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Polarization of Regional Revenue and Expenditure Budget and General Allocation Fund as well as Effect on Regional Expenditure in Regency/City of East Kalimantan Province

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Abstract

This study aims to analyze polarization of regional revenue and expenditure budget and general allocation fund as well as effect on regional expenditure in Regency/City of East Kalimantan Province. This type of research is quantitative research. The data uses secondary data. The data used is obtained from Regional Government Organization related to the realization of the Regency/City regional revenue and expenditure budget of East Kalimantan Province in 2011 to 2021. The data is contained in the Supreme Audit Agency of East Kalimantan Province. Data collection techniques by observation, document collection, and library research. Data analysis in this study used autoregressive distributed lag (ARDL). The results show that the general allocation of funds in a long run has a positive and significant effect. Regional expenditure in long run has a positive and significant effect. Regional income, general allocation funds, and regional expenditure in the short run have a positive and insignificant effect. Regional revenue and expenditure budget in 2014 to 2017 has decreased so that it can be said to be ineffective, then in the following year there is an increase so that it can be said to be effective. There is a decrease in general allocation of funds in the period from 2014 to 2015 which is 10.58% so that it could be said to be ineffective, then in the following year there is an increase of 22.48%. The following year is the same, so it is said to be effective.

Keywords
regional revenue; expenditure budget; general allocation fund; regional expenditure

I. Introduction

Regional expenditure according to the law can be interpreted as a form of regional liability expenditure which is recognized as a deduction from the value of net assets and is used as a form of public affairs managed by the regency/city or province consisting of mandatory and optional affairs and has been determined by law (Sasana, 2011:49). The proper allocation of regional expenditures into expenditure sections that are adjusted to the needs of the community can minimize the emergence of negative developments in an effort to improve community welfare. Stewardship theory states that humans should be trusted, have responsibility for their actions, have integrity values towards other parties. This can be a benchmark that the Regional Government is burdened with a great responsibility in carrying out its functions and duties to carry out fiscal management mandated by the central government, therefore it is expected that welfare and public services can be carried out properly.

Regional spending aims to advance the region and prosper its people, the more regional income that can be obtained, the more capable and independent regions will be in financing their regional expenditures. Financial statements are basically a source of

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information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

Regional financial management has been regulated in the regional revenue and expenditure budget. Regional income is sourced from regional original income, balancing funds, and others, as well as legitimate blood original income, then the regional income is used by the region to finance regional expenditures.

In Law Number 32 of 2004, Article 1 Paragraph 14 states that regional revenue and expenditure budget is the annual financial plan of the regional government determined by regional regulations. Minister of Home Affairs Regulation Number 13 of 2016, states that regional revenue and expenditure budget is the basis for managing regional finances for a period of one fiscal year starting from January 1 to December 31, while based on Ministry of Home Affairs Regulation Number 21 of 2011, Article 1 Paragraph 9 states that regional revenue and expenditure budget is a the annual financial plan of the regional government which is discussed and approved jointly by the Regional Government and the Regional People's Representative Council, so that it is determined to be a regional regulation.

According to Badruddin (2017:98) that regional revenue and expenditure budget is a regional government work plan which includes all revenues or revenues and expenditures or expenditures of provincial and district/city governments to achieve development targets within a period of one year expressed in money and approved by the Regional People's Representative Council in the laws and regulations referred to as regional regulations.

The budget is a plan related to expenditures and revenues that are prepared for one fiscal year and also functions as a supervisor. As a budget supervisor, it has 3 functions, namely a function as a fulfillment of community needs, a function as a good and equitable distribution of income and a function in maintaining economic stabilization.

Law Number 32 of 2004, Article 1 Paragraph 14 states that regional revenue and expenditure budget is the annual financial plan of the regional government determined by regional regulations. Minister of Home Affairs Regulation Number 13 of 2016, states that regional revenue and expenditure budget is the basis for managing regional finances for a fiscal year from January 1 to December 31, while based on Ministry of Home Affairs Regulation Number 21 of 2011, Article 1 Paragraph 9 states that regional revenue and expenditure budget is a the annual financial plan of the Regional Government which is discussed and approved jointly by the Regional Government and Regional People's Representative Assembly, so that it is determined to be a regional regulation.

Based on Law Number 22 of 1999 that the sources of regional income consist of a) regional original revenues derived from regional taxes and regional levies, results of regionally owned companies and other legitimate regional original revenues, b) balancing funds, c) regional loans, and d)other legitimate regional income.

Regional finances come from sources including (Suparmoko, 2002):

1.Original income of blood.
2.Balancing fund (profit sharing fund, general allocation fund, and special allocation fund).
3.Regional loans.
4.Deconcentration fund.
5.Co-administration fund.

These several sources of funds, three are managed directly by the local government while the others are managed by the central government by cooperating with local governments.

Starting from January 1, 2001, the State of Indonesia began to carry out a new phase in the implementation of governance, namely when regional autonomy was given evenly to all regions, both provinces and regency/city in the territory of Indonesia. The decentralization system is a policy that gives freedom to regions in implementing regional autonomy with the aim of improving people's welfare. Based on Law Number 22 of 1999, regional autonomy is the regional authority to be able to regulate and manage the interests of the community following their own ideas based on community expectations. In the implementation of autonomy, there are still many regions that have not been able to implement independently in carrying out all development activities, as a result, regions are still dependent on funding assistance from the central government. One of the policies in funding regional needs to support decentralization is general allocation fund which is part of the balancing fund sourced from the state revenue and expenditure budget which is allocated with the aim of equitable distribution of financial capacity among regions. General allocation funds are given in the form of block grants, their use is left entirely to the regions.

To increase the role of local governments in managing their own regions, it was emphasized by the issuance of the Regional Autonomy Law consisting of the Law of the Republic of Indonesia Number 22 of 1999 concerning financial balance between central and regional governments.

As for the financial balance between the center and the regions, it is stated in Law Number 25 of 1999, that the balance fund consists of: a) the regional share of land and building tax revenues, fees for acquiring land and building rights, revenues from natural resources, b) general allocation fund, and c) Special allocation fund. The policy for managing these funds is given to local governments.

For regions that have a higher poverty rate, the amount of general allocation fund provided by the government is different from that for regions that are rich and have low poverty levels. The existence of a profit-sharing policy and a general allocation fund of at least 26% of domestic revenues are also expected to overcome imbalances in development needs and financing and tax assignments between the center and the regions. General allocation fund can provide certainty for regions to obtain sources of funds to finance expenditure needs that are the responsibility of the regions.

Nationally, the preparation of the amount of national general allocation fund of 26 percent of the net domestic revenue stipulated in the state revenue and expenditure budget essentially refers to Law Number 33 of 2004 with adjustments and policy measures in accordance with the conditions and situations faced. In this regard, the formulation of the formula for calculating general allocation fund in its development underwent adjustments and policy steps, namely:

1. For the period 2001 to 2003, the formula for calculating general allocation fund in the state revenue and expenditure budget is based on Article 7 of Law Number 25 of 1999, which is set at 25% (twenty five percent of net domestic revenue after deducting the profit-sharing fund and the special allocation fund sourced from the reforestation fund).
2. In 2004 to 2005, the formula for calculating general allocation fund in the state revenue and expenditure budget is based on an agreement between the Government and the House of Representatives, which is set at 25.5% f the net domestic revenue.

3. For the period 2006 to 2012, the formula for calculating general allocation fund in the state revenue and expenditure budget is based on Law Number 33 of 2004, which is set at 26% of the net domestic revenue stipulated in the revenue and expenditure budget state expenditure. Based on 22 of 2001, net domestic revenue is negan revenue derived from taxes and non-tax after deducting the net income which is distributed to the regions. In the 2007 and 2008 state revenue and expenditure budgets, taking into account national fiscal conditions and controlling the deficit in the state revenue and expenditure budget, net domestic revenue is the result of subtraction between domestic income which is the sum of tax revenues and non-tax state revenues minus with state revenues that are distributed to the regions, namely profit-sharing funds, as well as spending that is earmarked (its use is directed) and budget that is in-out (budget recording with the same amount of revenue and expenditure).

The problem is that there are different points of view between the central government and local governments in this general allocation fund, namely the central government makes general allocation fund an instrument of horizontal imbalance, while the regional government uses general allocation fund as a supporter to meet regional financing. What happens if the regional government asks for a larger general allocation fund based on regional needs calculated through insufficient fiscal needs (limited data, minimum service standards in the regions do not yet exist, and the budgeting system is not based on expenditure analysis standards), plus total expenditures budgets such as regional revenue and expenditure budget have not detailed the actual needs and have made the use of general allocation fund inefficient.

East Kalimantan Province is the region with the fourth lowest population density in Indonesia, consisting of 10 urban districts which are well-known as one of the country's largest foreign exchange earners, namely from their natural resources in the mining and forestry sectors, including oil, gas and coal as well as other sectors that currently exist being developed is in the agricultural sector, tourism and processing industry continues to catch up compared to other regions.

This study aims to analyze polarization of regional revenue and expenditure budget and general allocation fund as well as effect on regional expenditure in Regency/City of East Kalimantan Province.

II. Research Method

This type of research is quantitative research. Quantitative research is a type of research that produces findings that can be obtained using statistical methods or other means of quantification (Octiva et al., 2018; Pandiangan, 2018). The purpose of quantitative research is to develop and use mathematical models, theories and/or hypotheses related to a phenomenon (Asyraini et al., 2022; Octiva, 2018; Pandiangan, 2015).

The data uses secondary data. Secondary data is a variety of information that has existed previously and is deliberately collected by researchers that is used to complement research data needs (Jibril et al., 2022; Pandiangan et al., 2018; Pandiangan, 2022). Usually this data is in the form of diagrams, graphs, or tables of important information such as the population census. The data used is obtained from Regional Government Organization related to the realization of the Regency/City regional revenue and expenditure budget of East Kalimantan Province in 2011 to 2021. The data is contained in the Supreme Audit Agency of East Kalimantan Province.

Data collection techniques are methods used to collect research data. That is, in writing or making scientific papers, authors must determine appropriate and appropriate data collection techniques (Octiva et al., 2021; Pandiangan et al., 2021; Pandia et al., 2018). Data collection techniques by observation, document collection, and library research.

Data analysis in this study used autoregressive distributed lag (ARDL). ARDL is a model analysis tool in econometrics. This model is a linear regression model that takes into account the long-term and short-term effects of the dependent variable on a unit change in the value of the explanatory variable (Pandiangan et al., 2022; Tobing et al., 2018).

III. Result and Discussion

3.1 Long and Short Run Estimation Test

Table 1. Long Run Equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
		Long Run Equation		
DAU	0.314231	0.049441	6.355646	0.0000
BLJDAERAH	0.782408	0.021597	36.22708	0.0000

Source: Data Calculation Results eViews 10.0

Based on Table 1, it can be concluded that:

1.General allocation fund in long run has a positive and significant effect.

2.Regional expenditure in long run has a positive and significant effect.

Table 2. Short Run Equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
		Short Run Equation		
COINTEQ01	-0.697946	0.301847	-2.312248	0.0256
D(PENDA(-1))	0.006163	0.135099	0.045619	0.9638
D(DAU)	0.951193	0.641163	1.483543	0.1452
D(BLJDAERAH)	0.155516	0.234918	0.662001	0.5115
C	3.74E+11	2.28E+11	1.642275	0.1078

Source: Data Calculation Results eViews 10.0

Based on Table 2, regional income, general allocation fund, and regional expenditure in short run have a positive and insignificant effect. The cointeq or error correction model functions to see the short and long term, where the condition is that cointeq01 must be significant below 0.05 and have a negative sign on the coefficient. This means that if cointeq -0.697946 shocks or fluctuations occur, it will be adjusted within 25 days, or commonly called speed adjustment.

3.2 Horizontal Analysis

In this analysis, regional revenue and expenditure budget and general allocation fund in East Kalimantan Province are used from 2011 to 2020.

Table 3. Horizontal Analysis of
Regional Revenue and Expenditure Budget (APBD)

Year	APBD	Percentage
2012-2011	0.186339941	18.63%
2013-2012	0.00061	0.06%
2014-2013	0.056138593	5.61%
2015-2014	-0.080629911	-8.06%
2016-2015	-0.104383608	-10.43%
2017-2016	-0.146364663	-14.63%
2018-2017	0.236840397	23.68%
2019-2018	0.273998957	27.39%
2020-2019	0.155604754	15.56%

Source: Processed Data

From Table 3, it can be seen that regional revenue and expenditure budget in 2014 to 2017 has decreased so that it can be said to be ineffective, then in the following year there is an increase so that it can be said to be effective.

Table 4. Horizontal Analysis of
General Allocation Fund (DAU)

Year	DAU	Persentase
2012-2011	0,368508875	36,85%
2013-2012	0,131556476	13,15%
2014-2013	0,000613857	0,06%
2015-2014	-0,105827517	-10,58%
2016-2015	0,224864	22,48%
2017-2016	0,011354715	1,13%
2018-2017	0,042525034	4,25%
2019-2018	0,069936206	6,99%
2020-2019	0,014303764	1,43%

Source: Processed Data

In Table 4, it can be seen that there is a decrease general allocation fund in the period from 2014 to 2015 which is 10.58% so that it could be said to be ineffective, then in the following year there is an increase of 22.48%. The following year is the same, so it is said to be effective.

IV. Conclusion

The results show that the general allocation of funds in a long run has a positive and significant effect. Regional expenditure in long run has a positive and significant effect. Regional income, general allocation funds, and regional expenditure in the short run have a positive and insignificant effect. Regional revenue and expenditure budget in 2014 to 2017 has decreased so that it can be said to be ineffective, then in the following year there is an increase so that it can be said to be effective. There is a decrease in general allocation of funds in the period from 2014 to 2015 which is 10.58% so that it could be said to be ineffective, then in the following year there is an increase of 22.48%. The following year is the same, so it is said to be effective.

Based on the conclusions drawn above, the authors provide some suggestions as follows:

1. The East Kalimantan Province Government can make maximum efforts to explore potential sources of regional income, including by setting new policies and regulations so that it is hoped that the contribution of regional original income will increase to total regional income and regional expenditures.
2. Local governments are expected to be able to manage general allocation fund as much as possible by using the principles of effectiveness, efficiency, and economy (3E) so that it will increase regional spending.
3. For further researchers, the addition of new variables as independent and dependent variables is very important to complement the results of previous studies.

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