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The Analysis of Factors Affecting Original Local Government Revenue in Eastern Indonesia

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Abstract

The purpose of this study is to determine the effect of capital expenditure, investment, and Gross Regional Domestic Product (GRDP) of the primary sector, GRDP of secondary sector, and GRDP of tertiary sector on original local government revenue in Eastern Indonesia. This researchs is a quantitative research using secondary data. The research model is estimated using the Weighted Least Square (WLS) method to overcome the classical assumption problems that occur in the model. The results obtained from this study are: (1) Capital expenditure has an effect on original local government revenue, (2) Investment has no effect on original local government revenue, (3) GRDP of primary sector has an effect on original local government revenue, (4) GRDP of secondary sector has an effect on original local government revenue, (5) GRDP of tertiary sector has an effect on original local government revenue.

Keywords: Original Local Government Revenue, Capital Expenditure, Investment, Primary Sector, Secondary Sector, Tertiary Sector

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INTRODUCTION

Since the era of regional autonomy, local governments have become the executor of government affairs and public interests (Nisa & Rahman, 2019). It was previously the authority of the central government. The purpose of regional autonomy is to accelerate people's welfare and increase regional competitiveness by utilizing regional potentials and advantages. Meanwhile, the role of the central government is to provide funding sources for regions to support the implementation of regional autonomy.

Haryanto (2017) found that most regions in Indonesia have a low level of independence.

They have a high dependence on the central government in the form of the general allocation fund, the special allocation fund, and the revenue sharing fund.

The level of independence shows the ability of the region to finance its government activities. Regions with low levels of independence indicate that regions still rely on funds from the central government for their development. The role of the central government is bigger than the regions themselves. We can see the level of independence of regions in Indonesia in table 1.

Table 1. The Level of Independence of Provinces in Indonesia in 2015 – 2019

Year	Level of Independence			
	Very Low	Low	Medium	High
2015	7	15	10	1
2016	8	19	7	0
2017	10	16	8	0
2018	10	16	8	0
2019	11	15	8	0

Source: The Audit Board of The Republic of Indonesia (BPK)

The Audit Board of The Republic of Indonesia (BPK) made a review report on the fiscal independence of local governments in 2018 and 2019. The results showed that the provinces in Java and Bali were mostly independent. But beyond that, there are still many areas that are red or have low independence. The area is located in Eastern Indonesia. A picture of the fiscal independence of the provinces in Indonesia can be seen in Figure 1.

From Figure 1 it can be seen that many areas in Eastern Indonesia are colored yellow, which indicates that the level of independence is low. In addition, it is known that many areas in Eastern Indonesia are colored red, which indicates that the level of independence is very low.

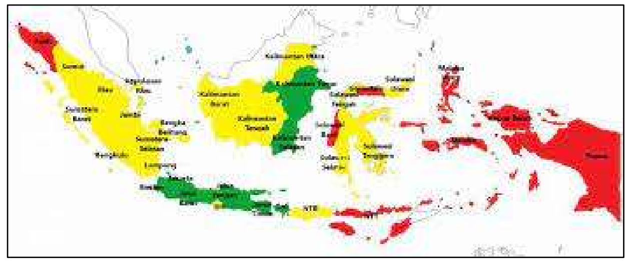

Figure 1. Fiscal Independence of the Provinces in Indonesia in 2019
Source: The Audit Board of The Republic of Indonesia (BPK)

The contribution of original local government revenue must be more than the balance fund so that the region becomes independent. If the contribution of original local government revenue to total regional revenue is lower than other revenue, then the region has a relatively low level of independence because it still relies on funds from the central government. Suratno & Mulyadi (2020) conclude that original local government revenue has a significant effect on regional independence.

Then from the research, it was also concluded that the special allocation fund which is part of the balance fund does not have a significant effect on regional independence. Andriani & Wahid (2018) and Saleh (2020) examine the effect of original local government revenue and balance fund on regional financial independence. Both studies conclude that original local government revenue has an effect on increasing regional financial independence, while an increase in balance funds will reduce regional financial independence.

Original local government revenue is regional income collected based on regional regulations in accordance with state laws. Original local government revenue is obtained from regional taxes, regional levies, results of separate regional wealth management, and other legitimate regional revenues. In Figure 2, there is a gap in the amount of realized original local government revenue between Western Indonesia and Eastern Indonesia.

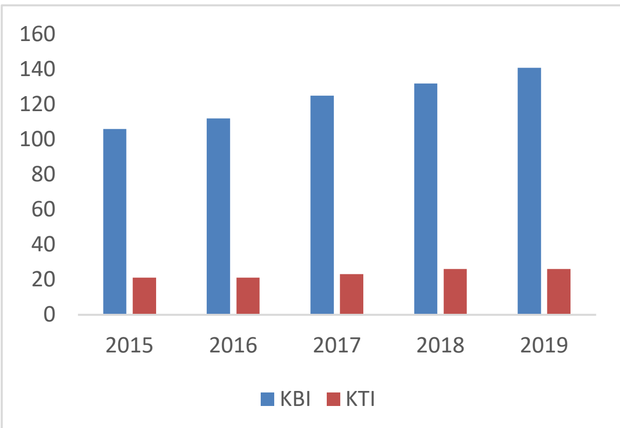

Figure 2. The Comparison of the Realization of Original Local Government Revenue in Western Indonesia and Eastern Indonesia in 2015 – 2019 (billion)
Source: Statistics Indonesia (BPS)

The average value of original local government revenue in Western Indonesia in 2015 – 2019 is IDR. 123,631,040,022.60 while the average value of original local government revenue in Eastern Indonesia is IDR. 23,797,849,549.20. Then, if we look at the growth, original local government revenue in Western Indonesia grows faster than Eastern Indonesia. From 2015 – 2019, original local government revenue in Western Indonesia grew by 33.64 percent, while original local government revenue in Eastern Indonesia only grew by 24.49 percent. This shows that regions in Western Indonesia are better at utilizing regional potentials and advantages than Eastern Indonesia. Regional potentials and advantages in Eastern Indonesia have not been fully utilized to increase original local government revenue.

Perwira & Ridwan (2018) state that expenditures used for development purposes has an effect on increasing original local government revenue. Wadjaudje et al. (2018) also stated the same thing. Capital expenditure has an effect on increasing original local government revenue. In Government Regulations Number 12 of 2019, capital expenditure is a type of government expenditure used for the development and procurement of fixed assets whose value and benefits can be felt over several years (more than one year). Figure 3 shows a comparison of the realization of capital expenditures in Western Indonesia and Eastern Indonesia in 2015 – 2019.

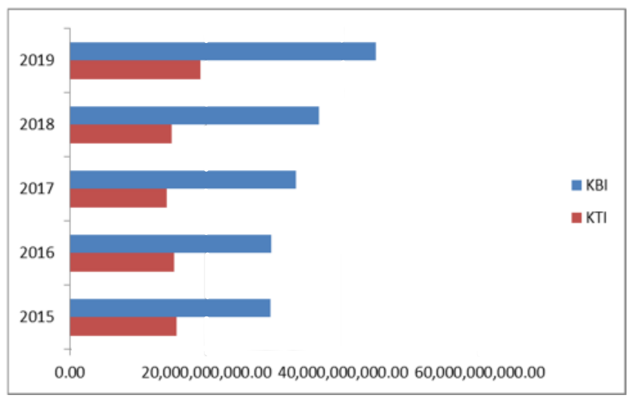

Figure 3. The Comparison of Capital Expenditure Realization in Western Indonesia and Eastern Indonesia in 2015 – 2019
Source: Statistics Indonesia (BPS)

Based on figure 3, it is known that the realization of capital expenditure in Western Indonesia is more than in Eastern Indonesia. This can be interpreted as Western Indonesia doing more development than Eastern Indonesia. Realization of capital expenditure in

Western Indonesia grew by 52.06 percent, this growth was more if compared to Eastern Indonesia which only grew by 22.35 percent.

One of the government affairs under the authority of the region is an investment. Investment has an effect on increasing original local government revenue, both domestic investment and foreign investment are able to increase original local government revenue (Lubis & Fitriani, 2018). Figure 4 shows the growth of investment in Western Indonesia and Eastern Indonesia.

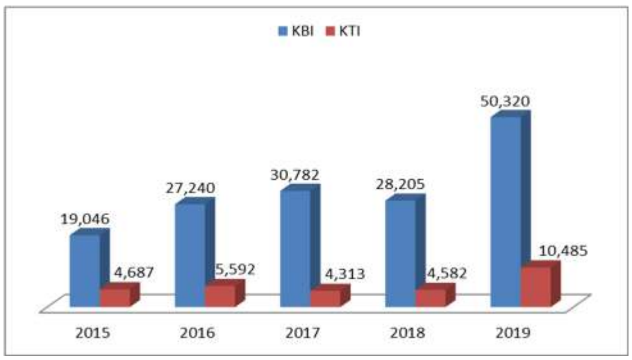

Figure 4. The Comparison of Total Investment in Western Indonesia and Eastern Indonesia in 2015 – 2019
Source: Statistics Indonesia (BPS)

Investment is an expenditure used to purchase capital goods and production equipment which aims to increase the production of goods and services (Sukirno, 2011). The investment aims to cultivate economic potential so that it becomes a real economic strength by using capital sourced from within and outside the country. From figure 4, it is known that investment in Eastern Indonesia is still lower than in Western Indonesia. Investors are more interested in investing in Western Indonesia than Eastern Indonesia.

The sum of all gross value added from all economic sectors in the local area is called Gross Regional Domestic Product (GRDP) (Tarigan, 2007). GRDP is used to measure economic growth so that economic conditions in the area concerned can be known. Priyono (2016) states that the GRDP has an effect on original local government revenue. This means that the output produced by various sectors has an effect on original local government revenue.

There is an imbalance in the contribution made between GRDP in Western Indonesia and GDP in Eastern Indonesia. The contribution of the GRDP value in Western Indonesia to the total Gross Domestic Product (GDP) of Indonesia has always increased throughout 2015 – 2019. The average GRDP contribution in Western Indonesia is 81.44 percent. Meanwhile, the contribution of Eastern Indonesia's GRDP to total GDP is always decreasing. The average contribution of Eastern Indonesia's GRDP is 18.56 percent. The difference in the contribution made by the GRDP of Western Indonesia and Eastern Indonesia is far apart, which shows that there is an imbalance in the economy in the two regions. This condition can be seen in Figure 5.

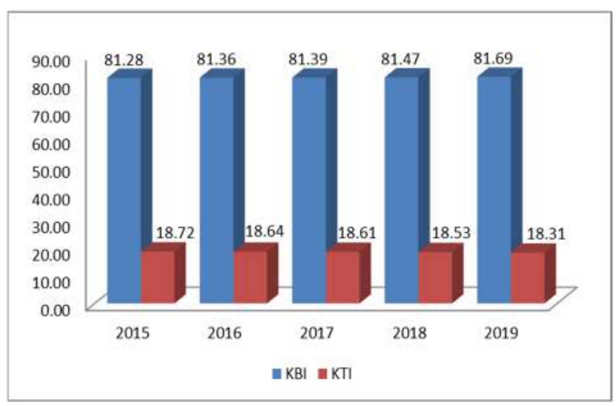

Figure 5. Comparison of GRDP (Based on Constant Prices) in Western Indonesia and Eastern Indonesia in 2015 – 2019
Source: Statistics Indonesia (BPS)

Keynes's theory states that the employment can be increased by increasing consumption and/ or investment. An increase in investment will lead to full employment. Income will increase when investment and employment increase. An increase in income will lead to an increase in goods consumption, which then leads to an increase in employment and greater income. The economy cannot be allowed to simply follow the market mechanism (laissez-faire) to achieve balance and full employment. The government (G) is an independent agent capable of influencing the economy through established policies, either through fiscal policy or monetary policy. Expansion policy will increase effective demand so that national income (Y) increases.

Adam Smith's theory explains that the role of farmers, producers, and entrepreneurs is as an agent of progress and economic growth. Development in the agricultural sector will encourage increased construction and trade. When there is an increase in the agricultural surplus caused by economic development, it will increase the demand for goods and services, which then causes progress in trade and the establishment of a manufacturing industry. Developments in the trade and manufacturing sectors also have an impact on the agricultural sector (Jhingan, 2016).

Furthermore, in The Wealth of Nations, Adam Smith mentions that farmers, labour, merchants, manufacturers, and artificers play a role in increasing people's income and welfare. The products produced by these industries contribute to the increase in people's income annually. A trading and manufacturing country has significantly higher revenue than that of one without trade or manufactures (Smith, 1977).

Based on the data and previous research that has been described, regional independence in Eastern Indonesia will increase if development activities are financed using original local government revenue instead of balancing funds provided by the central government. Therefore, the purpose of this study is to determine the effect of capital expenditure, investment, GRDP of the primary sector, GRDP of secondary sector, and GRDP of the tertiary sector on original local government revenue in Eastern Indonesia.

RESEARCH METHODS

This research is a quantitative research using secondary data. The method used to collect data is the documentation method. Sources of data obtained from the publication of Statistics Indonesia (BPS). This study was analyzed using panel data regression. Panel data regression is used to determine the effect of independent variables on a dependent variable (Gujarati, 2010).

The population is the provinces in Eastern Indonesia, except North Kalimantan which was newly formed in 2012. The number of samples is 160. Panel data regression model:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \mu_{it}$$

Where Y is Original local government revenue ; X1 is Capital expenditure ; X2 is Investment ; X3 is Primary sector; X4 is Secondary sector; X5 is Tertiary sector; β0 is Constant; β1, β2, β3 β4, β5 are Coefficient; μ is Error; I is Cross section unit; t is Time period.

The panel data regression model was estimated using three approaches, Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The best model was selected through a series of tests consisting of the Chow Test, the Hausman Test, and the Lagrange Multiplier Test (LM Test) (Ansofino et al., 2016).

RESULTS AND DISCUSSION

Original local government revenue is regional income collected based on regional regulations in accordance with statutory regulations (Law of The Republic of Indonesia Number 33 of 2004). Original local government revenue is used to fund the implementation of regional autonomy that is adjusted to the potential in each region as a manifestation of decentralization.

Table 2. Realization of Original Local Government Revenue in Eastern Indonesia from 2010 – 2019

Year	Original Local Government Revenue (billion)
2010	9.78
2011	13.85
2012	16.62
2013	16.93
2014	22.09
2015	20.96
2016	20.66
2017	22.93
2018	25.94
2019	25.99
Total	195.78
Average	19.57

Source: Statistics Indonesia (BPS)

Local governments obtain their original local government revenue from local taxes, regional levies, the results of separate regional wealth management, and other legitimate original local government revenue. The growth of original local government revenue in Eastern Indonesia is presented in table 2.

From the information in table 3, the total capital expenditure in Eastern Indonesia for 10 years (2010 – 2019) is IDR. 123,860,161,538.00. The average value of capital expenditure in Eastern Indonesia is IDR. 12,386,016,153.80. The highest capital expenditure is IDR. 18,334,634,189,0.0, which was achieved in 2019, while the lowest capital expenditure was IDR. 7,543,621,353.00, which was achieved in 2010.

From table 2, it can be seen that the realization of original local government revenue in Eastern Indonesia always increased from 2010 to 2014. In 2015, the realization of original local government revenue decreased by IDR. 1,13 billion. In 2016, the amount of original local government revenue also decreased by IDR. 300.96 million. Original local government revenue realization in Eastern Indonesia increased again in 2017 – 2019.

Table 3. Realization of Capital Expenditure in Eastern Indonesia from 2010 – 2019

Year	Capital Expenditure (billion)
2010	7.54
2011	7.97
2012	9.31
2013	11.45
2014	11.80
2015	15.03
2016	14.49
2017	13.58
2018	14.34
2019	18.33
Total	123.86
Average	12.38

Source: Statistics Indonesia (BPS)

The average original local government revenue obtained from 2010 – 2019 was IDR. 19,57 billion. The province that received the highest original local government revenue was East Kalimantan with a total of IDR. 6,66 billion in 2014. Meanwhile, North Maluku was the province that had the lowest original local government revenue, which was IDR. 77 million in 2010.

Capital expenditure is government expenditure used for development activities and procurement of fixed assets that have value and benefits that can be felt in several years (more than one year). In Government Regulation Number 12 of 2019, it is stated that what is included in capital expenditures are expenditures used for: (1) land expenditure, (2) equipment and machinery expenditure, (3) building expenditure, (4) road, irrigation and network expenditure, (5) expenditure on other fixed assets, (6) expenditure on other assets. The growth of capital expenditure realization in Eastern Indonesia.

Investment is all kinds of investment activities by domestic investors and foreign investors to do business in the territory of the Republic of Indonesia. Investment has the purpose of cultivating economic potential so that it becomes a real economic strength by using capital from the country and abroad (Law of The Republic of Indonesia Number 25 of 2007). The growth of investment in Eastern Indonesia from 2010 to 2019 is shown in figure 6 below.

Based on figure 6, total investment in Eastern Indonesia fluctuated during 2010 – 2019, but it had an increasing trend. Total investment projects increased significantly in 2019. Total investment projects doubled from the previous year from 4,582 investment projects in 2018 to 10,485 projects in 2019.

The primary sector is a sector that carries out activities to produce products from nature (land-based activities) (Kaldor, 1996). According to Prasetyani & Sumardi (2020), the primary sector consists of: (1) 1. Agriculture, farming, forestry, and fisheries; and (2) Mining and quarrying.

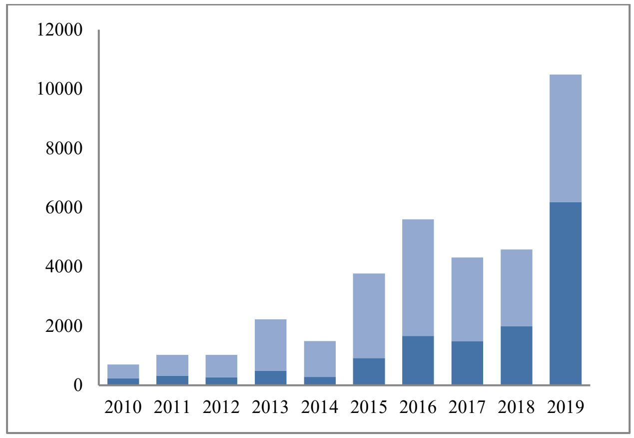

Figure 6. Growth of Total Investment in Eastern Indonesia During 2010 – 2019
Source: Statistics Indonesia (BPS)

Based on table 4, the value of the primary sector in Eastern Indonesia during 2010 – 2019 always increases. Although the value of the primary sector in Eastern Indonesia is always increasing, the contribution of the primary sector to the total Gross Regional Domestic Product (GRDP) is decreasing from year to year. The contribution from GRDP of the primary sector decreased by 6.49 percent from 2010 to 2019.

The secondary sector is a sector that changes raw products into goods through long processes known as manufacturing activities (Kaldor, 1996). According to Prasetyani & Sumardi (2020), the secondary sector includes

(1) Manufacturing; (2) Electricity and gas; (3) Water; (4) Construction.

Table 4. GRDP of The Primary Sector in Eastern Indonesia During 2010 – 2019

Year	GRDP of Primary Sector	Contribution (%)
2010	590,013.00	45.32
2011	614,145.00	44.74
2012	645,624.00	44.39
2013	654,408.00	43.88
2014	666,613.00	42.71
2015	685,519.61	41.98
2016	705,784.96	41.18
2017	730,570.81	40.60
2018	753,576.31	39.98
2019	758,211.80	38.83

Source: Statistics Indonesia (BPS)

From table 5, the value of the secondary sector in Eastern Indonesia has always increased from 2010 to 2019. Overall, from 2010 to 2019, there was an increase in the contribution of the secondary sector by 0.23 percent.

Table 5. GRDP of The Secondary Sector in Eastern Indonesia During 2010 – 2019

Year	GRDP of the Secondary Sector	Contribution (%)
2010	305,990.00	23.50
2011	317,181.00	23.10
2012	330,628.00	22.73
2013	338,056.00	22.66
2014	358,427.00	22.96
2015	381,864.49	23.23
2016	403,788.84	23.44
2017	425,831.21	23.53
2018	443,683.98	23.39
2019	466,437.46	23.73

Source: Statistics Indonesia (BPS)

The tertiary sector is concerned with the transportation and distribution of products, which are generated from the primary and secondary sectors, as well as activities related to health, legal services, education, entertainment and so on (Kaldor, 1996). The tertiary sector consists of 11 sectors as follows (Prasetyani and Sumardi, 2020): (1) Wholesale and retail trade; (2) Transportation and storage; (3) Accommodation and food services; (4) Information and communication; (5) Financial and insurance activities; (6) Real estate; (7) Business activities; (8) Public administration, defence and social security; (9) Education; (10) Human health and social work; (11) Other services.

Table 6. GRDP of The Tertiary Sector in Eastern Indonesia During 2010 – 2019

Year	GRDP of Tertiary Sector	Contribution (%)
2010	405,937.00	31,18
2011	441,424.00	32,16
2012	478,219.00	32,88
2013	499,006.00	33,46
2014	535,807.00	34,33
2015	572,441.66	34,79
2016	610,194.65	35,38
2017	649,640.37	35,87
2018	695,169.35	36,63
2019	737,046.56	37,45

Source: Statistics Indonesia (BPS)

From 2010 to 2019, the GRDP of the tertiary sector has increased every year as can be seen in table 6, as well as its contribution. In 2010 – 2019, the contribution of the tertiary sector increased by 6.27 percent.

The estimation of the regression model with panel data is conducted using the Common

Effect Model (CEM), Fixed Effect Model (FEM) or Random Effect Model (REM) (Ansofino et al., 2016). Table 7 shows the results of the model specification test.

Table 7. Model Specification Test

Test	Prob.	Result
Chow Test	0.0000 < 0.05	FEM
Hausman Test	0.0009 < 0.05	FEM

Source: Eviews 9.0

From table 7, the best model chosen is the Fixed Effect Model (FEM). The Lagrange Multiplier test (LM test) was not conducted because the results of the Chow test and the Hausman test were FEM models.

Based on the test results in table 10, the regression equation is as follows:

Y_{it} = - 285.000.000 + 0,123373 X_{1it} + 60.807,24 X_{2it} + 8.934,339 X_{3it} – 18.571,65 X_{4it} + 41.470,19 X_{5it} + μ_{it}

The probability value of the F statistic is 0.000000. The significance level is 5 % (α = 0,05). The conclusion obtained from the F test is that capital expenditure, investment, primary sector, secondary sector, and tertiary sector simultaneously have a significant effect on original local government revenue.

Table 8. Panel Data Analysis with WLS Method

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.85E+08	87426823	-3.263954	0.0014
X1	0.123373	0.039081	3.156875	0.0020
X2	60807.24	67666.26	0.898634	0.3704
X3	8934.339	3910.411	2.284757	0.0238
X4	-18571.65	5753.349	-3.227971	0.0016
X5	41470.19	3335.039	12.43469	0.0000

Source: Eviews 9.0

The adjusted R-squared (R2) value is 0.975727. These results indicate that 97.57 percent of the variation in the Y variable can be explained by variations in the set of X variables and the remaining 2.43 percent is explained by variations in the set of other variables outside the model. From the analysis, it is found that capital expenditure has a significant effect on original local government revenue.

The coefficient value on the capital expenditure variable is 0.123373. If there is an increase in IDR. 1,000 on capital expenditure, which will be followed by an increase in the original local government revenue of IDR. 123,373, ceteris paribus. Perwira & Ridwan (2018) state that development expenditure has a significant effect on increasing original local government revenue.

Development expenditures in the form of capital expenditures are allocated for the construction of public facilities and infrastructure. These are expected to increase original local government revenue through local taxes and levies. Staley (2018) states that the existence of fiscal restrictions on spending will hinder income. Capital expenditures are allocated to building public facilities and infrastructure such as roads and irrigation to provide clean water so that the economy can run well. It is expected to increase original local government revenue through regional taxes and levies. So, more spending on capital expenditure will bring more original local government revenue.

Table 9. t Test Result

Variable	t-Statistic	Prob.	t-Table (α = 5 %)	Result
C	-3.263954	0.0014	1.65420	Significant
X1	3.156875	0.0020	1.65420	Significant
X2	0.898634	0.3704	1.65420	Insignificant
X3	2.284757	0.0238	1.65420	Significant
X4	-3.227971	0.0016	1.65420	Significant
X5	12.43469	0.0000	1.65420	Significant

Source: Eviews 9.0

Investment has no effect on original local government revenue. The value of the t-statistic on the investment variable is 0.898634. This value is lower than the t-table (1.65420). Therefore, the effect given by investment on original local government revenue is not significant.

Wadjaudje et al (2018) conclude that investment has no significant effect on original local government revenue. Investments in the form of fixed assets made by the government have greater returns in increasing economic growth. The benefits of investment do not have a direct effect on original local government revenue. An increase in economic growth will increase tax revenues in the future.

The government continues to encourage investors to invest in Eastern Indonesia. The Indonesian government is trying to encourage Australia to invest in the provinces in Eastern Indonesia. The cooperation that exists between Indonesia and Australia is expected not only in technical assistance but also investment (Republika.co.id). The reason that can cause investment to have no effect on original local government revenue is the provision of incentives and investment facilities provided by the local government to investors.

An example is incentives for local taxes and regional levies given to investors in Special Economic Zones (SEZ), which are regulated in Government Regulations Number 40 of 2021. This is intended to attract many investors to invest in Eastern Indonesia. Although it does not have a significant impact on original local government revenue, it is hoped that the increase in investment will have an impact on increasing regional economic growth and creating jobs.

In Keynes's theory, it is stated that investment can increase employment. The investment will bring the economy to a state of full employment (Skousen, 2007). Although the current amount of investment is increasing, it does not have a significant effect on original local government revenue. Generally, profits or income from investment activities will be received within a few years (Sukirno, 2011).

The primary sector has a significant effect on original local government revenue. The coefficient for the primary sector variable is 8.93 million. If there is an increase of IDR. 1 billion in the primary sector, it will increase original local government revenue by IDR. 8.93 million, ceteris paribus.

Lestari (2017) states that increasing production output in the agricultural and mining sectors as the base sector in Jambi will increase original local government revenue. Ogenyi & Agada (2020) also stated that the tax given from mining has a positive and significant effect on total income.

Eastern Indonesia has abundant natural resources. There are many extractive industries in Eastern Indonesia. The potential of these regions in Eastern Indonesia can be a source of original local government revenue. The mining sector is the pillar of the economy and the sector that dominates the revenue for original local government revenue in Eastern Indonesia. The mining and quarrying sector contributed to IDR. 2.96 trillion of the original local government revenue of South Kalimantan in 2019.

Mining and quarrying are the sectors that provide the largest contribution to tax revenue (Directorate General of The Treasury, 2019). Then, there is Papua, which gets a tax revenue of IDR 7 – 8 trillion annually from PT. Freeport Indonesia. Tax revenue contributes the most to Papua's original local government revenue (CNBC Indonesia).

The secondary sector has a significant effect on original local government revenue. The coefficient of the secondary sector variable is -18,571.65. When the secondary sector increases by IDR. 1 billion, it will cause original local government revenue to decrease by IDR. 18.57 million, ceteris paribus. These results are similar to those of Armas & Kasmita (2014) regarding the influence of the secondary sector on original local government revenue. Armas & Kasmita (2014) stated that the electricity, water, and gas sectors have a negative and significant effect on original local government revenue.

The increase in the secondary sector in Eastern Indonesia occurred due to the development and economic equity program which was marked by the construction of several industrial estates in Eastern Indonesia. However, this development also reduces original local government revenue sources. The development of industrial estates sacrifices agricultural land that was previously a source of original local government revenue for the region. The construction of Konawe Industrial Estate in Southeast Sulawesi was built using 500 hectares (Ha) of agricultural land. Initially, Konawe Industrial Estate will be built with an area of 400 Ha, then the development will be expanded to 2,200 Ha.

Industrial estate development requires infrastructure to support its activities. However, there are industrial areas where the infrastructure is not complete or in good condition. Maloy International Industrial Park and Port require additional supporting infrastructure such as roads within the industrial area, water supply facilities, as well as offices, and port support facilities.

These were built with funds sourced from the East Kalimantan budget (Regional Development Planning Agency of East Kalimantan). Local governments still have to complete or improve supporting infrastructure in and around industrial estates, therefore the secondary sector has not had an effect on increasing original local government revenue, but otherwise. The tertiary sector has a significant effect on original local government revenue. The coefficient value for the tertiary sector variable is 41,470.19. If the tertiary sector increases by IDR. 1 billion, it will cause original local government revenue to increase by IDR.41,470,190.00, ceteris paribus.

Lestari (2017) concludes that the trade sector, which is a tertiary sector, has a positive effect on original local government revenue. The trade sector can be the leading sector of the region that can increase original local government revenue. The positive effect of the tertiary sector on original local government revenue is also seen from the research of Kristiana et al. (2020) which concludes that the tourism sector can increase original local government revenue.

The tourism sector is a tertiary sector that is growing and is becoming a priority in Eastern Indonesia. This can be seen in West Nusa Tenggara which has a rapid growth in the tourism sector. Currently, the tourism sector is a source of economic growth for West Nusa Tenggara (Antaranews.com). There is also Labuan Bajo in East Nusa Tenggara, which is a favorite tourist destination. East Nusa Tenggara is able to attract domestic and foreign tourists with komodo dragons in the Komodo National Park (Republika.co.id).

The effect of the tourism sector on original local government revenue can be seen from the accommodation and food services sector. Tourism in Eastern Indonesia is growing and well known. This has led to an increase in the accommodation and food services sector. The growth of the tourism sector led to growth in the accommodation and food services sector, which contributed to the original local government revenue in Eastern Indonesia.

CONCLUSION

Based on the results and discussion, it can be concluded that: (1) Capital expenditure has an effect on original local government revenue, (2) Investment has no effect on original local government revenue, (3) Gross Regional Domestic Product (GRDP) of primary sector has an effect on original local government revenue, (4) GRDP of secondary sector has an effect on original local government revenue, (5) GRDP of tertiary sector has an effect on original local government revenue.

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