and targeted according what is planned in the budget.

Accountability in the management of the budget demanded their accountability to the public that can be done through institutional accountability to Parliament because Parliament was the one who assesses whether the government's performance in managing the budget is good or bad by using the appropriate criteria. Public accountability are essential to good governance efforts. Accountability in the management of the budget should be comprehensive which includes aspects of policy and budget use.

Participatory means in the budget management should involve public participation directly or indirectly guaranteed in the form of constructive criticism on ways of managing the budget right. In addition, the development policy in the budget also must accommodate public aspirations and involve the public directly in the form of public involvement in developing regions through development projects in the budget.

Politics budget to support the acceleration of competitive industries sector in the scope of activities to be carried out also by the industrialization of the counties/city in DIY. DIY consisting of four counties and one city have only an area of 3185.80 sq km area, or 0.17% of the total area of Indonesia, is the smallest region after Province of DKI which became one of the goals of investing in the industrial sector.

Table 1
Competitiveness Instrument Rating of DIY

No.	Competitiveness Instrument	Rating of Indonesia
1	OVERALL COMPETITIVENESS	6
2	MACRO ECONOMIC STABILITY	18
	Regional Economic dynamism	
	Transparency in Trade and Services	
	Foreign investor interest	
3	PLANNING AND GOVERNMENT INSTITUTIONS	4
	Government Policy and Fiscal Resilience	
	Institutions, Governance and Leadership	
	Competence, Standards Regulation and Enforcement	
4	FINANCIAL CONDITION, BUSINESS AND LABOR	18
	Financial Capabilities and Business Efficiency	
	Labor Market Flexibility	
	Productivity performance	
5	QUALITY OF LIFE AND INFRASTRUCTURE DEVELOPMENT	2
	Physical infrastructure	
	Technology Infrastructure	
	Standard of Living, Education, and Social Stability	

Source: Giap, et al. (2013, p. 136).

Results of the assessment as shown in Table 1, putting DIY is ranked sixth overall among 32 other provinces in Indonesia. Thus, although the DIY has limited areas, but DIY has various aspects of accelerated industrial sector competitive. This is where the importance of capital from the government and private sectors. Therefore, the politics of the budget in fiscal management counties / city in DIY became an important factor. In addition, each counties / city has the characteristics of a sector that has the potential to be developed that related to industrialization as shown in Table 2. The development of these sectors require public and private investment budget.

Table 2
LQ Analysis per Counties/City in di DIY, 2006-2013

No.	Counties/City	Sector									All of Sectors
		1	2	3	4	5	6	7	8	9	
1	Bantul	√	√	√						√	4
2	Gunungkidul	√	√	√		√					4
3	Kulon Progo	√	√								2
4	Sleman			√		√	√		√	√	5
5	Yogyakarta City				√		√	√	√	√	5
All of Counties/City		3	3	3	1	2	2	1	2	3	20

Source: Badan Pusat Statistik (2014, p. 169).

Description: √ sector has the potential to be developed.

1. Agriculture; 2. Mining; 3. Manufacturing; 4. Utilities; 5. Construction; 6. Trade and Hotel; 7. Transportation and Communication; 8. Financial; and 9. Others Services.

Research Purposes

Based on the explanation, the purpose of this study was to evaluate the budget policy development through budget allocations counties / city in DIY to support the industrial sector competitive. Evaluation is done so that the proportion and the absorption of capital expenditure on the budget counties / city in DIY increase resulting development activities to be smooth and positive impact on private investment spending for the industrial sector. It will support efforts to achieve a competitive industrial sector so as to increase the rate of economic growth counties / city in DIY.

Contributions Research

The findings of the research will be the input for local governments and the Regional Representatives Council DIY in formulating policy development budget through budget allocations counties / city in DIY so that the development activities to be smooth and support achievement of the sector competitive industries so as to increase the rate of economic growth in the counties / city in DIY. In addition, research findings will be useful in contributing to the development of science, especially concerning political budget as part of the theory of public sector finances.

2. LITERATURE STUDY AND DEVELOPMENT HYPOTHESIS

Literature Study

According to Abdullah and Abdul (2006), a study conducted in 20 counties and 12 cities in Sumatra period 2003-2004 showed that capital spending on maintenance expenditures associated positive and showed an associative relationship between capital and maintenance spending is robust. That is, the preparation of capital expenditure allocation decisions on the allocation positively associated maintenance expenditures. The local government to anticipate the consequences of the increase of capital spending to increase in maintenance expenditures It also suggests that changes in capital spending is a major cause of the increase in fixed assets, and if there are changes that are sourced from non-capex or non APBD, the change is not too meaningful.

According to Badrudin (2011), a political budget in 29 counties and 6 cities in Central Java Province based on data for the period 2004-2008 has not been optimal. It is based on data that most cities have a proportion of capital expenditure to total expenditure in the area over 20%, while most counties have the proportion of capital expenditure to total expenditure in the region below 20%; the development of the proportion of direct expenditure to total expenditure areas in most counties / cities tend to decline; the proportion of indirect spending (in which there are personnel expenditure) to total local expenditures ranged between 65% to 85%, while the proportion of direct expenditure (in which there is capital expenditure) to total regional spending between 15% to 35%; average growth capital expenditures ranged from 14.8% to 143.51%, but is only able to lead to economic growth ranged from 10.25% to 15.98%.

Political budgets in counties / cities in Central Java Province has not been optimal. This is shown by the effect of fiscal decentralization on economic growth and the decline in the influence of economic growth on public welfare decline in 29 counties and 6 cities of Central Java Province in 2004 till 2008. Political budget executed in Indonesia is on the expenditure side of the fiscal decentralization which is funded primarily through the transfer to the area, then the essence of autonomy fiscal management area focused on the discretion (freedom) to spend the funds include capital expenditure according to the needs and priorities of each region, the allocation of productive, and based on aspects of non-economic concerning matters outside the criteria of economic rationality, even a moral dimension. The case of irregularities budget funds in 29 counties and 6 cities in Central Java Province that involves leaders and local officials has cost the country hundreds of billions of rupiah which actually funds can be allocated and beneficial in promoting economic growth through increased activity of economic activity and improve community ,

According to Riyanto (2012), expenditure budget area counties / cities in Central Java Province during the 2008-2010 period is always below the target of budgetary planning. The proportion of expenditure allocation larger area for indirect expenditures as routine, and not directly related to the implementation of development programs and activities in the community rather than direct spending. The growth of direct expenditure as expenditure directly related to the implementation of development programs and activities has decreased, and a smaller magnitude than indirect expenditures. There was a decrease in capital expenditure in direct spending instead there was a rise in spending on goods and services, so that direct expenditure in the realization of the budget is prioritized to shopping spending of purchase / procurement value of benefits is less than 12 months and or / discharging services in implementing the program and the activities of local governments

According to Siahaan and Roy (2012), Depok City government to put the fields of transport and communications as a strategic policy in RPJPD, RPJMD, and Renstra documents for Depok City as a city that is growing need of transport infrastructure as the lifeblood of the local economy. Therefore, the budget allocation for transportation affairs and communications for the years 2006-2010 are always in the top ten recipients of direct budgetary allocations largest Depok City.

According to Susetyo (2012), a political budget has been running well in Lebak Regency. This is shown by the local budget Lebak Regency already qualified to meet the principles of the budget, transparent, participatory, discipline, fairness, efficient and effective, rational, measurable, authorization by the legislature, comprehensive, the integrity of the budget, nondiscretionary appropriation, periodic, accurate, clear, as well known to the public. With the principle of efficient and effective, and nondiscretionary appropriation can be seen that the budget serves as a public service provider. Shopping

areas are already qualified for Lebak Regency because have been able to deliver services to expediting the development of lagging regions, so Lebak Regency potentially terentas from disadvantaged areas.

According to Oktor (2013), based on the financial data Tolitoli Regency in Central Sulawesi Province, found that the competence and independence simultaneously affect the quality of the audit conducted by the inspectorate officials. Competence effect on audit quality, so that the better the level of competence, such as mastery of accounting and auditing standards, and insight into the government gained through experience as an internal auditor training, the better the quality of audit does. That is, the budget politics in Tolitoli Regency been running particularly well in terms of supervision of financial accounting Tolitoli Regency.

According to Pelealu (2013), based on the financial data of Manado City -year period from 2003 to 2012, showed that the Special Allocation Fund (DAK) and revenue (PAD) positive and significant impact on capital expenditure in Manado City government. This shows that the capital expenditure budget allocation depends on two variables DAK and PAD. That is, the budget policies in the management of expenditure in the budget relies on the revenue budget. There are three approaches used in the planning and budgeting process in budgeting is the first approach that is participatory, meaning that the budget process involving all levels of society from the village / urban village to province. Second, the technocratic approach means that the budget process is based on the scientific method and the framework of the agency or unit of work related to determining the program, technical execution, and budget. Politics, meaning that the budget process is based on the Medium Term Development Plan (RPJMD) is the vision of regional heads of mission of the foundation as well as the result of a political agreement between the head area with DPRD.

According to Sagita (2013), investments in infrastructure have no causal relationship. This shows the decision to invest in Indonesia do not see the condition of the existing road infrastructure. The increase in GDP could encourage improved infrastructure. This is seen from the direction of the relationship between GDP and infrastructure. Investment is the first step of production activities in the framework of the creation of the GDP. In this position, an initial investment of economic development activities. The level of investment affect economic growth and reflects the passionate or sluggish economy of a region. In accelerating the economic development required increased investment to making the economic potential into real economic strength by using capital from both domestic and overseas.

In most of the government budget spending towards infrastructure development as a form of government investment. Provision of infrastructure is an important component in the economic system and in line with economic conditions in the countries concerned. Infrastructure has a role that is extensive and covers a variety of contexts in the construction of both the physical context of environmental, economic, social, cultural, and other contexts. Infrastructure is expected to create social and economic mobility of society and can smoothen the flow of the economy. This is because the infrastructure is the driving force in economic growth.

According to Aprizay et al. (2014), based on financial data of 23 counties and 5 cities in the Province of Aceh in the period 2010-2012, the revenue (PAD), Balance Fund (DP), and the remaining budget (SiLPA) together effect on capital spending in all counties / cities in the Province of Aceh. This shows that the capital expenditure budget allocation depends on three variables PAD, DP, and SiLPA. That is, the budget policies in the management of expenditure in the budget relies on the revenue budget.

According to Larengkum et al. (2014), Talaud Regency Budget 2006-2012 period a proportion of total spending on personnel is far greater than the proportion of capital expenditure so that political Talaud regency government budget is more focused on government activities is not public spending. This has implications for the completion of the slow pace of development problems that ultimately affect the slow increase in the welfare of the people in the Talaud Regency.

Hypothesis Development

Based on these explanations then compiled the research hypothesis as follows:

- H1a: There are differences in capital expenditure in the budget counties / city in DIY are due to the time difference (years).
- H1b: There are differences in capital expenditure in the budget counties / city in DIY are due to differences in the region (counties / city).
- H2a: There are differences in the rate of economic growth of the counties / city in DIY are due to the time difference (years).
- H2b: There are differences in the rate of economic growth of the counties / city in DIY are due to differences in the region (counties / city).
- H3a: There are differences in the industrial sector competitive in the counties / city in DIY are due to the time difference (years)
- H3b: There are differences in the growth rate of the industrial sector competitive in the counties / city in DIY are due to differences in the region (counties / city).

3. RESEARCH METHODS

Research Design

The design of this research is explanatory, the research was designed through the stages of collecting the necessary data, determination of tools (instruments) analysis used, and analysis of the data used.

Research Samples

Stages in selecting the unit of analysis is started by mentioning the population (all counties / cities in 33 provinces in Indonesia). Then choose the counties / cities in 33 provinces in Indonesia that did not undergo expansion to be visible region of originality or authenticity of the territorial integrity of the counties / city since regional autonomy was implemented on 1 January 2001. Accordingly, the value of GDP counties / city that is used as one of the variables be objective as a measure of the economic strength of the counties / city.

Data Collection Technique

All data used in this research is secondary data gathered from relevant agencies including the Ministry of Finance and the Central Statistics Agency (BPS). The data obtained from the various reports / books / compact disc published by the relevant agencies. The article advocates the study were collected through the website in the form of a reference periodicals, books, papers, scientific journals, and research reports. Secondary data collected, researched, discussed and processed by competent parties so that the data is valid.

Model Research

The model of this research is the testing of a difference of more than two average population by using two-way ANOVA without Interaction, meaning that this research there are two sources suspect that the cause of the difference in average population observed. In the structure of the data analyzed, treated (source differences) which one is placed on the column (the period) and other treats placed on the line (capital expenditure, economic growth, or the industrial sector competitiveness). Capital expenditure is an investment in the form of procurement / purchase of assets that benefit more than twelve (12) months and the assets used in governmental activities that are beneficial economically, socially, and other benefits that can improve economic growth and industrial competitiveness. Capital expenditure measured in Rupiah. Economic growth is a change relative Gross Domestic Product (GDP) in constant prices. Economic growth is measured in percentages. Competitive industries sector is the ability of an industry to compete successfully in order to achieve sustainable growth in the global environment for a lower cost than the reception imbangnya resources used. Competitive industries sector is measured in ratios.

4. ANALYSIS TECHNIQUE

Descriptive Analysis

This analysis is used to reveal a descriptive overview of the field data in a way to interpret the results of processing through the tabulation to describe the tendency of empirical data and descriptive as the average value.

Analysis of Variance (ANOVA)

This study tested the difference of more than two average population to test the research hypothesis. Hypothesis test equipment used was ANOVA. The testing procedure is done by testing the effect of distinguishing sourced from treatment (source differences) which one is placed on the column (the period) and other treats placed on the line (capital expenditure, economic growth, or the industrial sector competitiveness). Calculations by computer aims to obtain the value of the F distribution test is used as an indicator used in decisions to accept or reject the null hypothesis (H₀). MS Excel calculation is done by comparing the value of the probability (P-value) with a significance level (α) used in this test (5%). Testing will accept the null hypothesis (H₀) that states there is no difference in the average population observed if the P-value is greater than α used in the test (5%). Instead, the test will receive a null hypothesis (H₀) that states there is no difference in the average population observed if the P-value smaller than α used in the test (5%).

5. RESULTS AND DISCUSSION

According to Badrudin (2011) capital expenditure is the main expenditure component that has a huge multiplier effect and sustainability. This is because the nature of capital expenditure spending for the payment of the acquisition of assets and / or increase the value of fixed assets / other assets that benefit more than one accounting period and exceed the minimum capitalization of fixed assets / other assets set by the government. However, efforts to increase capital spending is constrained by the limited fiscal space due to the magnitude of the portion of the budget for routine expenditure personnel expenditure. Here is presented Table 3 on capital expenditure in the budget counties / city in DIY, 2006-2013.

Table 3
Capital Expenditure in The Counties / City in DIY, 2006-2013 (Rp000.000)

Counties/City	2006	2007	2008	2009	2010	2011	2012	2013
Bantul	65,602.78	105,464.21	302,760.37	107,353.19	123,249.28	119,417.03	140,106.75	183,269.84
Gunungkidul	115,104.85	117,571.96	137,776.34	93,848.25	47,001.13	111,021.47	164,360.94	156,373.18
Kulon Progo	74,638.73	93,726.85	91,696.83	40,810.48	46,582.09	105,604.89	147,830.58	123,313.53
Sleman	75,308.19	109,560.19	98,394.14	115,846.91	99,812.27	96,111.40	132,536.25	206,859.87
Yogyakarta City	79,402.06	89,996.82	107,286.06	86,735.75	54,040.43	59,151.11	88,335.89	167,079.74

Source: Budget Revenue and Expenditure (2014), viewed 19 December 2015, <http://www.depkeu.go.id>.
Data processed.

Based on Table 3, it appears capital expenditure respective counties / city in DIY during the period 2006 to 2013 fluctuated. With the calculation of trend analysis, capital expenditure counties / city in DIY are likely to increase in the coming years. The calculation of the growth rate of the average value of capital expenditure counties / city in DIY during the period 2006-2013 showed that the growth rate of Bantul regency has the highest average (34.73%), while the growth rate of Gunung Kidul Regency has the lowest average (16.7%).

The calculation of the rate of economic growth of the counties / city in DIY are shown in Table 4 below:

Table 4
Economic Growth in The Counties/City in DIY, 2006-2013 (%)

Counties/City	2006	2007	2008	2009	2010	2011	2012	2013
Bantul	2.02	4.52	4.90	4.47	4.97	5.27	5.34	5.57
Gunungkidul	3.82	3.91	4.39	4.14	4.15	4.33	4.84	5.16
Kulon Progo	4.05	4.12	4.71	3.97	3.06	4.95	5.01	5.05
Sleman	4.50	4.61	5.13	4.48	4.49	5.19	5.45	5.70
Yogyakarta City	3.97	4.46	5.12	4.46	4.98	5.64	5.76	5.64

Source: Badan Pusat Statistik (2014, p. 182).

Based on Table 4, it appears the pace of economic growth in their respective counties / city in DIY during the period 2006 to 2013 fluctuated. With the calculation of trend analysis, economic growth counties / city in DIY are likely to increase in the coming years. The calculation of the rate of economic growth in the average counties / city in DIY during the period 2006-2013 showed that the growth rate of the city of Yogyakarta has the highest average (5%), while Gunungkidul economic growth has the lowest average (4.34%).

Sector competitive industries in the counties / city in DIY are shown in Table 5. Based on Table 5, it appears that a competitive industrial sector in the counties / city in DIY during the period 2006-2013 fluctuate. With the calculation of trend analysis, the growth rate of the industrial sector competitive in the counties / city in DIY is likely to increase in the coming years, except for Sleman and Yogyakarta that tend to decline. The calculation of the growth rate of the industrial sector competitive in the counties / city in DIY during the period 2006-2013 showed that the Sleman regency has a growth rate of the industrial sector competitiveness highest average (13.58%), while the city of Yogyakarta has a growth rate of industrial sector competitiveness lowest average and decreased (0.73%).

Table 5
Competitiveness of Industry Sector in The Counties/City in DIY, 2006-2013

Counties/City	2006	2007	2008	2009	2010	2011	2012	2013
Bantul	0.03489	0.04017	0.04546	0.05075	0.0529	0.06719	0.06274	0.05828
Gunungkidul	0.01092	0.01082	0.01071	0.0106	0.01222	0.01782	0.008	0.00182
Kulon Progo	0.00922	0.01222	0.01523	0.01823	0.02167	0.00946	0.01628	0.0231
Sleman	0.45036	0.4598	0.46924	0.47868	0.47723	0.52744	0.47627	0.4251
Yogyakarta City	0.49461	0.47699	0.45936	0.44174	0.43598	0.37809	0.43672	0.49535

Source: Badan Pusat Statistik (2014, p. 196). Data is processed.

Based on Table 3, Table 4, and Table 5 is done on the data with ANOVA to test the research hypothesis. The test results are shown in Table 6 below:

Table 6
The Hypothesis Testing Results

Hypothesis	P-value	Testing Result
H1a	0,034	Significant
H1b	0,002	Significant
H2a	0,015	Significant
H2b	0,001	Significant
H3a	0,001	Significant
H3b	0,001	Significant

Sources: Table 3, Table 4, and Table 5.

Remarks: *) significant at $\alpha = 5\%$.

Based on Table 6, it all proved significant research hypothesis. That is, 1) there is a difference in the capital expenditure budget counties / city in DIY due to the time difference (years) and region (counties / city); 2) there are differences in the rate of economic growth of the counties / city in DIY due to the time difference (years) and region (counties / city); and 3) there are differences in the competitiveness of the industrial sector in the counties / city in DIY due to the time difference (years) and region (counties / city).

There are differences in capital expenditure in the budget counties / city in DIY are due to the time difference (the research hypothesis 1a) and different counties / city (the research hypothesis 1b). This suggests that capital expenditure in the budget counties / city from year to year during the years 2006-2013 and interregional counties / city in DIY is no difference with the trend towards increasing the growth rate of the highest average in the Bantul Regency (34.73%) and lowest in Gunung Kidul Regency (16.7%).

Capital spending allocations vary from year to year during the years 2006-2013 show that investment in the counties / city in DIY for procurement / purchase of assets that benefit more than twelve (12) months and the assets used in the activities of government economically useful, social, and other benefits that can improve economic growth and industrial competitiveness is increasing in value. This is called the principle of money should follow function, meaning that every conveyance or transfer of government power from central government to local government counties / city have consequences on the budget necessary to exercise these powers.

Capital spending allocations vary between counties / city show that investment in the counties / city in DIY depends on program development and condition of the industrial sector in each counties / city. Counties that acts as a buffer zone (hinterland) urban, with socio-economic conditions that are much lower than urban areas, especially in the border regions either between counties or city and between provinces and potentially as pockets of poverty. Efforts counties development basing on provincial jurisdiction that is mostly done through community empowerment approach in all fields, particularly for infrastructure and industrial sectors and the development approach agropolitan areas that have started running as a way to reduce urbanization and increasing synergy between rural development and city to improve the welfare of the community.

Based on significantly of the research hypotheses 1a and 1b, shows that the consequences of the implementation of regional autonomy political impact on the budget on capital expenditure allocation counties / city in DIY. That is, the political budget to support the acceleration of competitive industries sector in the scope of activities to be carried out also by the industrialization of the counties / city in DIY from time to time. This is consistent with the research findings Abdullah and Abdul (2006), Siahaan & Roy (2012), and Susetyo (2012), but does not support the findings of Sagita research (2013).

There are differences in the rate of economic growth of the counties / city in DIY are caused the time difference (the research hypothesis 2a) and the differences in the counties / city (the research hypothesis 2b). This suggests that the rate of economic growth in the counties / city from year to year during the years 2006-2013 and interregional counties / city in DIY is no difference with the trend toward increased by an average growth rate highest in Yogyakarta (5%) and the lowest in the regency of Gunung Kidul (4.34%).

Differences in the rate of economic growth from the year 2006-2013 and between counties / city in DIY are caused capital expenditure on counties / city APBD different in the period 2006-2013 and

interregional counties / city in DIY as described in the discussion acceptance of the research hypothesis 1a and 1b earlier. The rate of economic growth in different antartahun and between regions indicate that the growth rate of capital expenditure on the budget counties / city in DIY will affect the rate of economic growth through infrastructure development programs and industrial sectors each counties / city in DIY.

The rate of growth in average capital expenditure on the budget counties / city in DIY over the years 2006-2013 average of 21.29%, but the rate of economic growth of an average of only 4.66%. The low rate of economic growth on average counties / city in DIY in 2006-2013 due to the low proportion of capital expenditure in the budget counties / city in DIY in the same period, the average is only 13% as shown in Table 7 of processed the following:

Table 7

Proportion of Capital Expenditure in The Budget Counties/City in DIY, 2006-2013 (%)

Counties/City	2006	2007	2008	2009	2010	2011	2012	2013
Bantul	12.03%	15.62%	28.96%	11.93%	12.20%	10.37%	10.94%	13.21%
Gunungkidul	22.86%	21.52%	19.21%	14.39%	6.51%	11.83%	16.05%	13.86%
Kulon Progo	16.26%	19.93%	15.33%	7.06%	7.62%	13.56%	16.81%	12.80%
Sleman	12.35%	15.12%	10.74%	11.40%	9.13%	7.76%	9.64%	12.21%
Yogyakarta City	15.98%	15.75%	15.36%	11.07%	6.43%	6.35%	8.63%	13.55%

Source: Budget Revenue and Expenditure (2014), viewed 19 December 2015, <http://www.depkeu.go.id>.
Data processed.

The low proportion of capital expenditure in the budget shows that the local budget political counties / city in DIY for the allocation of development expenditure, including the development of the industrial sector is not optimal and does not meet the expectations of society and government, especially in carrying out political budget in accordance with laws and regulations. In addition, the capital expenditure budget is lower still added problem of the realization of capital expenditure of less favorable approaching 100%. This is due to administrative problems related expenses Work Units (SKPD) of each regency / city such as nomenclature mataanggaran, administration procurement of goods / services relative procedural, provision of land for the needs of the industrial sector and other development sectors, misuse of the capital expenditure budget by government officials, and government officials fear the counties / city in carrying the goods / services for criminal law issues that will be facing. This is indicated by the many leaders and the regional head of the officers involved in an indication of corruption, collusion and nepotism (KKN), which now have been and will undergo the legal process.

Based on significantly of the research hypotheses 2a and 2b, shows that the political implementation of the budget in the area will have an impact on the rate of economic growth of the counties / city in DIY. That is, the political budget to support the acceleration of economic growth through competitive industries sector in the scope of activities to be carried out also by the industrialization of the counties / city in DIY from time to time. This is consistent with the research findings Badrudin (2011), Siahaan & Roy (2012), Oktor (2013), Pelealu (2013), Aprizay et al. (2014), and Larengkum et al. (2014).

There are differences in the competitiveness of industrial counties / city in DIY due to the time difference (the research hypothesis 3a) and the differences in the counties / city (the research hypothesis
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3b). This shows that the industrial sector is competitive in the counties / city from year to year during the years 2006-2013 and interregional counties / city in DIY is no difference with the trend toward increased except for Sleman and Yogyakarta that tend to decline.

The growth rate of industrial competitiveness on average each county / city in DIY during the period 2006-2013 the highest in Sleman (13.58%), although the trend is likely to decline and the lowest in the city of Yogyakarta (0.73%). Differences in the rate of growth of the competitiveness of the industry average counties / city in DIY from the year 2006-2013 and interregional counties / city in DIY due to the capital expenditure budget allocation counties / city in DIY different in the period 2006-2013 and interregional counties / city in DIY as described in the discussion acceptance of the research hypothesis 1a and 1b before.

Capital expenditure allocations vary between counties / city show that investment in the counties / city in DIY related to the competitiveness of industrial counties / city. Differences in industrial competitiveness, as well as political differences as the budget (research hypotheses 1a and 1b) are also associated positions of power counties / city in DIY. According to Badrudin (2011), based on analysis Typology Klassen, the counties / city in DIY is divided into regions characteristics. It appears only the city of Yogyakarta and Sleman counties that are within the characteristics of advanced and fast-growing area (prime area), was Bantul, Kulon Progo and Gunung Kidul are in progress, but depressed area characteristics (potential areas). The development policy of each characteristic of different regions. Policy development in the region prima is enlarging government investment through capital expenditures (political APBD) and private spending to serve the demand of the growth rate of the region is high and trying to maintain the contribution that has been owned, was the policy of regional development potential is to create new areas for product market -product of these counties (sector competitive industries). The development policy per region accelerated impact on the industrial sector competitive in the counties / city in DIY. This is consistent with the research findings Badrudin (2011).

6. CONCLUSION AND SUGGESTIONS

Conclusions

Based on the analysis of the results of research and discussion, it was concluded that:

1. Results of hypothesis testing showed that there are differences in capital expenditure in the budget, economic growth, and competitiveness of industrial counties / city in DIY due to the time difference (years) and region (counties/city).
2. Politics budget on capital expenditure budget allocation counties / city in DIY have a clear link with the acceleration of competitive industries sector. Acceleration of competitive industrial sector is concerned with the pace of economic growth in the counties / city for the industrial sector is one of the largest contributors to the economic growth of the counties / city in DIY.

Research Limitations

Limitations of this study is not to distinguish the economic strength of each region in DIY. This limitation led to the discussion of the results of the study have not been able to reveal the effect of the economic power of their respective region in DIY on the competitiveness of the industrial sector in the counties / cities in DIY.

Suggestions

Based on the conclusions generated in this study, it submitted several suggestions are expected to be useful for practical purposes and further research, namely:

1. Political budgets require government commitment counties / city in DIY to manage the allocation of capital expenditure in the budget to enable the achievement of a competitive industrial sector in the counties / city in DIY sustainable. Such a commitment would make fiscal space for the counties / city governments become increasingly wide. Therefore, the counties / city governments in DIY should strive to further increase the proportion of productive expenditure (capital expenditure) and reducing unproductive expenditures (personnel expenditure). Politics budget requires effective budget planning, timely realization of the maximum budget, budget documents easy inaccessible to the implementation of Good Governance for their public involvement and accountability of the budget.
2. For their next study, it is advisable to expand research object by adding the counties / city as a sample and the period of observation and relate it to the grouping of economic power each based Typology Klassen, thus obtained a description of the object of the wider study with robust results.

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