



REVENUE INDEPENDENCE OF EAST KALIMANTAN PROVINCE, INDONESIAN

Titin Ruliana¹

¹Faculty of Economics, University of August 17th, 1945 of Samarinda, Indonesia

ABSTRACT

Implementation of regional autonomy, government agencies are required to have a greater financial independence. This is to determine the ability of the financial resources of the area. Level of independence also illustrates the level of community participation in local development. The higher level of independence, the higher the participation of the community in paying taxes and levies. Local independence directed to spur equitable development and results. The purpose of this study to analyze the level of independence and effectiveness of local revenues East Kalimantan Province in 2009 through 2013. Conclusion of the study that: Level independence of local government, provincial and district / city is still dependent on the balance funds from the central government even though has been decreasing dependence it for the year 2009 until 2013. Dependence of balancing funds tend to wane with increasing local revenue. Efektifivitas of local revenues East Kalimantan province increased by 110.71 and 118.90 per cent in 2009 and in 2010. The level of effectiveness of the year 2011 until the year 2013 decreased to 106.16 percent. This demonstrates the ability of local governments to realize local revenue. This means that the ability of the Province of East Kalimantan in collecting funds development of sources of potential areas (revenue) ability of 39.68 percent of total revenues and the rest comes from central government in the form of matching funds.

© 2015 AESS Publications. All Rights Reserved.

Keywords: Effectiveness, Independence, Local revenue.

Contribution/ Originality

This study contributes in the existing literature. The research used data: Summary of Revenue Expenditure Budget for Fiscal Year 2009 to 2013; Regional Revenue Structure of East Kalimantan province consists of The Local Original Revenue , Fund Balance, and Everything Else Regional Income Legitimate; Data were analyzed using the ratio of Independence and Effectiveness ratio of Regional Finance.

1. INTRODUCTION

The Republic of Indonesian enforce the Autonomous Region in early 2001, providing enormous impact on local finance, regional development and economic growth. One reason for the implementation of regional autonomy in order development in the area go hand in hand with economic development, provide an opportunity for the region to get more money and freedom to manage their own finances. Implementation of regional autonomy, government agencies are required to have a greater financial independence. It is known by how much the ability of financial resources for the area. Level of independence also illustrates the level of community participation in local development. The higher level of independence, the higher the participation of the community in paying taxes and levies. Purpose of local independence is essentially aimed at spurring equitable development and results. The level of independence of local government can be done through an increase in local revenue realization. The ability of local governments in the realization of the planned regional income compared with the targets set based the real potential of the area seen from the ratio of effectiveness. The higher the ratio of effectiveness, illustrates the ability of the better areas.

Government and regional development financing comes from revenues, its from the public or from the government itself. Regional Revenue Structure of East Kalimantan province consists of The Local Original Revenue , Fund Balance, and Everything Else Regional Income Legitimate [1] Local taxes revenue, retribution, profit company owned by local, regional wealth management results, and other the local original revenue is a source of revenue in Local Original Revenue (it is called PAD).

Besides the original income source, reception area is still dominated by the Fund Balance consists of tax-sharing, non-tax sharing, general allocation fund, a special allocation fund, and regional incentives fund. On the other hand, to support revenues for the government and regional development through tax sharing center / Among these, through the Personal Income Tax domestic, the Income Tax of Article 21, Value Added Tax, etc [1].

Department of Revenue East Kalimantan Province is the agency charged with promoting local revenue sources among which is sourced from The Local Original Revenue, so as to sustain the independence of financing for development in the area. Data Target Revenue of Local Original Revenue showed an average increase in the target last 5 years (2009 to 2013) was 112.83% [2]. It requires effort and hard work the regional governments in achieving revenue sources. Acceptance of local revenue comes from revenue (PAD) own, local revenues derived from the distribution of revenue, financial balance fund between the central government and local governments, regional loan, and the other is the revenue generated by the region itself and an local legitimate income [1].

Based on the description, the formulation of the problem is: (1) what level of income independence of East Kalimantan Province in 2009 through 2013. (2) How does the level of effectiveness of local revenues East Kalimantan Province in 2009 through 2013. This study was conducted to measure and analyze: (1) the degree of independence of East Kalimantan province revenues in 2009 through 2013; (2) level of the effectiveness of local revenues (PAD) East Kalimantan Province in 2009 through 2013.

2. METHODS

This study is a quantitative descriptive research. It's describes the phenomena or characteristics of the data at the time the research was conducted or during a certain period of time to test and answered questions formulation of research problems. Formulation of the problem is generally expressed in questions. So the theory in quantitative research is used to answer the research problem formulation [3].

The study was conducted at the Department of Revenue's Office in East Kalimantan Province - Indonesian. The focus of this research is to analyze and discuss the independence of revenue and effectiveness of sources of regional revenue, East Kalimantan Province during year 2009 to 2013.

Measurement of the ratio of income independence and effectiveness ratios performed on Regional Revenue Structure of East Kalimantan province consists of The Local Original Revenue, Fund Balance, and Everything Else Regional Income Legitimate [1].

3. ANALYSIS TOOLS

3.1. The Level of Independence

The level of independence describe the level of community participation in local development. The higher level of independence, the higher the participation of the community in paying taxes and levies [3].

The level of financial independence in the region can be seen in the area of financial self-sufficiency ratio (fiscal autonomy) demonstrates the ability of local governments to finance its own activities of governance, development, and service to the community who have paid taxes and levies as a source of local revenue derived from other sources, for example, help the central government or of the loan. Local financial independence shown by the size of the original income (PAD) compared with the regional revenue derived from other sources, such as assistance from the central government or pinjaman. Rasio independence aims to illustrate the region's dependence on external funding sources and illustrates the level of public participation in regional development [4].

Independence level can be calculated by the ratio of self-reliance, as follows [3]:

$$\text{Level of independence} = \frac{\text{Realization of Original Regional Income}}{\text{Realization Total Revenue}} \times 100\%$$

Guidelines for the level of regional independence of in the following table:

Table-1. Relationship Patterns Level Independence [5].

Financial capability	Level of Independence (%)
Very Low	0-25
Low	25-50
Medium	50-75
High	75-100

3.2. Effectiveness of Local Original Revenue (Effectiveness of PAD).

Original Regional Income in Act No. 33 of 2001 of Article I is the right of the Local Government recognized as an addition to the value of net assets in the period concerned. Revenue

(PAD): "It is all local revenues derived from economic resources native to local [4]. Group of local revenues are separated into four types of income, namely: (a) Regional Tax; (b) Regional Retribution; (c) Results of Regional Owned Company and Regional Owned Wealth Management Results are separated; and (d) Other legal PAD [1].

Effectiveness is a measure of the success or failure of an organization to achieve its goals. If an organization successfully achieve the objectives, then the organization can be said to have run effectively [6]. Effectiveness is the relationship between the proceeds of retribution against potential retribution. Effectiveness describes the ability of local governments to realize the planned local revenues compared with the targets set by the real potential of local. The higher the ratio of effectiveness, illustrates the ability of the better areas [7].

Effectiveness of local revenues can be calculated, as follows: [4]

$$\text{Effectiveness PAD Ratio} = \frac{\frac{\text{Realization of Sources acceptance}}{\text{The Local Original Revenue}}}{\frac{\text{Target of Sources acceptance}}{\text{The Local Original Revenue}}} \times 100\%$$

This formula is used to demonstrate the ability of local governments in the realization of revenue (PAD) than targeted. Ability to obtain local revenue (PAD) categorized effective if this ratio is reaching at least 1 or 100%.

Table-2. Financial Effectiveness Autonomous Region [5]

Percentage (%)	Criteria
>100	Very Effective
90-100	Effective
80-90	Quite Effective
60-80	Less Effective
<60	Ineffective

4. RESULTS

Based on the calculation of financial data to determine the degree of independence of East Kalimantan government from 2009 until 2013 the provincial and district / city seen that finance region as a source of development finance is still dependent on funds of balancing from the central government despite decrease dependence. Balancing funds tend to increase until the year 2012 amounted to 54.91 percent, but declined in 2013 amounted to 35.98 percent (Table 3). The balancing funds predominantly sourced from tax-sharing and non-tax sharing and acceptance Else sourced from the original income.

The following data table realization Total Revenue Region East Kalimantan Province for the years 2009 to 2013. These data to analyze the degree of independence of local revenues to finance their development [2].

Table-3. Report of the Realization Regional Revenues, Year 2009 to 2013

Fiscal Year	Realization (%)				
	2009	2010	2011	2012	2013
Regional Tax	69.72	74.65	81.7	82.94	83.77
Regional Retribution	0.25	0.4	0.3	0.42	0.57
Result of Regional Owned Company and Regional Owned Wealth Management Results are separated	5.48	5.08	4.79	3.84	4.96
Other legal PAD	24.54	19.88	13.2	12.81	10.71
Total Local Original Revenue	30.02	34.56	39.26	36.70	39.68
Funds Balancing	42.44	54.91	46.19	41.31	35.92
Everything Else Regional Income Legitimate	0.25	0.27	0.15	2.74	2.77
Regional Funding	27.29	10.26	14.4	19.25	21.57
Total Local Revenue	100.00	100.00	100.00	100.00	100.00

It can also be seen from rate of original income Ratio (PAD) against total revenues for the year 2009 until the year 2013. This ratio is called the level of independence of the Regional Income that describe the level of community participation in local development. The higher level of independence, the higher the participation of the community in paying taxes and levies.

Following analysis of the independence of East Kalimantan Provincial Revenue for the year 2009 to the year 2013: [2]

Table-4. The level of independence of Total Revenue Regions, Years 2009 to 2013 (millions of IDR).

Fiscal Year	2009	2010	2011	2012	2013
Realization Original Regional Income (1)	2,208,309.13	2,711,299.56	4,503,238.83	5,409,449.39	5,885,262.11
Realization Total Revenue (2)	7,356,135,02	7,845,762.02	11,471,566.28	14,741,449.17	14,830,601.14
$[(1)/(2)] \times 100\%$	30.01996461	34.55750446	39.25565803	36.69550617	39.68323370
Level of independence (%)	30.02	34.56	39.26	36.70	39.68

Table 3 and Table 4 are shows that the level of independence of local revenues derived from the PAD tended to increase from 30.02 percent to 39.68 percent in 2013. The financial capacity of local governments to finance the construction of relatively low (Table 7) compared to sources of revenue other areas.

The level of independence of local government can be done through an increase in local revenue realization. The ability of local governments in realizing the planned local revenues compared with the targets set by the real potential of the area seen from the ratio of effectiveness. The higher the ratio of effectiveness, illustrates the ability of the better regions. Effectiveness Ratio of local revenue (PAD) demonstrated the ability of local governments to realize PAD compared with PAD targeted.

Table-5. Effectiveness Ratio of Local Revenues (PAD), Year 2009 to 2013 (millions of IDR).

Fiscal Year	2009	2010	2011	2012	2013
Realization of Original Regional Income / PAD (1)	2,208,309.13	2,711,299.56	4,503,238.83	5,409,449.39	5,885,262.11
Target Total Revenue (2)	1,994,759.50	2,280,358.56	3,984,051.53	4,690,480.12	5,543,616.58
[(1)/(2)]x100 %	110.7055327	118.8979491	113.0316412	115.3282660	106.1628636
Effectiveness Ratio PAD (%)	110.71	118.90	113.03	115.33	106.16

The following data table Effectiveness Ratio of Total Revenue Region East Kalimantan province for the year 2009 until 2013.

Table-6. Effectiveness Ratio of Local Revenues, Years 2009 to 2013.

Fiscal Year	Ratio Effectiveness (%)					
	2009	2010	2011	2012	2013	Averages
Regional Tax	103.27	122.14	112.95	116.27	105.33	111.99
Regional Retribution	114.80	80.16	92.30	150.09	151.37	117.74
Result of Regional Owned Company and Regional Owned Wealth Management Results are separated	105.18	108.68	106.51	99.91	115.43	107.04
Other legal PAD	141.18	111.68	116.75	113.75	107.53	118.18
Total Local Original Revenue	110.71	118.90	113.03	115.33	106.16	112.83
Funds Balancing	83.30	107.30	121.84	112.86	87.32	102.52
Everything Else Regional Income Legitimate	285.47	287.53	118.23	97.34	97.11	177.14
Regional Funding	97.94	115.22	100.00	99.98	100.00	102.63
Total Local Revenue	94.33	112.06	114.72	110.50	97.96	105.91

Table-7. Recapitulation of Level Independence Regional Revenue and Effectiveness Ratio of Original Regional Income (PAD), Years 2009 to 2013

No	Fiscal Year	Level of Independence Regional Revenue	Financial Capability	Effectiveness Ratio of PAD (%)	Criteria of Effectiveness Ratio
1	2009	30.02	Low	110.71	Very Effective
2	2010	34.56	Low	118.90	Very Effective
3	2011	39.26	Low	113.03	Very Effective
4	2012	36.70	Low	115.33	Very Effective
5	2013	39.68	Low	106.16	Very Effective

5. DISCUSSION

5.1. The Level of Independence of Local Revenues

Total revenue local value of East Kalimantan Province increased namely (Table 4) of IDR2.21 trillion (in 2009) to IDR5.88 trillion (in 2013). This means that until the year 2013 in the East Kalimantan Provincial ability to raise funds development of the potential sources (PAD) capability

of 39.68 percent of the total regional revenues and the rest comes from central government in the form of fund balancing which reached 42.44 percent (in 2009) increased by 54.91 percent in 2010 and declined to 35.98 percent for the year 2013. Yet joyous in the year 2013 is the dependence of funds balancing tend to wane with increasing local revenues of IDR5.89 trillion which is the percentage increasing from IDR30.02 percent in 2013 to 39.68 percent in just five years (Table 3). The increase in revenue is sourced from local taxes other legitimate local revenue.

Source revenue local from central government in the form of balancing funds. With the largest weighting from non-tax sharing of natural resources reached 54.91 percent for the year 2010 increased compared to the last four years. Balancing funds decreased in the year 2013 amounted to 35.98 percent. The balancing funds derived from the proceeds of oil and gas, non oil and gas royalties, forestry and others. Natural resources is largely non-renewable and will be exhausted and in turn these funds we can not accept anymore.

While the district / city regional financial dependence to the regional development of balancing funds is much higher than the revenue sources other areas. This can be seen in the ratio of local revenue to total revenue of only a very small range between 30.02 to 39.68 percent. This means that the ability of the region to raise the development funds from sources of potential areas only equal to the number of the total cost of construction and the remaining hopes of the Central Government as balancing funds, which amount is reached between 42.44 percent decreased to 35.98 percent in 2013.

Source PAD Government of East Kalimantan Province is relatively large and at least been able to finance the expenditure regional government personnel or personnel expenditure, spending on goods, grant expenditures, and social assistance spending. As with the district / city budget is very high dependence on the central government in terms of the balance funds given the small funds of PAD. Consequently, to finance expenditures of the officers can not simply rely on the PAD.

Every year the development of independence can be further increased and can be classified into a higher level of independence which means intervention of the central government is not there because the area has been completely able to be independent in carrying out the affairs of regional autonomy. And conversely, if every year a decline in the long run its self-sufficiency rate is low which means that local governments are not able to implement regional autonomy. Increasing and decreasing levels of independence can be caused by several factors, namely:

- 1) The increase in the value of the degree of independence can be caused realizable value increased local revenues followed by a decline in the value of the realization of their revenues.
- 2) The increase in the value of independence can also be caused by realizable value of local revenues and realization total revenues value simultaneously increased, but the increase in realizable value local revenues is greater than the increase in the value of the realization of total local revenues.
- 3) Decrease in the value of the degree of independence can be due to the realization of the value of the original opinion of declining regions with growing realization of the value of total local revenues.
- 4) The decrease the value of the degree of independence can also be caused by realizable value local revenues and realization value of total local revenues simultaneously decreased, but the

decrease the realizable value in total revenue for of the area is greater than the decrease in the value of the realization of local revenues.

5.2. The Effectiveness of Local Revenues

Effectiveness of local revenues, from the calculation in the year 2009 until the year 2013 the local government's ability to realize revenues (PAD) increased compared to the targeted average of 112.83 percent (Table 6). This value when referring to table 5 and 7, the value is classified as very effective because the value obtained from the calculation is between > 100 . In 2011 until 2013 the level of effectiveness of local revenues collection decreased to 106.16 percent. This is caused by a decrease in the realization of local tax revenues in 2013 amounted to 105.33 percent, followed realization Target acceptance Else Local Revenue Authorised by 107.53 percent. The second of source revenue is the largest revenue contributor than other sources.

In Table 6, during the years 2009 to 2013 amount of revenue Original Regional Income (PAD) continues to increase (mean IDR.4.14 trillion) in terms of both targets to be achieved by the realization of the amount of revenue from PAD. It is shown through Effectiveness Ratio of PAD fluctuated meet revenue targets, the achievement of revenue targets are reflected in the PAD-effectiveness ratio decreased from 2009 to 2013 amounting to 106.16 percent. This demonstrates the ability of the government to mobilize revenues PAD which have been set.

One of the government's efforts to improve the welfare of the residents of East Kalimantan by build of facilities / public infrastructure is required substantial funds. In 2009 through 2013 the realization of revenue revenue (PAD) decreased by 106 percent (Ratio Effectiveness), through regional tax revenue, regional retribution, results of regional owned company and regional owned wealth management results are separated, and everything else legal original regional income. The realization of local tax revenue contribute greater than other local revenue during 2009 to 2013. It shows the ability of the government to mobilize revenue from PAD to achieve revenue targets that have been set, seen from the ratio of the effectiveness of the criteria is very effective (Table 7).

6. CONCLUSIONS

Based on the discussion, the formulation conclusion of the problem as follows:

- 1) The level of independence of East Kalimantan provincial government from 2009 until 2013, still depends on the balancing funds from the central government despite already decreasing dependence. Dependence of balancing funds tend to wane with increasing regional revenues. Level of independence of regional revenue sourced from increased regional revenue in 2013. The financial capacity of local governments to finance the construction of relatively low compared to other sources of regional revenue other.
- 2) The area of East Kalimantan province to raise development funds from the potential sources (PAD) have capability of 39.68 percent of the total regional revenues and the rest comes from central government in the form of balancing funds. Dependence balancing funds diminishing with increasing regional revenue. The increase in regional revenue is sourced from local taxes, other legitimate local revenues. The balancing funds derived from the proceeds of oil and gas, non oil and gas royalties, forestry and others.

- 3) The achievement of regional revenue targets are reflected in the PAD-effectiveness ratio. The ability of local governments in realizing regional revenues (PAD) increased compared to the targeted average of 112.83 percent. This is achieved through regional tax revenue, regional retribution, Regional Owned Wealth Management Results are separated, and Everything Else Legal Local Revenue. Realization of local tax revenue Contribute to the greater than other regional revenue for the year 2009 until 2013. It shows the ability of the government to mobilize local revenue receipts to achieve revenue targets that have been set, seen from the ratio of the effectiveness of the criteria is very effective.

7. ACKNOWLEDGEMENTS

I pray toward praise thankfulness to Allah SWT, so as to complete the research and scientific publication entitled "Revenue Independence of East Kalimantan Province, Indonesian"

Thanks and appreciation addressed to:

- 1) Rector of the University of August 17, 1945 of Samarinda, Indonesian.
- 2) Dean of the Faculty of Economics, University of August 17, 1945 of Samarinda, Indonesian.
- 3) Head of Department of Revenue in the province of East Kalimantan – Indonesian.
- 4) Staff who is collect and tabulate the data.

REFERENCES

- [1] The Law, Law of the Republic of Indonesia, No. 23 of 2014 about Local Governments, Article 40 and Article 285, n.d.
- [2] Summary, "Summary of Revenue and Expenditure Budget Local for Fiscal Year 2009 s/d 2015, Official Website of the Provincial Government of East Kalimantan." Availabe <http://www.kaltimprov.go.id/halaman-27-apbd-kaltim.html>, n.d.
- [3] Mahmudi, *Financial statement analysis of local government*. Yogyakarta: Published by Erlangga, 2010.
- [4] A. Halim, *Public sector accounting*, 3rd ed. Jakarta: Published by Salemba Four, 2007.
- [5] Ministry of Home Affairs, "Decision of the minister of home affairs No. 690.900.327, 1996 About Effectiveness and Independence of Regional Financial," 1996.
- [6] Mardiasmo, *Taxation*, Revised ed. Yogyakarta: Andi, 2003.
- [7] A. W. Tunggal, *Audit management contemporary. Revised edition*. Jakarta: Harvarindo, 2003.

Views and opinions expressed in this article are the views and opinions of the authors, Journal of Asian Scientific Research shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.