The Effect Of Fixed Assets And Local Revenue On Maintenance Expenditure

Nurul Azizy[1], Indayani[2], Syukriy Abdullah[3]

[1]Accounting, Faculty of Economics and Business, Syiah Kuala University, Indonesia
[2]Accounting, Faculty of Economics and Business, Syiah Kuala University, Indonesia
[3]Accounting, Faculty of Economics and Business, Syiah Kuala University, Indonesia
*Corresponding Author: nurulazizy185@gmail.com

ABSTRACT

The purpose of this study was to examine the effect of fixed assets and local original income on maintenance expenditure on local governments in Aceh. The population in this study is all local governments in Aceh province, totaling 23 local governments during the 2015-2019 period. Data analysis in this study used multiple linier regression. The results of the study show that fixed assets and local original income have a joint effect on maintenance expenditure on local government in Aceh. Fixed assets have effect on maintenance expenditure, and local original income has an effect on maintenance expenditure on local governments in Aceh.

Keywords: Fixed Assets, Local Regional Income, and Maintenance Expenditure

INTRODUCTION

The existence of regional autonomy causes the regions to gain the power to regulate their own regional financial budgeting. The budgeting is related to revenue, financing, and regional expenditure. One of the sub-expenditures for goods and services proposed by SKPD every fiscal year is maintenance expenditure. Although the value of maintenance expenditure realisation is not very large when compared to other regional expenditures, maintenance expenditure is important to maintain the condition of assets.

Although maintenance expenditure is always realised almost one hundred percent, there are still regional assets that are not properly maintained and maintained. In fact, there are still local governments that record assets in the balance sheet even though the assets can no longer be used or their whereabouts are unknown. For example, there are fixed assets in the Langsa City Health Office that are not properly maintained so that they are withdrawn by the mayor. This also happened in East Aceh Regency where the official residence for Rantau Seulamat Health Centre officers was abandoned and not maintained like a warehouse whose yard was filled with weeds (SerambiNews, 2020).

Maintenance expenditure is the budget item that is most often fictitious in its accountability (Sinaga and Sidabutar, 2012). This happens because maintenance expenditures do not have to have physical evidence so that a lot of accountability is found related to fictitious regional asset maintenance expenditures (Tarihoran, 2016). BPK found several findings related to the management of regional assets in Indonesia, namely: first, fixed assets are not found or controlled by parties that should not be. Second, there is no sign of ownership, and third, the elimination or depreciation does not meet the applicable regulations (IHPS I BPK RI, 2019). This problem was also found in local governments in Aceh, for example North Aceh District where in the 2018 fiscal year as many as forty official vehicles were used by unauthorised parties and as many as nine ambulance units were unknown.

From observations of several LKPDs in Aceh, there are allocations for maintenance that are not managed properly, such as in Aceh Tamiang District, Central Aceh District, and Subulussalam City in the 2017 fiscal year it was found that the accountability related to maintenance expenditures was not in accordance with the provisions and also found differences between SPJ evidence and real evidence of purchases.

Maintenance expenditures are funded from regional revenues, including PAD. Regions are free to utilise PAD for any expenditure as long as it is in accordance with local regulations. However, PAD in Aceh is only able to finance 12.12 per cent of regional expenditure (Regional Office of DGT Aceh, 2019).

Based on the phenomena and research results that have occurred so far, it is clear that the value of assets owned by a region is related to maintenance expenditures. Research by Purba (2013) and Tarihoran (2016) found that the value of fixed assets has a positive influence on the estimated maintenance expenditure. The same thing was found by Brillianto and Nugroho (2019) who stated that in allocating maintenance expenditure, BPPK considers the value of its fixed assets. However, different things were found by Andini et.al (2022) where fixed assets have no influence on maintenance spending.

Research by Sembiring (2009), Widiasa et al. (2014), and Ramadani

(2019) found the results that PAD had an effect on maintenance spending, but Purba (2013) and Budi (2019) found that PAD had no effect on maintenance spending.

Based on the previous explanation, the problem formulation proposed is: Do fixed assets and local own-source revenues jointly affect maintenance expenditures?, Do fixed assets affect maintenance expenditures?, and Do local own-source revenues affect maintenance expenditures?

This research aims to examine the effect of fixed assets and local revenue together on maintenance expenditure, to examine the effect of fixed assets on maintenance expenditure, and to examine the effect of local revenue on maintenance expenditure.

For academics, this research is expected to be a reference and as a comparison for further researchers. For practitioners, the results of this study are expected to provide information for local governments so that they can be input in formulating future policies.

THEORETICAL STUDIES
Fixed Assets

According to Kawatu (2019), fixed assets are tangible assets owned by local governments that function in their regional operational activities and for the benefit of the community.

Furthermore, according to Afiah et al. (2020), fixed assets are tangible assets with an economic life exceeding twelve months whose acquisition purpose is to be used in the context of local government activities or for the benefit of the community. In order for fixed assets to function properly, local governments allocate funds for their maintenance.

Local Revenue

According to Nurkholis and Khusaini (2019), regional own-source revenue is defined as part of the local government's income where its acquisition comes from the region's own capabilities, where the collection rules are based on regional regulations that are adjusted to the current law.

Then according to Rohmah and Sa'adah (2021), regional own-source revenue is a regional income whose revenue is caused by the potential of the region and is compelling because it has its own regulations that adjust to the legislation (Rohmah and Sa'adah, 2021).

The use of PAD by local governments is not limited in laws and regulations. This means that local governments can use funds from PAD for maintenance spending.

Maintenance Expenditure

Maintenance expenditure is the cost of keeping assets or property owned by the government well maintained (Sadat, 2022). Maintenance expenditure according to Effendi (2021) is expenditure incurred to maintain the condition of fixed assets to match the original condition.

Maintenance expenditure can be financed from several revenues owned by

a region such as own revenue, general allocation funds, and special allocation funds.

Previous Research

Research by Widiasa et al. (2014) examined the relationship between capital expenditure and local revenue with maintenance expenditure in the Buleleng Regency government. Their research found that together or alone the two independent variables had an effect on maintenance expenditure.

Research by Brillianto and Nugroho (2019), examines the effect of fixed asset value and capital expenditure on the allocation of maintenance expenditure at BPPK. Their research found that in allocating maintenance expenditure the value of fixed assets is considered while capital expenditure is not.

Tama et al. (2021) examined the relationship between the realisation of maintenance expenditure, the book value of fixed assets, and the realisation of capital expenditure on the amount of maintenance estimates in work units within the Supreme Audit Agency (BPK). The results of their study found that the three variables had a relationship with the maintenance estimate simultaneously while individually only the book value of fixed assets and the realisation of maintenance expenditures.

Framework of Thought
The Effect of Fixed Assets on Maintenance Expenditure

Local governments have fixed assets whose value can increase or decrease each year. The addition of fixed assets occurs due to the realisation of the implementation of capital expenditure, or from grants. There are several causes of the value of fixed assets to decrease such as damage, loss, and transfer such as donated or sold.

One of the characteristics of fixed assets is that they have a useful life of more than one year. Therefore, to support its performance, the local government requires costs so that the condition of the asset is always stable so that it can perform its function properly until its useful life expires. The expenditure is maintenance expenditure, so it is suspected that an increase in fixed assets in local government will increase its maintenance expenditure.

This hypothesis is supported by the research results of Sidabutar and Sinaga (2012) and Purba (2013) proving that directly the value of fixed assets has a positive effect on maintenance expenditure. Furthermore, Brillianto and Nugroho (2019) also state that the value of fixed assets owned by the BPPK is taken into account in allocating maintenance expenditures.

**H2 : Fixed assets have a positive influence on maintenance expenditure**

The Effect of Local Revenue on Maintenance Expenditure

There have been many studies on the relationship between PAD and regional expenditure, such as Blackley (1986), Von Furstenberg et al. (1986), and Aziz et al. (2000). The findings of these studies prove that local revenue will have an influence on local expenditure budgets, especially those sourced from taxes. According to Abdullah and Halim (2004), local government spending will adjust to local revenue. PAD is one of the regional revenues that can be used to finance maintenance expenditures, so it is suspected that an increase in PAD will increase maintenance expenditures in local governments.

This is in accordance with the results of research by Sembiring (2009), Widiasa et al. (2014) and Ramadani (2019) found that maintenance expenditure is positively influenced by regional own-source revenue.

H3 : Local own-source revenue has a positive influence on maintenance expenditure

The framework for this research is summarised as follows:
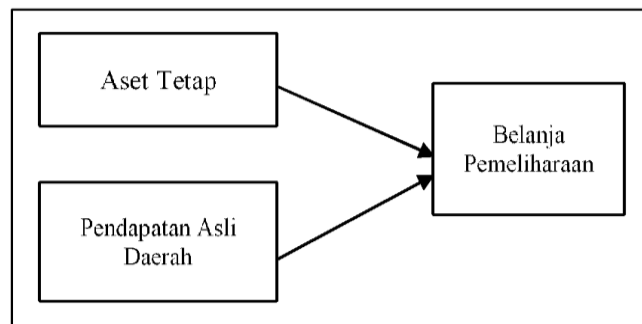
Source: Data processed (2022)

RESEARCH METHODS

Scope of Research

This research aims to provide information on the effect of fixed assets and local revenue on the realisation of maintenance expenditure. Local governments in Aceh are the object of this research. The data used in this study spans five years, starting from 2015 to 2019.

Data Type and Source

This study uses secondary data sourced from the Audit Report on the Financial Statements of the district / city Regional Government in Aceh Province in 2015-2019.

Data Collection Technique

The data in this research was collected using two methods, namely documentation and literature study. The documentation technique is carried out by collecting existing data on records that are already available in the Local Government Financial Statements of local governments in Aceh in 2015-2019. Meanwhile, literature study can be done by retrieving relevant data related to this

research from other sources such as books, scientific articles, and news.

Population and Sample

In this research, the population is the entire local government in Aceh in 2015-2019, totalling 23 local governments. In this research, the sampling uses the census method, where all members of the population are included in the sample (Sugiyono, 2017).

Operational Definition of Variables

a. Fixed Assets

Fixed asset variables are defined as assets that have a form and have an economic life of more than a year and function in local government operations. Measurement for fixed asset variables uses the value of equipment and machinery, and buildings and structures presented in the balance sheet.

b. Local Owned Revenue

Local revenue is revenue from the potential owned by the region, such as local income obtained from the collection of local levies and taxes, then the results of the management of local assets that are separated, as well as other legitimate own revenues. This variable is measured using the realised value of PAD in LKPD.

c. Maintenance expenditure

Maintenance expenditure is a budget allocation issued by the region aimed at maintaining the condition of its fixed assets so that they are always in a state ready for use. Measurement for this variable uses the realisation rate of maintenance expenditure.

Data Analysis Method

The research hypothesis was tested using multiple regression, with the equation formula displayed as follows:

$$Y = \alpha + \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Description:

Y   = Maintenance Expenditure

X1   = Fixed Assets

X2   = Local Revenue

β_1, β_2 = Coefficient of X1, X2

α = Constant

e   = error term.

RESULTS AND DISCUSSION

Descriptive Statistics

This test is an overview of data that can be seen from the mean, standard deviation, minimum, and maximum values of each research variable. There are 115 data obtained from 23 local governments in Aceh with a research time span of five years, namely 2015 to 2019. The following descriptive statistics table is displayed.

Tabel 1. Statistik Deskriptif

	Maximum(jutaan)	Minimum (jutaan)	Average (jutaan)	Standard Deviation (jutaan)
Fixed Assets	442.037	1.992.293	1.017.366	308.688.127.215.597
PAD	35.905	388.251	114.144	69.196.188.485.501
Maintenance Expenditure	4.613	56.160	16.371	9.933.674.192.869

Source: Data processed (2022)

Classical Assumption Test

1. Normality Test

Based on normality testing using Kolmogorov Smirnov, the significance value of Asymp. Sig (2 - tailed) shows 0.0000 where 0.0000 <0.05, meaning that the data is not normally distributed. Therefore, the data is transformed using Natural Log (LN), so that the Kolmogorov Smirnov test results produce a significance value of 0.200 which means that the data is normally distributed.

2. Multicollinearity Test

Table 3. Multicollinearity Test Results

Model	Tolerance	VIF
Aset Tetap	.444	2.252
PAD	.444	2.252

Source: Data processed (2022)

In the regression model of this study, there was no multicollinearity between the independent variables because both independent variables obtained a tolerance value of more than 0.1 and VIF less than ten.

3. Autocorrelation Test

Based on the test, it shows that there is no autocorrelation problem in this regression model because it is in accordance with the provisions of du < d < (4-du). Where the DW value obtained of 1.889 is greater than the du value (1.7313), and lower than the 4-du value of 2.2687..

4. Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Model	Signifikansi
Aset Tetap	.442
PAD	.707

Source: Data processed (2022)

Table 5 provides information that there is no heteroscedasticity in this test model because both independent variables have a significance value exceeding 0.05..

Multiple Linear Regression Results and Hypothesis Testing

Table 6. Linear Regression Results

Model	Koefisien Beta
Konstan	4,078
Aset Tetap	0,607
PAD	0,100

Sumber : Data diolah (2022)

Based on the previous table, the multiple regression equation can be written as follows:

$$Y = 4{,}078 + 0{,}607X1 + 0, 100X2$$

Simultaneous Test

From Table 6, it can be seen that the coefficient of determination (β) of both independent variables ≠ 0 means accepting Ha and rejecting H0, so it can be concluded that the independent variables (Fixed Assets and Local Revenue) simultaneously have an influence on the dependent variable (Maintenance Expenditure).

Partial Test

Based on the Beta coefficient produced in table 6, the conclusions that can be drawn are:

1. Fixed Asset variable obtained coefficient value $\beta1 = 0.607$ means Ha2: $\beta \neq 0$, namely 0.607> 0 so that Ho is rejected, pHa is accepted. This indicates that partially fixed assets have an influence on maintenance expenditure on local governments in Aceh. Thus the second hypothesis is accepted.
2. Local Revenue variable obtained coefficient value $\beta2 = 0.100$. H3: $\beta \neq 0$, namely 0.100 > 0 so that Ha is accepted, Ho is rejected. This indicates that local revenue alone has an influence on maintenance expenditure on local governments in Aceh. Thus the third hypothesis is accepted.

Test Coefficient of Determination (R^2 Test)

Table 7. Coefficient of Determination

R = 0,421	$R^2 = 0{,}177$	$Adj.R^2 = 0{,}163$

Sumber : Data diolah (2022)

Based on the calculation in table 7, the R2 value is 0.177. This test means that only 17.7 per cent of the dependent variable, namely Maintenance Expenditure, can be explained by the independent variables in this study, while 82.3 per cent is influenced by other variables that are not included in this test.

DISCUSSION

1. The Effect of Fixed Assets and Local Revenue on Maintenance Expenditure

Based on the results of statistical testing together, the fixed asset and local revenue variables have a positive influence on maintenance expenditure on local governments in Aceh. That is, the results of the study accept the first hypothesis (H1).

2. The Effect of Fixed Assets on Maintenance Expenditure

Based on the results of statistical testing, partially fixed assets have a positive effect on maintenance expenditure in local governments in Aceh. This can be seen from the test results which show that the fixed asset variable has a positive $\beta 1$ coefficient of 0.607. So it can be concluded that the second hypothesis (H2) is accepted in this test.

Maintenance expenditure has a function that is inherent in its correlation with fixed assets or other assets that belong to an organisation. This is in accordance with the main purpose of maintenance, namely to keep the assets owned always in a normal state. Therefore, an asset needs to be maintained.

The value of fixed assets acquired by the region can increase or decrease each year. The addition of fixed assets occurs due to the realisation of capital expenditure, or grants which cause the allocation for maintenance expenditure to increase with the aim of maintaining the condition of these fixed assets. In addition, the high realisation of maintenance expenditure in a region can also occur because the region has more assets in a lightly damaged or heavily damaged condition, causing the cost of repairing these assets to be greater.

The results of this test are in line with the research of Sinaga and Sidabutar (2012) who found that the value of fixed assets has a positive influence on maintenance expenditure directly and Purba (2013) who found that the value of fixed assets has a significant influence on the estimated maintenance expenditure. Brillianto and Nugroho (2019) also found that the value of fixed assets owned was taken into account in allocating maintenance expenditure at BPPK.

This study has differences with previous research, in this study the location is local government in Aceh, the data used is in the form of maintenance expenditure realisation not maintenance expenditure budget. Furthermore, the difference in variable measurement where in this study the fixed asset variable is measured not by the total amount of fixed assets but only fixed assets in the form of equipment and machinery and buildings and buildings.

3. The Effect of Local Revenue on Maintenance Expenditure

Based on statistical calculations, local revenue alone has a positive effect on maintenance expenditure in local governments in Aceh. This can be seen from the results showing that the fixed asset variable has a positive $\beta 1$ coefficient of 0.100. So it can be concluded that the third hypothesis (H3) is accepted in this test.

Theoretically, revenue from its own region should have a big influence on the expenditure of a region because in the implementation of regional autonomy, funding from its own revenue is more attractive to the region than other funding. This is because own-source revenues can be used as the local government wishes in accordance with local regulations, while other sources of funding outside of own-source revenues are limited and tied.

The results of this test found the same results as previous researchers, namely Sembiring (2009), Widiasa et al. (2014), and Ramadani (2019) who found that local own-source revenue has a positive effect on maintenance expenditure.

This research differs from previous research from the place and time used. Where this research only examines local governments in Aceh during 2015-2019, so that the results of this study are still low in generalisation.

CONCLUSIONS

Based on the research results that have been presented previously, the conclusions that can be drawn are: first, fixed assets and local revenue together have a positive effect on maintenance expenditure, second fixed assets have a positive effect on maintenance expenditure, and third local revenue has a positive effect on maintenance expenditure.

The limitations in this study lie in the object of research which is only limited to local governments in Aceh so that the level of generalisation is low and the time period is only 5 years.

Based on the previous limitations, future researchers are expected to expand the range of research objects, and can use a mix method to get more accurate results, and can add other independent variables that are thought to affect maintenance expenditure such as capital expenditure and SiLPA.

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