

Map of Financial Capabilities of the Provincial Region in Indonesia

Maryono Maryono, Ida Nurhayati and Batara Daniel Bagana

Faculty of Economics and Business
Stikubank University Semarang
Semarang, Indonesia
maryono@edu.unisbank.ac.id

Abstract—This study aims to map the financial capabilities of provinces in Indonesia which are divided into five regions: 1. Java and Bali, 2. Sumatra, 3. Kalimantan, 4. Sulawesi, 5. Nusa Tenggara, Maluku and Papua. The provincial financial capability is measured by the amount of revenue and growth in local income, income and growth, and the contribution of local income to total revenue. The population in this study covers all provinces in Indonesia, amounting to 34 provinces with census data collection. The observation period from 2013 to 2015. Data analysis was carried out descriptively which included growth, contribution and source of local revenue. The results showed that there was an increase in provincial financial capacity in Indonesia as indicated by an increase in income from 2013 to 2015. The average province in the Java and Bali regions had the largest income compared to provinces in other countries. area. The next largest average income is Sumatra, Kalimantan. For 2013 and 2014 provinces in the Sulawesi region had greater average income from the Nusa Tenggara, Maluku and Papua regions. But in 2015 provinces in the Nusa Tenggara, Maluku and Papua regions were higher than the provincial income average in the Sulawesi region. Overall, provincial income in Indonesia shows an increase from year to year and its contribution to total income. On average in three years, the contribution of regional income to total provincial income in Indonesia is still low, even in 2015 there were still provinces which were categorized as very low (less than 25 percent), namely Maluku, North Maluku, Papua and West Papua. While those who have obtained a high category are only 1 province, namely DKI Jakarta.

Keywords—*regional autonomy; fiscal decentralization; regional original income*

I. INTRODUCTION

The current problem facing Indonesia in relation to regional autonomy is that in general, the regional financial capacity of districts / cities and provinces is still low, so the level of dependence on the central government is still very high. Most regions still rely on funding from the central government in the form of balancing funds, especially general allocation funds and special allocation funds. The second problem is that there is still a gap in financial capability both vertically, namely between the central government, the provincial government and the district / city government and horizontal disparity between provincial or district / city regions with uneven financial capabilities.

The underlying phenomenon of this research is the first of Law No. 28 of 2009 concerning Regional Taxes and Regional Retributions, one of which is to add a regional tax base to the provincial government, namely the cigarette tax that applies in 2014 [1]. In the regional tax laws and regional levies for a long time, the source of regional tax revenue for provinces in Indonesia consisted only of taxes related to motorized vehicles which included: motor vehicle tax, motor vehicle name transfer fees, and fuel tax on motorized vehicles. In addition, the province also receives groundwater taxes and surface water taxes. Except for the province of the Special Capital Region of Jakarta, almost as much as a percent of provincial tax revenues come from taxes related to motorized vehicles. With these conditions, it can be ascertained that provinces with a small number of motorized vehicles will also have an impact on local revenues from local taxes.

The second indication is the transfer of authority in the management of senior secondary schools, both senior secondary and vocational high schools, from the original authority and responsibility of the district / city government to the authority and responsibility of the provincial government. With the additional source of income based on cigarette taxes and the addition of the burden of spending to carry out senior secondary education, the mapping of the province's financial capacity is very important. The results of this study are expected to be able to provide information about the financial capabilities of the Province in Indonesia based on predetermined areas so that the policies developed by both the central government and the provincial government are more effective because they are based on the real conditions of each province.

Research aimed at mapping the provincial financial capacity had previously been carried out by the National Development Planning Agency (Bappenas) at the beginning of the implementation of regional autonomy. The research using share and growth and quadrant analysis found that in general the provinces in the Western Region of Indonesia were of higher financial capacity compared to provinces in the Eastern Region of Indonesia. Another study was carried out by Haryanto with the title of comparison of the financial capability map of regions producing natural and non-natural resources in the era of fiscal decentralization [2]. The study resulted in findings that stated that regions with abundant natural

resources did not necessarily have high financial capacity, but regions that did not have abundant natural resources but had a high tax base, their financial capacity was high.

This study aims to map the provincial financial capacity in Indonesia which is divided into five regions developed by the Central Bureau of Statistics, namely: 1. Java and Bali Region; 2. Sumatra Region; 3. Kalimantan Region; 4. Sulawesi Region; and 5. Nusa Tenggara and Papua regions. This research is expected to be able to find the condition of the current provincial financial capacity based on a predetermined area.

II. RESEARCH METHODS

In this study, the object of research is the realization of the provincial income and expenditure budget which includes regional income, regional original income, and sources of provincial income in Indonesia which are divided into regions: 1. Java and Bali; 2. Sumatra; 3. Kalimantan; 4. Sulawesi; 5. Nusa Tenggara, Maluku and Papua. The population in this study are all provinces in Indonesia from all regions consisting of 34 provinces. This study uses a census method, which means that all provinces in Indonesia are the research sample.

The implementation of this research covers a series of activities as follows:

- Data collection on the realization of provincial income and expenditure budgets originating from the Central Statistics Agency.
- Analyzing the growth of provincial income both nationally and by region
- Analyze the growth of provincial revenue from the provincial and regional levels
- Analyze the contribution of provincial revenue from the provincial and national level.
- Analyzing sources of provincial income, both nationally and by region
- The analytical method used in this study is descriptive.

III. RESEARCH AND DISCUSSION RESULTS

A. Regional Revenue Growth

The realization of total provincial government revenues throughout Indonesia from 2013-2015 continued to increase, with total revenues of 205.78 trillion rupiah in 2013; 233.28 trillion rupiah in 2014; and 242.71 trillion rupiah in 2015 or a growth of 13.36 percent in 2014 and 4.04 percent in 2015. One of the causes of the high national income growth in the province was allegedly due to the existence of local revenue sources in the form of cigarette taxes, effective in 2014. As an example of the province of Central Java in 2014 the regional income was in the form of taxes, cigarettes Rp. 950 billion more.

Realization of provincial income in the Sumatra region consisting of 10 provinces in 2013 amounted to 46.53 trillion rupiahs, 2014 amounted to 51.70 trillion rupiahs and in 2015 amounted to 51.62 trillion rupiahs with an average per province

from 2013 - 2015 amounting to 4, 65 trp, 5.17 trillion rupiahs and 5.16 trillion rupiahs. Revenue realization of provincial regions in Java and Bali region consisting of 7 provinces in 2013 amounted to 102.39 trillion rupiahs, 2014 amounting to 116.85 trillion rupiahs and in 2015 amounting to 122.97 trillion rupiahs with an average per province from 2013 - 2015 amounting to 14.62 trillion rupiahs, 16.69 trillion rupiahs and 17.56 trillion rupiahs.

Revenue realization of provincial regions in Kalimantan region consisting of 5 provinces in 2013 amounted to 22.05 trillion rupiahs, 2014 amounting to 24.44 trillion rupiahs and in 2015 amounting to 22.89 trillion rupiahs with an average per province from 2013 - 2015 amounting to 4, 41 trillion rupiahs, 4.88 trillion rupiahs and 4.57 trillion rupiahs. Realization of provincial income in the Sulawesi region which consists of 6 provinces in 2013 amounted to 13.16 t rupiah, 2014 amounting to IDR 14.90 trillion and in 2015 amounted to 16.86 trillion rupiah with an average per province from 2013 - 2015 amounting to 2, 19 trillion rupiahs, 2.48 trillion rupiahs and 2.81 trillion rupiahs. Realization of provincial income in the Nusa Tenggara, Maluku and Papua regions consisting of 6 provinces in 2013 amounted to 21.63 trillion rupiahs, 2014 amounting to 25.38 trillion rupiahs and in 2015 amounted to 28.34 trillion rupiahs with an average per province of the year 2013 - 2015 amounting to 3.60 trillion rupiahs, 4.23 trillion rupiahs and 4.32 trillion rupiahs.

This data shows that in the provinces in the Java and Bali regions the average regional income is the highest compared to other regions. The next sequence is the highest regional income, namely the province in Sumatra and Kalimantan. Provincial areas in the Sulawesi region in 2013 and 2014 had higher regional incomes compared to provincial income in the Nusa Tenggara, Maluku and Papua regions. However, in 2015, the Nusa Tenggara, Maluku and Papua regions had provincial income on average higher than provincial income in the Sulawesi region.

Individually the provinces with the highest regional income during 2013 to 2015 were the Special Capital Region of Jakarta, while the provinces with the lowest regional revenues in 2013 and 2014 were Gorontalo in the Sulawesi region and in 2015 the North Kalimantan province in Kalimantan which was the latest expansion area previously part of East Kalimantan province.

B. Growth of Regional Original Income

Regional original income is one of the revenues for the region, so that regions that are able to increase income from this source means that they have been able to explore the potential of the region in real terms. The amount of income originating from regional original income is determined by the potential possessed by the region and also by the efforts of the regional government in seeking income as optimal as possible to finance the government in order to improve the welfare of the community.

During 2013 to 2015 regional original income natively increased from 101.60 trillion rupiah in 2013 to 121.48 trillion rupiah in 2014 and 127.50 trillion rupiah in 2015. So far, regional taxes have become the biggest contributor to the

formation of local revenue so that an increase in provincial income in the national level is of course also supported by an increase in provincial regional taxes nationally. On average per region the largest number of regional original revenues in sequence is Java and Bali, both Kalimantan, Sumatra, fourth Sulawesi, and the lowest Nusa Tenggara, Maluku and Papua regions.

Regional revenue growth from 2013 to 2014 amounted to 19.52% on a national average which showed very high growth, while growth from 2014 to 2015 was only 5.0%. This can be explained because in 2014 it was the beginning of the year when the tax on cigarettes was applied, the calculation of which was determined by the amount of cigarette excise received by the state. This increase in regional income originating from local taxes is certainly a good thing because before the enactment of regional tax laws and new regional levies, regional tax revenues were almost entirely related to motorized vehicles. Maryono and Nurhayati found that Central Java's provincial taxes were almost one hundred percent of taxes related to motorized vehicles which included tax return on name, motor vehicle tax, and motor vehicle fuel tax [3].

C. Regional Original Income Contributions to Regional Revenues

The contribution of local revenue to the total income of the provinces in Indonesia by the national average shows a tendency to increase. However, this increase is still at a level that is not yet ideal, where in the national average the contribution of local revenue to the total regional income in 2013 - 2015 is in the range of 25% to less than 50%, which means it is still low. From 2013 to 2015, the average contribution of local revenue to total revenue was 37.44%; 40.15%; and 40.30%. When compared with the financial capacity of the districts / cities, the ability of the provincial finance in Indonesia is higher. Maryono and Nurhayati found that the contribution of spark plugs in the regencies / cities in Java on average was less than 20 percent [4].

There are several provincial regions whose contribution has been in the moderate category where the contribution of local revenue to the total regional income is around 50% to less than 75%. But there are also provinces that contribute regional income to total regional income in a very low category with a contribution of less than 25%. In 2015, there was one province that had entered the high or independent category, namely DKI Jakarta, where the contribution of local revenue had exceeded 75%. But in the same year there were still provinces which were still in very low categories, namely the provinces of the Special Region of Yogyakarta, Maluku, North Maluku, Papua, and West Papua.

TABLE I. GROWTH OF REGIONAL ORIGINAL INCOME

NO	PROVINCE	2013	2014	2015
1	Aceh	12,4%	14,9%	17,0%
2	North Sumatra	55,3%	56,8%	46,3%
3	West Sumatra	43,4%	47,6%	46,3%
4	Riau	39,0%	39,9%	50,3%
5	Jambi	36,9%	40,5%	39,7%
6	South Sumatra	37,0%	38,6%	42,3%
7	Bengkulu	31,0%	33,8%	32,2%
8	Lampung	45,4%	50,3%	46,9%
9	Bangka Belitung	32,4%	32,7%	30,3%
10	Riau Islands	31,9%	36,7%	40,3%
11	DKI Jakarta	68,0%	71,4%	76,2%
12	West Java	64,2%	67,4%	66,8%
13	Central Java	61,5%	65,4%	64,8%
14	DI Yogyakarta	47,1%	46,6%	46,9%
15	East Java	66,8%	69,5%	69,3%
16	Banten	66,1%	69,3%	67,9%
17	Bali	61,6%	63,8%	61,2%
18	West Kalimantan	41,3%	43,6%	41,8%
19	Central Kalimantan	38,9%	40,1%	36,1%
20	South Kalimantan	57,5%	60,5%	56,6%
21	East Kalimantan	50,6%	59,0%	51,8%
22	North Kalimantan	0,0%	0,8%	25,6%
23	North Sulawesi	38,3%	40,4%	40,1%
24	Central Sulawesi	31,0%	33,8%	31,2%
25	South Sulawesi	52,6%	55,0%	53,6%
26	Southeast Sulawesi	26,1%	26,0%	27,0%
27	Gorontalo	20,4%	24,1%	20,8%
28	West Sulawesi	14,4%	18,8%	18,6%
29	West Nusa Tenggara	36,1%	40,0%	39,8%
30	East Nusa Tenggara	22,1%	27,4%	26,6%
31	Maluku	19,7%	23,3%	18,3%
32	North Maluku	12,6%	13,5%	13,1%
33	West Papua	4,2%	5,3%	5,5%
34	Papua	7,1%	8,8%	7,7%
	Average	37,4%	40,1%	40,3%

D. Source of Regional Revenue

The source of local revenue consists of four components, namely: regional taxes, regional levies, separated regional assets, and other legitimate local revenue. Regional taxes make the biggest contribution to the formation of provincial income in Indonesia with an average of 84.62% in 2015 followed by other legitimate local revenues of 11.52%, separated regional wealth of 2.53% and finally from regional retribution of 1.33%. The following are data on provincial revenue sources in Indonesia in 2015. With the addition of regional taxes to the province, the cigarette tax that came into force in 2014 increased the financial capacity of the province. This local tax mix is also very good because the provincial government now does not depend entirely on related regional taxes and motorized vehicles.

TABLE II. SOURCE OF REGIONAL ORIGINAL INCOME

NO.	PROVINCE	TAX	RETRIBUTION	SEPARATED ASSETS	OTHERS
1.	Aceh	59,1%	0,2%	8,3%	32,4%
2.	North Sumatra	90,6%	0,7%	5,15	3,5%
3.	West Sumatra	77,0%	1,1%	4,5%	17,4%
4.	Riau	74,0%	0,6%	5,15	20,3%

Table 2. Cont.

NO.	PROVINCE	TAX	RETRIBUTION	SEPARATED ASSETS	OTHERS
5.	Jambi	81,4%	1,6%	2,7%	14,3%
6.	South Sumatra	91,7%	0,7%	2,4%	5,2%
7.	Bengkulu	72,8%	0,6%	2,6%	24,0%
8.	Lampung	87,4%	0,5%	1,1%	24,4%
9.	Bangka Belitung	88,7%	2,0%	0,9%	8,4%
10.	Riau Islands	94,0%	0,2%	0,4%	5,4%
11.	DKI Jakarta	86,3%	1,4%	1,6%	10,8%
12.	West Java	91,2%	0,5%	1,8%	6,6%
13.	Central Java	83,4%	0,9%	2,9%	12,8%
14.	DI Yogyakarta	87,7%	2,9%	3,3%	6,1%
15.	East Java	81,1%	1,1%	2,3%	15,4%
16.	Banten	94,2%	1,0%	0,9%	3,9%
17.	Bali	84,5%	2,0%	3,5%	10,0%
18.	West Kalimantan	85,7%	7,1%	3,9%	3,3%
19.	Central Kalimantan	86,8%	0,8%	3,2%	9,3%
20.	South Kalimantan	76,0%	1,1%	1,9%	21,0%
21.	East Kalimantan	77,2%	0,3%	4,7%	17,7%
22.	North Kalimantan	82,6%	0,0%	0,0%	17,4%
23.	North Sulawesi	82,6%	5,4%	3,3%	8,7%
24.	Central Sulawesi	81,7%	0,7%	2,2%	15,4%
25.	South Sulawesi	88,7%	2,9%	2,7%	5,7%
26.	Southeast Sulawesi	77,4%	2,7%	3,4%	16,5%
27.	Gorontalo	90,1%	1,4%	1,1%	7,4%
28.	West Sulawesi	83,4%	4,3%	0,8%	11,5%
29.	West Nusa Tenggara	73,5%	1,8%	4,6%	20,1%
30.	East Nusa Tenggara	75,1%	3,7%	8,1%	13,1%
31.	Maluku	76,0%	16,15	0,4%	7,5%
32.	North Maluku	73,2%	21,2%	0,0%	5,6%
33.	West Papua	71,4%	0,3%	2,4%	25,9%
34.	Papua	69,4%	5,4%	1,7%	23,5%
	Average	84,6%	1,3%	2,5%	11,5%

IV. CONCLUSION

Based on the results of the discussion in the previous chapter, research can produce conclusions as follows:

- Provincial income from 2013 to 2015 on a national average has increased, which means that there is an increase in provincial financial capacity in Indonesia. This increase in income can be used as the basic capital of the provincial government in an effort to improve people's welfare through various development programs.
- Regionally the region's income is in the highest order in Java and Bali, and the next sequence is Sumatra, Kalimantan, Sulawesi, and Nusa Tenggara, Maluku and Papua. This condition shows that there is still an imbalance in financial capacity between regions so that the government must always try to reduce this imbalance with development programs carried out in areas that are still low in financial capacity with the aim of being able to encourage the region to pursue lagging with areas that have progressed first.
- The provincial income in Indonesia in the national average shows an increase from year to year which also means an increase in the provincial financial capacity in Indonesia. Increasing the exploration of local resources that have an impact on increasing native regional income must always be encouraged for regional governments so that they are able to organize

government more independently by reducing dependence on financial assistance from the central government.

- Contribution of local revenue to the total income of the province in the national average shows a tendency to increase, which means there is an increase in provincial fiscal independence or a decrease in provincial dependence on central government financial assistance.
- Regional tax is the main source of provincial income in Indonesia, which is then followed by other legitimate local revenues, the results of regional wealth are separated, and the lowest contribution is regional retribution.

REFERENCES

- Undang-undnag Nomor 28 tahun 2009 tentang Pajak Daerah dan Retribusi Daerah
- Haryanto, "Analisis Perbandingan Peta Kemampuan Keuangan Daerah Penghasil Sumber Daya Alam dan Non Sumber Daya Alam Dalam Era Desentralisasi Filkal," Jurnal Ekonomi & Kebijakan Publik, vol. 8, no. 2, pp. 107 – 116, 2017.
- Maryono and Nurhayati, "Kemampuan Keuangan dan Pajak Daerah Provinsi Jawa Tengah," Proceedings- Unisbank Internasional Conference On Social Based Investment Policy in Anticipation of ASEAN Economic a Study of Economy, Law and Information Technology, Agustus 29-30, 2013, Semarang, Indonesia, 2013.
- Maryono dan Nurhayati, "Impact of changes in local tax and levies financial capability of district city in Java," Proceedings-International

Conference of Banking, Accounting, Management and Economics &
Call For Papers (ICOBAME), October 26-27, 2016, Magelang,

Indonesia, 2016.