

# Decentralization Of Fiscal Administration Of Subang Regional Financial Year 2015 - 2017

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**Abstract**---This aims study to analyze the implementation of fiscal decentralization, especially on Subang regional Revenue from legitimate regional income sources. This study used descriptive qualitative method. The data taken is primary and secondary data. The data collected is by conducting in-depth interviews and documentation. Data were analyzed using descriptive analysis techniques, data analysis, and tested its validity by checking, checking back and cross checking. The results showed that Subang Regional Revenue originated from local tax revenues with a growth rate of 25.83% from 2016-2017. However, in terms of the contribution of PAD to regional revenues, the average is only 15.69%. While the realization of regional revenues is more dominantly derived from the General Allocation Fund, an average of 53.98%. This shows that the moment of fiscal decentralization and financial independence of the Subang Regency area still depends on assistance from the central government

**Keyword:** Fiscal Decentralization, Regional Finance, Regional Revenue, Government Transfer Fund

## INTRODUCTION

Recently fiscal decentralization is related to the decisions of the central government or regional governments in implementing and realizing the development of both infrastructure, human resources and even the development of regional potential. This fiscal decentralization is expected to provide a stimulus for better and more competitive regional economic growth and can reduce the inequality of income distribution vertically and horizontally to the 33 provinces in Indonesia [1].

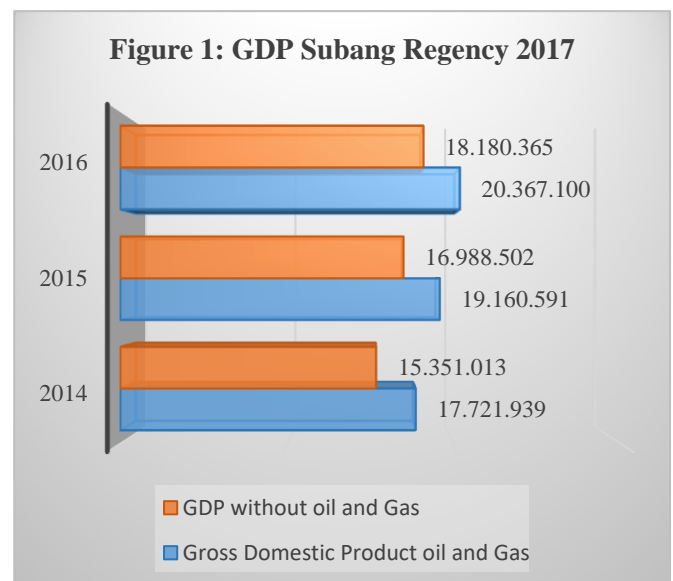
In its implementation, decentralization requires the readiness of regional governments to use the optimality of local revenue sources such as local taxes and retributions to realize better economic independence. However, Indonesia as an island rich in natural resources is uneven. There are regions that are rich in natural resources but there are also areas that are poor in natural resources. This is caused by differences in endowment factors such as geographical location and differences in the characteristics of human resources [2]

Law Number 23 of 2014, classification of government affairs consists of 3 affairs, namely absolute government affairs, concurrent government affairs, and general government affairs. Concurrent government affairs are government affairs that are shared between the Central Government and the Provincial and District / City Regions

For those areas that have the potential resources that can be relied upon, both human resources and natural

resources, the policy is welcome, given the nature of autonomy which is the regional authority and not the delegation [3]. Regions are no longer just carrying out the instructions of the central government, but really have the freedom to increase creativity in developing potential which during the era of decentralization can be said to be confined [4]

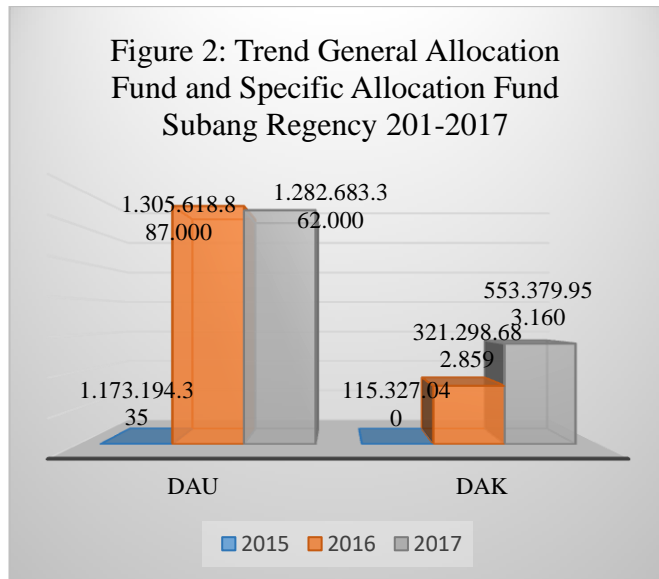
Subang Regency is one of the regencies in West Java Province which has different characteristics compared to other regencies or cities. Subang Regency has mountainous topography, plains to the coast, which is one of the advantages and potentials of regional development. For the level of GDP, which can reflect per capita income, it is still dominated by oil and gas. This proves that Subang Regency can develop the potential of its region as a form of potential regional Revenue



Source: Subang In numbers, 2018 is processed by researchers

However, the GDP is not directly proportional to the area of financial independence by Subang district. Because the District's Original Revenue is still dominant, it comes from central government assistance, General Allocation Fund and Specific Allocation Fund. One side with the existence of Law No. 23 of 2014 as a form of regional autonomy in order to finance and explore the potential of its territory. But on the other hand, the level of

funds transfers from the center to the regions is still quite high



Source: Subang In numbers, 2018 is processed by researchers

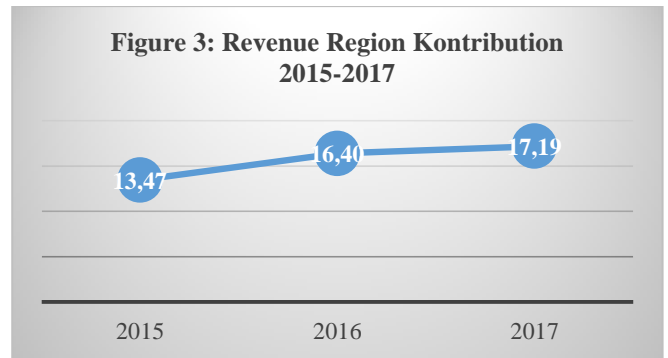
Seeing the above conditions, starting from 2015-2017 the level of funds transfers from the central government to local governments (Subang Regency) has an increasing trend. This illustrates that the management of regional finances is largely still dependent on the central government and has not been able to explore the potential of local revenue in order to finance the development process

**METHODS**

This study uses a descriptive method using secondary data as a form of analysis subject. Especially the data used are data on the sources of Regional Revenue, the amount of transfer funds from the central government and the provincial government, the amount of expenditure by the Subang Regency government in 2014-2017. The data is sourced from Subang in 2018 figures. Besides that, data from other scientific publications that are related to research originating from articles, newspapers, internet and magazines are also used

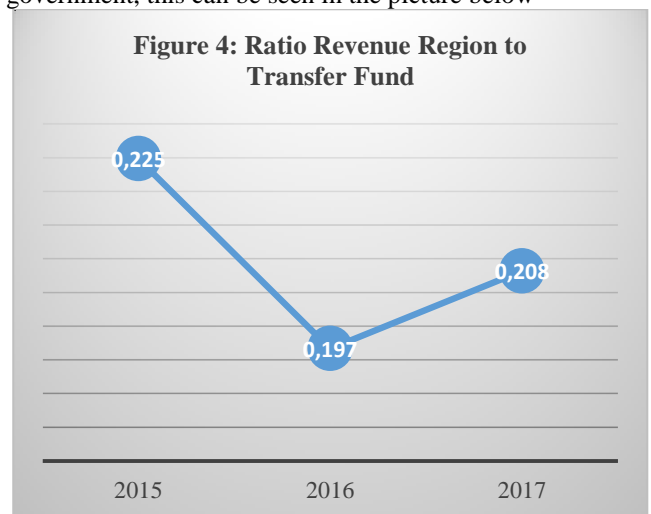
**DISCUSSION**

APBD is the result of regional, provincial or Central Government political mechanisms that are legitimized and determined by people's representatives determined through Regional Regulations. In the APBD format, the details of the type of Regional Revenue are included in the form of legitimate revenue. However, when Regional Revenue cannot provide a significant impact / contribution in the number of regional beneficiaries. The total contribution of Subang Regional Revenue Regency over the past 3 years can be seen in the following figure



Source: Subang In numbers, 2018 is processed by researchers

The rate of increase in the average contribution of regional revenue over the past 3 years was 15.69%. The percentage shows an increase from 2015 to 2017. However, the rate of increase is very small compared to the amount of financing that is increasingly increasing. The excavation of regional revenue potential is not balanced with the quality provided by the apparatus in regional financial management. Not only in quantity, but in quality, the type of financing for personnel expenditure is increasing. The regional revenue contribution for the last 3 years has not shown a meaningful proportion of income. Likewise, from other sources of income such as the portion of profit transfer from SOE and other legitimate sources of revenue. To see the gap between regional revenue and assistance from the central government, this can be seen in the picture below



Source: Subang In numbers, 2018 is processed by researchers

The condition of the above, it is clear that the ratio of regional revenue is very small compared to the amount of aid received by local governments from the central government or the provincial government. The number of Specific Allocation Funds and General Allocation Funds which are still excellent for regional governments in the framework of financing development programs is one of the obstacles and political forms of the government. Although the form of General Allocation Funds and Specific Allocation Funds is a form of reducing inequality in the financing needs and mastery of taxes between the Central

and the Regions. To be able to see how far the contribution of regional revenue to the total revenue of Subang Regency can be seen in the picture below:



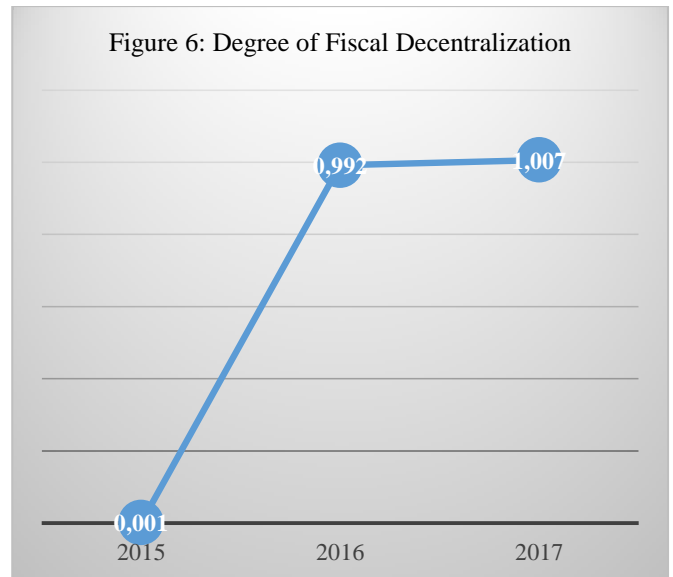
Source: Subang In numbers, 2018 is processed by researchers

The contribution of regional revenue to the income of the Subang Regency has increased. However, this increase has not had a significant impact compared to the amount of income. The process of extracting the potential for sub-optimal regional income is also not optimal, which also contributes to the small number of regional revenue. So the Subang regency government still relies on funding from Specific Allocation Funds and General Allocation Funds

The contribution of regional taxes and regional retribution until now the distribution of tax authority between the Regions and the Center has relatively large inequality. Likewise, the distribution of regional taxes between regions is also very lame and varied. This also indicates that the role of taxes in regional financing is very low and very varied also occurs because of the considerable differences in population, geographical conditions, and community capabilities [5]

The Degree of Fiscal Decentralization or the Degree of Fiscal Autonomy is financial capacity of regional governments in order to increase Regional Revenue to finance development. According to Balitbang Depdagri in Daud [6] to find out the magnitude of regional financial capacity used a measure called the Degree of Fiscal Autonomy. To measure Degree of Fiscal Autonomy, it is seen from the ratio of Regional Original Revenue to Total Regional Revenue, then it will be compared with the standard of the Ministry of Home Affairs

The Degree of Fiscal Decentralization which measures the concept of fiscal decentralization according [7] which uses regional revenue and expenditure approaches, namely the ratio between regional revenue and Revenue Sharing Funds with the realization of total district / city government expenditure



Source: Subang In numbers, 2018 is processed by researchers

Degrees can reflect the more decentralized finances of the Regency / City. Subang Regency has a fairly positive trend from 2015-2017. This is because the implementation of government tasks, development and community development that are being carried out and will be carried out by the district / city government requires greater funding as a result of the demands of a dynamic and fast-moving community, while on the other hand limited funding. At present the financial capacity of local governments is still very much dependent on revenues originating from the central government. Therefore, the role of local governments in exploring and developing various regional potentials as sources of revenue largely determines the success of the implementation of autonomy and fiscal decentralization.

The trend of increasing the degree of fiscal decentralization can affect the economic performance of the Subang Regency. This increase was marked by investment impetus for the private sector so that it had an impact on the level of output, Regional Revenue, employment opportunities especially for Subang Regency. The improvement of the investment climate requires a form of fiscal stimulus in the form of government expenditure in physical development such as infrastructure, sector real, ease in bureaucratic services, management of business permits, and tax incentives for the private sector given by the region

However, fiscal decentralization policy has not contributed much in reducing the output gap in Subang Regency. Nevertheless, after the second year of implementing fiscal decentralization policies, there is a tendency that these policies can reduce inequality (Brodjonegoro, 2003: 28). This could be due to the inappropriate strategy used by the central government in determining the distribution of balance funds. In a particular area, the gap can also be caused by the lack of standard rules for allocating expenditures, so that only about 20 percent of expenditure is used for development

Changes in policy related to fiscal decentralization have an impact on regional economic performance (production, employment) but the impact is diverse. In general, the increase in regional revenues has a positive impact on regional expenditure and economic performance. Increased regional expenditures originating from central fund transfers and or profit sharing have a greater impact on the regional economy compared to the increase in regional expenditures sourced from increase in taxes or levies. On the other hand an increase in investment expenditure has a greater impact on the regional economy compared to development expenditures for sectors that have higher productivity (having a large multiplier) which has an impact on improving regional economic performance

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