

The Effect of Regional Original Income, Balanced Funds and Regional Expenditures on Regional Financial Independence (Case Study in Central Java Province 2014-2018)

Dowes Ardinugroho¹, Albertus Maqunus Soesilo², Mulyanto³

^{1,2,3}Universitas Sebelas Maret, Indonesia

dowes.ardi@staff.uns.ac.id, albertussoesilo@staff.uns.ac.id, mulyanto68@staff.uns.ac.id

Abstract

This study aims to test and provide empirical evidence regarding the effect of Regional Original Income (PAD), Balancing Funds, and Regional Expenditures on Regional Financial Independence in Central Java Province in 2014-2018. The number of observations in this study were 35 cities/districts in the province of Central Java. The data used is the visualization of APBD data, namely the realization of PAD, Balancing Funds, and Regency / City Regional Expenditures in Central Java Province from 2014-2018. The data is sourced from the Directorate General of Fiscal Balance, Ministry of Finance of Indonesia. Testing is done by analyzing panel data. The results of the panel data regression model on the Hausman Test show that the probability of a random cross-section in the Hausman test is $0.0000 < 0.05$, then H_0 is accepted and the model selected in the Hausman test is Fixed Effect. Fixed Effect Results The model shows that statistically the probability value (F-statistic) is 0.0000, meaning that the value is $<$ from the alpha value of 0.05 and it can be said that the FEM regression model simultaneously independent variables (PAD, Balancing Fund, and Regional Expenditure) have a significant on the dependent variable (Regional Financial Independence). The R-squared value of 0.9874 indicates that the independent variables of PAD, Balancing Fund, and Regional Expenditure together are able to influence Independence by 98.74 percent and the remaining 1.26 percent is influenced by other variables not included in this research model

Keywords

PAD; balancing fund; regional expenditure; regional financial independence



I. Introduction

Regional autonomy gives the power and authority of the central government to local governments with a decentralized system of government in accordance with Law Number 2 of 2015 concerning the second amendment to Law Number 23 of 2014 and Law Number 33 of 2004 concerning Financial Balance between the Central Government and Local governments in Indonesia have brought about the consequences of changes in the system of governance in the regions. This condition is marked by the increasing number of regional authorities that are owned and the central government's policies in fiscal decentralization are increasingly limited. The role of the Regional Government in the implementation of regional development must be further enhanced in line with the national development objectives. Regional development must be carried out in an integrated manner between the Central Government and the Regional Government for the realization of harmony and balance in national development. Regional autonomy provides flexibility for local governments to manage their resources in accordance with the interests, priorities, and potential of the region itself. In implementing regional

autonomy, it is necessary to have a decentralized system that is transparent, effective, efficient and accountable to the wider community. The granting of autonomy to regions is directed at accelerating the realization of community welfare through service improvement, empowerment and community participation. The regional autonomy system is expected to be able to increase competitiveness by taking into account the principles of democracy, equitable distribution of justice, privileges and specificities as well as regional potential and diversity in the system of the Unitary State of the Republic of Indonesia. According to Taras and Artini (2017), the granting of regional autonomy will affect the economic growth of a region which will give the local government the opportunity to make their own financial plans.

Rosemary et al. (2016) argues that the reason for implementing the autonomy policy in the regions is because the central government is not able to independently manage the success of regional development as a whole, therefore the central government delegates authority or power to local governments to regulate and manage their regional interests independently. In accordance with the money follows function principle, the transfer of regional authority is also followed by the transfer of financing sources that were previously held by the Central Government with the aim that the Regional Government will be able to carry out all its own government affairs.

The policies made by the government must have a clear strategy, ideally covering the following four things: (1) Policies to promote opportunities, (2) community empowerment policies, (3) capacity building policies, (4) Social protection policies. Besides having a clear strategy, a policy must contain the following principles: siding with the poor, based on the demand of the poor (demand driver), a policy made not to be kept secret, accountability, sustainable responsive, competent, participatory, integrated, targeted, decentralized, democratic, collaborating through networks, and law enforcement. (Daryono in Dewi et al, 2018).

On the other hand, it is found that there are many budget allocations that are not appropriate or not in accordance with the needs and priorities and do not reflect the economic, efficiency, and effectiveness aspects due to the weak quality of regional budget planning. Weak regional financial budget planning is followed by the inability of the Regional Government to increase regional revenue sources, while on the other hand regional expenditures continue to increase from year to year so that this can lead to a fiscal gap. From the government side,

The difference between fiscal needs and fiscal capacity is what is referred to as the fiscal gap which will later become the basis for determining the amount of transfer funds from the center to the regions. Regional governments with the implementation of regional autonomy have a great opportunity to be able to develop the potential of their regions although they are also limited by various obstacles. The increasing need to improve public services must be balanced with the availability of sufficient funds, if the availability of funds to improve services to the public is insufficient, it will have consequences to meet the funding needs, namely by making regional loans.

The center of Indonesia's government is located on the island of Java, which consists of 6 provinces including DKI Jakarta, Banten, West Java, East Java, Central Java and Yogyakarta Special Region. DKI Jakarta is the capital city of Indonesia consisting of 1 Regency and 5 Cities, Banten consists of 4 Regencies and 4 Cities, West Java consists of 18 Regencies and 9 Cities, East Java consists of 29 Regencies and 9 Cities, Central Java consists of 29 Regencies and 6 Cities. City, while DIY Yogyakarta consists of 4 regencies and 1 city. Central Java is one of the large provinces in Java Island which has a low level of Regional Original Income when compared to other large provinces. The low level of Regional Original Income can be seen in the following table:

Table 1. Realization of Regency/City Original Revenue in Java

Province	Year				
	2014	2015	2016	2017	2018
DKI JAKARTA	31.274	33.686	36.888	43.901	43.327
BANTEN	10.112	11.259	12.242	14.711	14.673
JAWA BARAT	29.116	32.191	34.660	41.400	40.240
JAWA TENGAH	18.764	20.698	22.747	26.945	26.766
JAWA TIMUR	27.005	29.976	31.230	37.263	37.000
DIY	3.183	3.504	3.722	4.349	4.503

Source: <http://www.djpk.kemenkeu.go.id> (processed)

Based on the data in table 1 above, we can see that every province on the island of Java experienced an increase in PAD in 2014-2017, but in 2018 the realization of PAD experienced a slight decrease from the previous year. The highest PAD is owned by DKI Jakarta Province while the lowest PAD is owned by Yogyakarta Special Region. The difference in PAD in each region is certainly influenced by many factors such as adequate natural resources, area area, economic development and human resources in maximizing regional potential. The increase in PAD almost every year shows that Regional Governments are increasingly capable of optimizing natural resources and human resources to maximize the potential in their respective regions in an effort to increase PAD.

Central Java Province is one of the big provinces on the island of Java because it consists of 29 regencies and 6 cities, but it turns out that when compared to other provinces such as DKI Jakarta, West Java and East Java, it turns out that Central Java has lower PAD than other provinces. This shows that the Province of Central Java is still unable to compete with other provinces in terms of maximizing the potential of the region in an effort to increase PAD. We can see the PAD level of Central Java Province in the following table:

Table 2. Realization of Regency/City PAD in Central Java (in millions rupiah)

Constituent Components	Year				
	2014	2015	2016	2017	2018
Pajak Daerah Retribusi Daerah	10.978.453	12.186.848	13.267.510	15.003.412	16.464.014
Local tax levies	1.166.321	895.269	1.005.473	900.482	952.511
Regional management	1.566.892	625.908	744.145	963.167	995.958
Other legitimate PAD	6.053.085	6.990.416	7.730.644	10.078.263	8.354.298
Total	18.764.751	20.698.441	22.747.772	26.945.324	26.766.781

Source: <http://www.djpk.kemenkeu.go.id> (processed)

Table 2 shows data on PAD realization achieved by Regency/City Governments in Central Java. The rise and fall of PAD received by local governments is caused by differences in the ability of each city/district in achieving the targets set. PAD is one indicator to determine the level of regional independence, the higher the PAD that can be achieved by the Regional Government, the dependence on transfer funds from the Central Government will also decrease, which means this shows that the level of regional independence is also increasing.

Another indicator that is used to determine the independence of a region is to look at the ratio between the Balancing Fund and the total regional income. The following is data on transfer funds from the Central Government to Central Java Province:

Table 3. Realization of Central Government Transfer Funds to Local Governments in Central Java (in millions of rupiah)

<u>Komponen</u> <u>Penyusun</u>	<u>Tahun</u>				
	2014	2015	2016	2017	2018
Dana <u>bagi hasil</u> <u>pajak/bagi hasil</u> <u>bukan pajak</u>	2.256.475	1.980.407	2.804.557	2.669.353	2.419.735
Dana <u>Alokasi</u> <u>Umum</u>	31.956.566	32.723.767	35.890.152	37.140.829	37.139.092
Dana <u>Alokasi</u> <u>Khusus</u>	2.180.910	3.039.676	14.507.830	16.177.563	16.702.737
<u>Jumlah</u>	36.393.951	37.743.850	53.202.539	55.987.745	56.261.564

Source: <http://www.djpk.kemenkeu.go.id>

Table 3 shows data on the realization of transfer funds from the Central Government to all local governments in Central Java Province. From the data above, we can see that the transfer funds provided by the Central Government to Regency/City Regional Governments in Central Java have increased every year. The increase in transfer funds every year indicates that the PAD obtained by the regional government is not fully able to finance the operational activities of each region. Based on the two data in tables 1.2 and 1.3, we can compare that in fact the transfer funds still tend to be higher than the PAD obtained by all districts/cities in Central Java. This shows that there is still dependence between the Regional Government and the Central Government through transfer funds. The increase in transfer funds from the Central Government also resulted in an increase in Regional Expenditures. Data on the realization of Regional Expenditures for all Regencies/Cities in Central Java Province can be seen in the following table:

Table 4. Realization of Regional Expenditures in Central Java Province (in millions of rupiah)

<u>Compounding</u> <u>Components</u>	<u>Year</u>				
	2014	2015	2016	2017	2018
Indirect Shopping	45,726.671	52,200,507	58,287,411	61,992,737	63,552,897
Direct Shopping	22,796,087	26,804,207	32,444,001	35,424,922	36,819,470
Amount	68,522,758	79,004,714	90,731,412	97,417,659	100,372,367

The data in Table 4 shows a significant increase in Regional Expenditure posts, the highest increase occurred in 2015-2016, increasing by Rp. 11,726,698 million rupiah. The increase was greater when compared to other years. The existence of a budgeting system that still focuses on the principle that the budget must be spent can reduce the quality of regional spending because the budget can be spent not according to the targets and needs of the region. Along with the increase in transfer funds, it also makes regional expenditures larger so that the financing of regional expenditures becomes ineffective.

Previous research such as that conducted by Ariani, et al (2016) stated that Capital Expenditures and General Allocation Funds together affect the level of regional financial independence. Research by Tahar and Zakhiya (2011) states that PAD and DAU have an effect on regional independence. Meanwhile, research conducted by Lestari et al (2016) also states that PAD and DAU both have an influence on Regional Financial Independence. Several studies related to the topic of regional financial independence with variables that are considered influential based on the theory and previous research. Research with the same topic on average uses sub-sections of regional revenue sources and sub-sections of regional expenditures. This research is focused on using the main sources of regional revenue and regional expenditure with the aim of obtaining maximum results and the data is analyzed by panel data regression. Based on the background that has been described, the authors are interested in conducting research on the Effect of Regional Original Income, Balancing Funds and Regional Expenditures on Regional Financial Independence (Case Study in Central Java Province 2014-2018).

II. Review of Literature

2.1. Regional Finance

Regional Finances as stated in Government Regulation Number 12 of 2019 Article 1 (1) are all regional rights and obligations to carry out their government which can be measured using money which includes all types of assets related to the rights and obligations of a region. Halim (2008) states that regional finance has a scope consisting of finance that is managed directly and regional assets that are separated.

2.2. Regional Budget

Regional budgets are the only mechanism that guarantees the creation of decision-making discipline. Regional budgets should cover all government fiscal operations and should encourage policy decisions that have financial implications to address budgetary constraints related to other demands. Based on Permendagri Number 38 of 2018 concerning Guidelines for the Preparation of the 2019 Regional Revenue and Expenditure Budget Article 1, APBD is an annual regional government financial plan that is stipulated by regional regulations which in the process of its preparation takes into account guidelines and directions for Regional Governments in preparing, discussing and determining APBD.

2.3. Locally - Generated Revenue

According to Purnomo (2009) in his book states that:

Regional Original Revenue is regional revenue sourced from regional taxes, regional retribution proceeds, separated regional wealth management results and other legitimate regional original revenues, which aim to give authority to regional governments to fund the implementation of regional autonomy in accordance with the potential of regional autonomy regions as a manifestation of decentralization.”

2.4. Balancing Fund

Balancing funds are funds sourced from APBN revenues that are allocated to regions to fund regional needs in the context of implementing decentralization, this statement is in accordance with Law Number 33 of 2004 Article 1. Article 10 explains that the balancing fund consists of Revenue Sharing Funds (DBH), General Allocation Fund (DAU) and Special Allocation Fund (DAK).

2.5. Regional Shopping

Regional expenditures in PP Number 12 of 2019 include all expenditures from the regional general treasury account that reduce current equity which is a regional obligation in one fiscal year which will not be recovered by the region. Regional expenditures are used to finance the implementation of government affairs that are under the authority of the provinces and districts/cities which consist of mandatory affairs, optional affairs, and affairs which are handled in certain sections or fields that can be carried out jointly between the central government and regional governments or between regional governments that work together determined by legislation (Permendagri Number 13 of 2006 Article 31).

2.6. Regional Financial Independence

Regional financial independence shows the ability of the Regional Government to finance government activities, development and services to the community who have paid taxes and levies as a source needed by the region (Halim, 2007). Regional financial independence is a picture of local governments in terms of regional dependence on central and provincial government funding sources. The higher the regional financial independence, the lower the regional dependence on government and provincial assistance.

III. Research Method

This research is a quantitative descriptive study that provides an overview of the level of regional financial independence in Central Java Province. Descriptive method is a research method that aims to determine the nature and deep relationship between two or more variables by observing certain aspects more specifically to obtain data that is in accordance with the problem. Sugiyono (2017) says that quantitative research is a method based on the philosophy of positivism, used to examine certain populations or samples using statistical or quantitative data analysis with the aim of testing predetermined hypotheses. This study uses panel data. According to Gujarati &

The time series data in this study are 2014-2018 and the cross section data used are 35 cities/districts in Central Java Province. The data used in this study are the realization of Regional Original Revenue, the realization of the Balancing Fund, and the realization of Regional Expenditures obtained in <http://www.djpk.kemenkeu.go.id>. This study uses three independent variables and one dependent variable in this study are:

1. X1 = PAD, income sourced from the regional tax sector, regional levies, results of regionally owned companies, results of separated regional wealth management, and other legitimate regional original income. In this study, the data used is the realization of City/Regency PAD in Central Java Province.
2. X2 = Balancing Fund, sourced from APBN revenues allocated to regions to fund regional needs in the context of implementing decentralization. In this research, the data used is the realization of City/Regency Balancing Funds in Central Java Province.

3. X3.= Regional Expenditures, are regional expenditures in a certain period which are the burden of the region. In this study, the data used is the realization of City/Regency Regional Expenditures in Central Java Province.
4. Y = Regional Financial Independence, is the ability of the Regional Government to finance development government activities and services to the people who have paid taxes and levies as a source needed by the region.

Regional Financial Independence is influenced by PAD, Balancing Funds and Regional Expenditures, so that when described as a function, they are:

Regional Financial Independence = f (PAD, DAPER, BD)

Then the regression model used is =

$$KKD_{it} = \alpha + \beta_1 PAD_{it} + \beta_2 DAPER_{it} + \beta_3 BD_{it} + e$$

Where :

- α = Constant
- 1, 2, 3 = Multiple regression coefficient of each independent variable
- KKD = Regional Financial Independence
- PAD = Regional Original Income
- DAPER = Balancing Fund
- BD = Regional Shopping
- i = Cross section
- t = Time series
- e = Random Error

The first analysis is a descriptive test per variable, both on the subject as a whole (overall), per subject (between) and per year (within). This test is carried out to analyze the characteristics of a data, including: the value of Mean, Median, Sum, Variance, Standard Error, Standard Error of Mean, Mode, Range or range, minimum, maximum, Skewness, and Kurtosis.

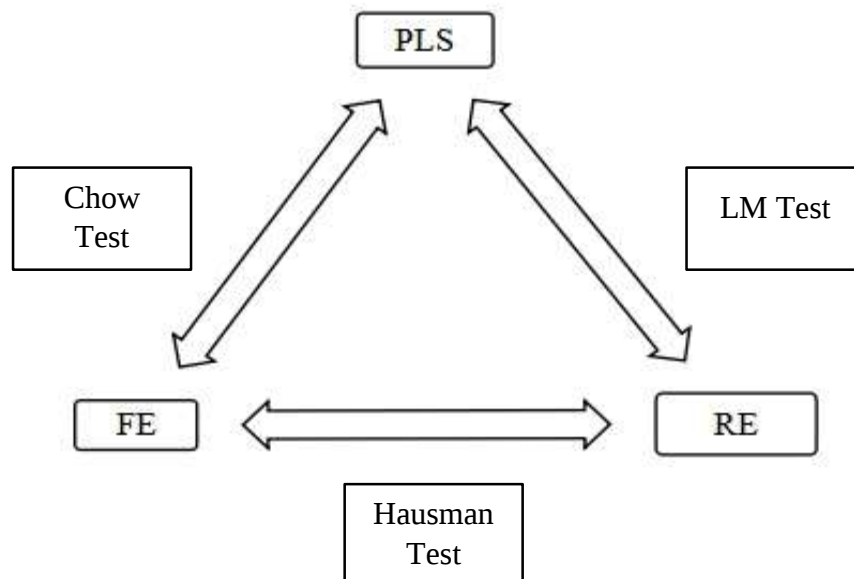


Figure 1. Panel Data Regression Estimation Options
Source: Hidayat (2014)

There are several things that need to be considered in determining the model to be used, first a Chow Test is carried out, to determine whether to use Pooled Least Square (PLS) or Fixed Effect (FE) in estimating panel data.

IV. Result and Discussion

4.1. Results of Selecting Data Regression Panel

a. Chow Test

Redundant Fixed Effects Tests

Equation: EQ01

Test cross-section fixed effects

Effects Test	Statistics	df	Prob.
Cross-section F	10.730544	(34,137)	0.0000
Cross-section Chi-square	227.202054	34	0.0000

Cross-section fixed effects test equation:

Dependent Variable: INDEPENDENCE

Method: Least Squares Panel

Date: 07/04/21 Time: 09:26

Sample: 2014 2018

Periods included: 5

Cross-sections included: 35

Total panel (balanced) observations: 175

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.328287	0.008133	40.36534	0.0000
PAD	7.98E-13	2.38E-14	33.47225	0.0000
FUND_BALANCE	-1.72E-13	2.30E-14	-7.481838	0.0000
SHOPPING_DAERAH	-5.35E-14	1.65E-14	-3.237156	0.0015
R-squared	0.963779	Mean dependent var		0.285396
Adjusted R-squared	0.963144	SD dependent var		0.156215
SE of regression	0.029990	Akaike info criterion		-4.153300
Sum squared resid	0.153800	Schwarz criterion		-4.080962
Likelihood logs	367.4137	Hannan-Quinn Criter.		-4.123957
F-statistics	1516,676	Durbin-Watson stat		0.786358
Prob(F-statistic)	0.000000			

This test was conducted to determine the best model between Common Effect and Fixed Effect, with criteria H_0 rejected if the value of *probability value* $> (0.05)$, then the model selected is Common Effect and vice versa H_0 accepted if the value *probability value* $< (0.05)$, then the selected model is Fixed Effect. The results show that the probability value of the chi-square cross section is $0.0000 < 0.05$, then H_1 accepted and the model selected in the chow test is Fixed Effect.

b. Lagrange Multiplier

Lagrange Multiplier Tests for Random Effects

Null hypotheses: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Hypothesis Test		
	Cross-section	Time	Both
Breusch-Pagan	73.08310 (0.0000)	7.271353 (0.0070)	80.35446 (0.0000)

Honda	8.548866 (0.0000)	2.696545 (0.0035)	7.951706 (0.0000)
King-Wu	8.548866 (0.0000)	2.696545 (0.0035)	5.324294 (0.0000)
Standardized Honda	9.102011 (0.0000)	3.707452 (0.0001)	4.542458 (0.0000)
Standardized King-Wu	9.102011 (0.0000)	3.707452 (0.0001)	3.313627 (0.0005)
Gourierieux, et al.*	--	--	80.35446 (< 0.01)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

This test was conducted to determine the best model between Common Effect and Random Effect, with criteria H_0 accepted if the value *probability value* $> (0.05)$, then the model selected is Common Effect and vice versa H_1 accepted if the value *probability value* $< (0.05)$, then the selected model is Random Effect. The results in the table show that the probability value of Breusch Pagan (both) in the Lagrange multiplier test is $0.0000 < 0.05$, then H_1 accepted and the selected model in the Lagrange multiplier test is the Random Effect.

c. Hausman Test

Correlated Random Effects - Hausman Test
Equation: EQ01
Test cross-section random effects

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Cross-section random	48.283869	3	0.0000

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
PAD	0.000000	0.000000	0.000000	0.0000
FUND_BALANCE	-0.000000	-0.000000	0.000000	0.0350
SHOPPING_DAERAH	0.000000	0.000000	0.000000	0.0000

Cross-section random effects test equation:
Dependent Variable: INDEPENDENCE
Method: Least Squares Panel
Date: 07/04/21 Time: 09:28
Sample: 2014 2018
Periods included: 5
Cross-sections included: 35
Total panel (balanced) observations: 175

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.257947	0.010211	25.26219	0.0000
PAD	6.02E-13	2.93E-14	20.53763	0.0000
FUND_BALANCE	-1.91E-13	1.66E-14	-11.53694	0.0000
SHOPPING_DAERAH	2.80E-14	1.23E-14	2.280552	0.0241
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.990112	Mean dependent var		0.285396
Adjusted R-squared	0.987441	SD dependent var		0.156215
SE of regression	0.017506	Akaike info criterion		-5.063026
Sum squared resid	0.041987	Schwarz criterion		-4.375815
Likelihood logs	481.0147	Hannan-Quinn Criter.		-4.784273
F-statistics	370.7549	Durbin-Watson stat		2.283328
Prob(F-statistic)	0.000000			

This test was conducted to determine the best model between Fixed Effect and Random Effect, with criteria H_0 rejected when probability value $> (0.05)$, then the model chosen is Random Effect and vice versa H_0 accepted when probability value $< (0.05)$, then the selected model is Fixed Effect. The results in the table show that the probability value of a random cross-section in the Hausman test is $0.0000 < 0.05$, then H_0 accepted and the model selected on the test *hausman* in Fixed Effects.

d. Fixed Effect Model Statistical Test Results

Dependent Variable: INDEPENDENCE
Method: Least Squares Panel
Date: 07/04/21 Time: 09:29
Sample: 2014 2018
Periods included: 5
Cross-sections included: 35
Total panel (balanced) observations: 175

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.257947	0.010211	25.26219	0.0000
PAD	6.02E-13	2.93E-14	20.53763	0.0000
FUND_BALANCE	-1.91E-13	1.66E-14	-11.53694	0.0000
SHOPPING_DAERAH	2.80E-14	1.23E-14	2.280552	0.0241
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.990112	Mean dependent var		0.285396
Adjusted R-squared	0.987441	SD dependent var		0.156215
SE of regression	0.017506	Akaike info criterion		-5.063026
Sum squared resid	0.041987	Schwarz criterion		-4.375815
Likelihood logs	481.0147	Hannan-Quinn Criter.		-4.784273
F-statistics	370.7549	Durbin-Watson stat		2.283328
Prob(F-statistic)	0.000000			

The estimation results of the Fixed Effect Model show that statistically the probability value (F-statistic) is 0.0000, meaning that the value is $<$ from the alpha value of 0.05 and it can be said that the FEM regression model is simultaneously independent variables (PAD, Balancing Fund, and Expenditure). Region) has a significant effect on the dependent variable (Independence). The R-squared value of 0.9874 indicates that the independent variables of PAD, Balancing Fund, and Regional Expenditure together are able to influence Independence by 98.74 percent and the remaining 1.26 percent is influenced by other variables not included in this research model.

4.2 Hypothesis Test Results

a. F Uji Test

The f test results in the table show that the F-statistical probability value is 0.0000 $<$ (0.05), then H_0 rejected and simultaneously independent variables (PAD, Balancing Fund and Regional Expenditure) affect the dependent variable (Independence).

b. R-square Coefficient of Determination Test

The test results of the R-square coefficient of determination in the table show that the adjusted R-square value is 0.9874. This figure shows that the independent variables (PAD, Balancing Fund and Regional Expenditures) are jointly able to influence the dependent variable (Independence) by 98.74 percent and the remaining 1.26 percent is influenced by other variables outside this research model.

c. t Test

The results of the t test in the table show that:

- a) probability value of 0.0000 $<$ 0.05, meaning that the Regional Original Income variable has a positive and significant effect on the Independence variable.
- b) The Balanced Fund variable has a coefficient value of -1.91E-13 with a probability value of 0.0000 $<$ 0.05, meaning that the Balanced Fund variable has a negative and significant effect on the Independence variable.
- c) Direct Expenditure variable has a coefficient value of 2.80E-14 with a probability value of 0.0241 $<$ 0.05, meaning that the Regional Expenditure variable has a negative and significant effect on the Independence variable.
- d) The Regional Original Income variable has a coefficient value of 6.02E-13 with a

V. Conclusion

Regional Financial Independence is the ability of the Regional Government to finance government activities, development and services to the community who have paid taxes and levies as a source needed by the region, and is an illustration of the Regional Government towards dependence on transfer funds from the Central Government. In its efforts to increase the level of regional financial independence, local governments are required to be able to optimize their potential income by providing a larger portion of regional spending for productive sectors in development. Regional Original Revenues, Balancing Funds and Regional Expenditures have a significant influence on Regional Financial Independence. The higher the Regional Original Income indicates that the region is increasingly able to manage its region well and tends to be less dependent on transfer funds provided by the Central Government. The influence of the Balancing Fund on Regional Financial Independence is one of the external assistance received by a region to meet the needs of regional government programs if the region experiences a budget deficit. The level of regional independence will

continue to increase if the Original Regional Revenue is greater than the Balancing Fund provided by the Central Government and if the balancing fund from the central government is higher, the impact on Regional Expenditures will also increase. The existence of a budgeting system that still focuses on the principle that the budget must be spent can reduce the quality of regional spending because the budget can be spent not according to regional targets and needs. Along with the increase in transfer funds, it also makes regional spending larger so that the financing of regional expenditures becomes ineffective.

References

- Ariani, et al. (2016). Pengaruh Belanja Modal dan Dana Alokasi Umum Terhadap Tingkat Kemandirian Keuangan Daerah, Syariah Paper Accounting FEB UMS, ISSN 2460-0784
- Budi S. Purnomo. (2009). Obligasi Daerah. Bandung: Alfabeta.
- Dewi, E. et al. (2018). Returning Government Policy for Poverty Reduction in Aceh. Budapest International Research and Critics Institute-Journal(BIRCI-Journal). P. 40-49.
- Gujarati, D. N., & Porter, D. C. (2015). Dasar-dasar Ekonometrika (Edisi 5). Jakarta: Salemba Empat
- Halim, A. (2007). Akuntansi Sektor Publik: Akuntansi Keuangan Daerah. Jakarta: Salemba Empat.
- Halim, Abdul. (2008). Akuntansi Keuangan Daerah. Jakarta : Salemba Empat.
- Hidayat. (2014). Interpretasi Regresi Data Panel STATA. <https://www.statistikian.com/2014/11/interpretasi-regresi-data-panel.html> diakses tanggal 4 Juni 2021
- Lestari, Anita, et al. (2016). Pengaruh Dana Alokasi Umum (DAU).dan Pendapatan Asli Daerah (PAD) Terhadap Belanja Modal dan Kemandirian Keuangan Daerah Provinsi Sulawesi Tenggara, Jurnal Progres Ekonomi Pembangunan Volume 1, Nomor 2, e-ISSN : 2502-5171
- Rosemarry, et al. (2016). Local Government Financial Autonomy: A Comparative Analysis of Nigeria and Brazil. Arabian Journal OF Bussiness and Management Review (OMAN Chapter), 5 (10): 38-54.
- Sugiyono. (2017). Metode Penelitian Kualitatif dan Kuantitatif. Bandung: Alfabeta.
- Tahar, Afrizal & Maulida Zakhiya, (2011). Pengaruh Pendapatan Asli Daerah Dan Dana Alokasi Umum Terhadap Kemandirian Daerah Dan Pertumbuhan Ekonomi Daerah, Jurnal Akuntansi dan Investasi Vol. 12 No. 1, halaman: 88-99.
- Taras, Tyasani dan Luh Gede Sri Artini. (2017). Analisis Pendapatan Asli Daerah (PAD) dalam Upaya Pelaksanaan Otonomi Daerah di Kabupaten Badung Bali. EJurnal Manajemen Unud, 6 (5): 2360-2387.
- Peraturan Pemerintah Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah
- Peraturan Menteri Dalam Negeri Nomor 38 Tahun 2018 tentang Pedoman Penyusunan Anggaran Pendapatan dan Belanja Daerah Tahun 2019
- Undang-Undang Nomor 23 Tahun 2014 tentang Pemerintah Daerah
- Undang-Undang Nomor 33 Tahun 2004 tentang Perimbangan Keuangan Antara Pemerintah Pusat dan Daerah