Regional Development Environment: Implementation, Realization & Contribution of Revenue in Pematangsiantar

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Abstract: The objective of this study was to analyze the local financial capacity of Pematangsiantar in the course of duty governance, development and community development, the contribution and growth of local taxes, the effectiveness of financial management, the projections and trends of the Local Revenue sources, Admission Local Revenue, and the prospect of Regional Income of Pematangsiantar during Fiscal Year 2015-2017 and the contribution of regional revenue to regional development in Pematangsiantar. The result of this research shows that the Realization of Regional Revenue of Pematangsiantar contributed an average of 93.81 percent, according to the assessment criteria, and the subject included in the category of effective is above 90%. This means that local governments of Pematangsiantar was appropriate and realistic in planning revenue can be seen from their achievements. Contributions and regional revenue growth has increased, indicating their maximum effort in intensification and extensification reception of the Local Taxes and Levies. Discussion of research is with the original income as one source of revenue which shall be used to finance expenditure in order to realize a more equitable development with intensification and extensification of the Local Revenue in line with its potential.

Keywords: local finance, local revenue, effectiveness, construction

1. Introduction

Regional autonomy implemented since 1999 requires the regions to strengthen self-financing to the independence of regional financing and gradually reduce the dependency of the General Allocation Fund and the Special Allocation Fund, which is the transfer fund from the central government to the regions. Enterprises can be achieved through the optimization of Local Revenue is the sector of local taxes and levies.⁷ said the concept of regional autonomy believes that local government better understand what the needs of people in the region.
The distortions that have occurred in the past have weakened the resilience of the national economy in the face of crisis, causing social inequality and hampering the ability to cope with the crisis quickly. The emergence of Law Number 22 Year 1999 regarding Regional Government as has been replaced by Law Number 9 Year 2015 concerning Second Amendment of Law Number 23 Year 2014 concerning Local Government and Law Number 33 Year 2004 regarding Fiscal Balance between Central Government and Local Governments which assert that the political ideology and structure of the State government will be decentralized compared to the previous centralized governance structure (regional autonomy).

Regional development as an integral part of national development is carried out on the basis of the principle of regional autonomy and the regulation of national resources that provides an opportunity for democratic improvement and regional performance to improve the welfare of the community towards a corruption-free, collusion and nepotism civil society. In the framework of governance, the government of a country essentially has three main functions namely allocation function, distribution function and stabilization function. The function of allocation, among others, includes: economic resources in the form of goods and services of the community. Distribution functions, among others, include: income and wealth of the community, development equity, and stabilization functions, including: security, economic, and monetary defense. Distribution functions and stabilization functions are generally more effectively implemented by the Central Government, whereas the allocation function is generally more effectively implemented by the Regional Government, since the regions generally know more about the needs and standards of community service. Pematangsiantar City Government plays a big role in the implementation process of regional development, because APBD is used to finance development expenditure every year. Still weak PDRB capability spurred the local government to increasingly keen to explore the potential of the region for revenue PAD, so that the process of sustainable development in the next period. With a relatively small PAD it will be difficult for the region to implement the process of governance and development independently.

Therefore, efforts are needed to increase PAD revenue, so the growth rate is expected to be higher than the growth rate of APBD, so that the contribution of PAD to the total revenue of APBD can increase. Based on the above description, the authors intend to review the Implementation of Regional Finance In Regional Development In Pematangsiantar City. With the purpose of knowing the financial capacity of the region in financing the expenditure of Pematangsiantar City 2010-2014.

2. Methodology

This study uses a qualitative paradigm based on a positivist approach with descriptive analytical approach method, this method is considered relevant and in accordance with the research to be conducted so that researchers believe that qualitative research methods are considered relevant. In this study to know the description or explanation that occurs using data that has been processed from relevant agencies within Pematangsiantar City Government. Furthermore, to analyze the existing problems in this study used the priority scale approach to determine the contribution of each source of APBD to total APBD, the contribution of each source of PAD to total PAD, the contribution of each type of local taxes to total local taxes, each contribution - the type of retribution to total retribution, and the contribution of each BUMD to total profit share of BUMD then used the following formulation2: 

KKSP = \frac{KSP}{TSP} \quad \text{................................. (1)}

Information:

\begin{align*}
\text{KKSP} & : \text{contribution of source revenue component} \\
\text{TSP} & : \text{total revenue source}
\end{align*}

3. Basic Theory: Regional Finance

Management of regional finance is a whole activity that includes planning, implementation, administration, reporting, accountability and supervision of local finance. The success of a region cannot be separated from the aspect of local financial management that is managed with good management. Good local financial management has been regulated from time to time. The change is a series of how a local government can create good governance and clean government by doing good governance\[3\].

Management of regional finances as stipulated in the Regulation of the Minister of Home Affairs of the Republic of Indonesia covering the powers of regional financial management, general principles and budget structure, the drafting of APBD, the determination of APBD, compilation and determination of APBD for regions that do not have DPRD, APBD implementation, APBD changes, regional finance administration, regional financial accounting, accountability of APBD implementation, development and supervision of regional financial management, regional losses, and financial management of BLUD[4].

A well-planned budget should be accompanied by orderly and disciplined execution of sound financial management so that its objectives or targets can be achieved efficiently and effectively. One aspect of local government that must be carefully regulated is the issue of local financial management and local budgets. Regional budgets or Regional Revenue and Expenditure Budget (APBD) are the main policy instruments for local governments as policy instruments, local budgets occupy a central position in the development of local government capabilities and effectiveness. Regional budgets should be used as a tool to determine the amount of income and expenditure, decision-making tools and development planning, future spending authority tools.

The determination of the amount of revenue/ revenue and expenditure/expenditure cannot be separated from the prevailing laws and regulations. Viewed from the side of local financial management especially Pendapatan Asli Daerah (henceforth: PAD), the contribution of PAD to APBD should increase each year the budget is supported also with the level of effectiveness of the overall revenue so that the willingness of the community to pay its obligations to the Regional Government in the form of local tax and regional levies. Based on the legal basis above, the preparation of APBD as a financial work plan is very important in the context of the implementation of the function of autonomous regions[6].
4. Result and Discussion

4.1. Analysis of Regional Finances In Financing Regional Expenditures

APBD is a measuring instrument or instrument that ensures the creation of budget discipline in the decision-making process related to budget management policy. APBD reflects the local government's financial condition which contains information on income, expenditure and financing. The budgeted expenditure is the highest expenditure of spending expenditures used for the implementation of governmental affairs under the jurisdiction of local governments in accordance with the provisions of legislation. As [7] study of the Special Economic Zones (SEZs) is a key feature of the agenda for development in sub-Saharan Africa in recent years, not last because of support while China is a provision for such a current zone build on the continent. It is also in doing economic zones from the income side can be done in Pematangsiantar City. Regional Expenditure is prioritized to fund binding and obligatory expenditures for ensuring the continuity of basic public services defined by minimum services. Financing is provided to budget any receipts to be repaid and/ or expenditures to be reimbursed either in the relevant fiscal year or in subsequent fiscal years. According to [8] while model idzs do offer tax holidays, the fact that they are not exempt from social rules is a concern for potential investors. Financing is used to cover the deficit or use surplus.

The regional financial capability in financing Pematangsiantar City's expenditure, as described in the APBD structure over the last 5 (five) years in 2010-2014 as shown in figure 1 has always increased both in terms of revenues and financing (net). The amount of funds available to be allocated into expenditure has increased, in 2010 amounted to Rp. 532,303,557,298.49; in 2011 increased to Rp. 605,675,217,770.81; in 2012 rose to as much as Rp. 699,561,538,421.72; in 2013 rose to Rp. 791,040,615,348.43; and in 2014 increased to Rp. 909,447,084,012.15.

The development of a region can be seen if the proportion of direct expenditure, especially capital expenditure is greater than indirect spending. Pematangsiantar City Government is still trying to increase the proportion of direct expenditure, especially capital expenditure. Using data can be described the proportion of indirect spending and direct spending, in the following figure:

![Figure 1. Proportion of Indirect Expenditure and Direct Expenditure 2010-2014](image-url)
Figure 1 shows that in 2010 the proportion of indirect spending by direct expenditure was 65.20% versus 34.80%; in 2011 to 64.57% versus 35.43%; in 2012 to 63.947% versus 36.43%; in 2014 to 65.86% versus 34.14%; due to the implementation of Pilkada in 2015 which should be budgeted in APBD TA. 2014. Nevertheless, the financial capacity of Pematangsiantar Municipal Government in the implementation of regional autonomy to finance regional expenditure in the form of regional expenditure tends to still depend on the sources of income derived from Balancing Funds and Other Legal Revenue both from Central Government and Government Province, as shown in figure 2:

Figure 2 shows that the role of Pendapatan Asli Daerah (PAD) in supporting local revenues is still very small in supporting the region's independence financially. Therefore, efforts to improve the independence of the region financially is still an important challenge that will be faced by Pematangsiantar City Government in the coming period. Regional revenue over the period of 5 years (2010-2014) as shown in Figure 2. shows the contribution picture from the revenue side of PAD Pematangsiantar City in financing regional expenditure. Along with the demands of regional autonomy reform Pematangsiantar City Government annually seeks to increase the contribution of PAD to Regional Income as one source of funds available to be allocated into spending increased, in 2010 contributed 5.61 percent; 2011 increased to 9.21 percent; while in 2012 it dropped to 8.60 percent; the year 2013 increased to 9.23 percent; and in 2014 the contribution of PAD increased to 10.41 percent.

Local Revenue (PAD) in APBD Pematangsiantar City consists of: Regional Tax, Local Retribution, Regional Wealth Management, and Other Original Regional Original Income. In general, PAD Pematangsiantar increased during 5 (five years) years (2010-2014) as shown in Table 1 always increased, especially from the side of local tax revenue and regional retribution in line with the enactment of Local Government Regulation Pematangsiantar Number 5 Year 2011 on the Levy as has been amended by Regional Regulation No. 9 of 2014 and Regional Regulation of Pematangsiantar City Number 6 Year 2011 on Regional Tax as amended by Regional Regulation No. 10 of 2014, as the implementation of Law Number 28...
Year 2009. Significant increase in PAD revenues occurred in 2014 at Rp. 90,477,498,256.76 this was due to a surge in local tax revenues and revenues from other legitimate local revenue. On the one hand there is a significant decrease in local retribution revenue in 2014, this is due to the implementation of the Financial Management pattern of the Regional Public Service Board (PPK-BLUD) RS. Dr. Djasamen Saragih, which was originally a Health Service Levy, was included in the regional retribution group as a group of other legitimate regional revenues.

| Budget Year/Tahun Anggaran (T.A) | Local Tax/Pajak Daerah (Rp) | Levy Area/Retribusi Daerah (Rp) | Results of Regional Wealth Management/Hasil Pengelolaan Kekayaan Daerah (Rp) | Etc, Local Own Revenue/Lain-lain Pendapatan Asli daerah yang sah (Rp) | Amount/Jumlah (Rp) |
|---------------------------------|-----------------------------|---------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------|------------------|
| 2010                            | 11,820,507,722.35           | 7,756,671,719.00                | 3,728,037,932.00                                                          | 2,091,058,213.81                                                | 25,396,275,587.16 |
| 2011                            | 16,023,824,495.16           | 18,467,038,227.00               | 6,465,391,576.42                                                          | 3,756,330,823.39                                                | 44,712,575,121.97 |
| 2012                            | 19,169,514,269.84           | 20,595,629,787.00               | 6,770,462,740.00                                                          | 3,379,759,206.14                                                | 49,915,366,002.98 |
| 2013                            | 27,274,948,285.28           | 21,556,193,447.00               | 7,006,290,990.00                                                          | 5,520,530,723.21                                                | 61,357,963,445.49 |
| 2014                            | 29,216,494,857.47           | 11,965,498,400.00               | 5,301,473,976.00                                                          | 43,994,031,023.29                                               | 90,477,498,256.76 |
| TOTAL                           | 103,505,289,630.10          | 80,341,031,580.00               | 29,271,657,214.42                                                         | 58,741,699,989.84                                               | 271,859,678,414.36 |

Source: DPPKAD Pematangsiantar City, Financial Statement Pematangsiantar City. 2010 – 2014 T.A. data is processed.

The original revenue growth of Pematangsiantar Municipality for 5 years (2010-2014) in Table 1 shows an uncertain trend, which means increasing and decreasing growth. Year 2010 as the initial year of research shows growth of 0.00%; in 2011 experienced growth of 76.06 percent; in 2012 decreased to 11.64 percent; the year 2013 increased to 22.92 percent, the year 2014 increased by 22.92 percent, so the average growth during the 5-year period of 31.62 percent, in the graphic figure below:

![Figure 3. The Growth of PAD Pematangsiantar in Budget Year 2010-2014](image-url)
To know the amount of contribution of sources of Original Regional Revenue, whether from local tax, regional retribution, regional company result and the result of separated regional wealth management and other legitimate PAD, to the regional original income in percent unit is compare the revenue of sources PAD is the amount of revenue PAD while to know the growth is to compare the acceptance of the current year with the previous year.

5. Conclusion

Management of local finance at Pematangsiantar City Government when viewed by comparing the realization of revenue and targets can be concluded that the regional finance in financing the expenditure of Pematang siantar City is still very low. This is illustrated by the Pematangsiantar City Government Expenditure is still dependent on the Transfer Fund sourced from Central Government, so that the fiscal ability of Pematangsiantar City area is still low category. The degree of Fiscal Decentralization (DDF) as a measure of the financial independence of Kota Pematngsiantar area during 2010-2014, it is known that the ratio of PAD to TPA is only an average of 8.61 percent so that it is classified as very less. For that reason, the amount of PAD contribution to Total Regional Revenue (TPD) as a benchmark in assessing the financial capacity of the region is still far from ideal, then the City Local Government should continue to improve the Regional Revenue from the Original Revenue Sector, especially on Local Taxes and Levy Area, by exploring the potential sources of revenue Tax and Levy Area, so need to be fixed regulation governing the management of revenue sourced from PAD.

6. References

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