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THE EFFECT OF REGIONAL GOVERNMENT REVENUE ON REGIONAL EXPENDITURE OF THE SORONG DISTRICT GOVERNMENT

PENGARUH PENERIMAAN PEMERINTAH DAERAH TERHADAP BELANJA DAERAH PEMERINTAH KABUPATEN SORONG

Sandi Hasudungan Pasaribu
Universitas Nani Bili Nusantara
*sandihasudungan@gmail.com

**Corresponding Author*

ABSTRACT
This study aims to analyze the influence of government revenue on regional expenditure in the Sorong Regency Government. Regional expenditure is an important indicator in the implementation of regional autonomy, reflecting the region's ability to finance various development programs and activities. Government revenue, as the main source of regional funding, plays a crucial role in determining the amount and priority of regional expenditure. The research method used is a quantitative method using secondary data in the form of reports on the realization of the Sorong Regency regional government budget. The results of the study are expected to provide an overview of the extent of the influence of government revenue on regional expenditure in Sorong Regency. These findings can provide input for the regional government in planning and managing the regional budget, as well as in efforts to increase regional revenue to support sustainable development. In addition, this study is also expected to provide scientific contributions in the field of regional finance.
Keywords : Government Revenue, Regional Expenditure

ABSTRAK
Penelitian ini bertujuan untuk menganalisis pengaruh penerimaan pemerintah terhadap belanja daerah pada Pemerintah Kabupaten Sorong. Belanja daerah merupakan indikator penting dalam pelaksanaan otonomi daerah, yang mencerminkan kemampuan daerah dalam membiayai berbagai program dan kegiatan pembangunan. Penerimaan pemerintah, sebagai sumber utama pendanaan daerah, memiliki peran krusial dalam menentukan besaran dan prioritas belanja daerah. Metode penelitian yang digunakan adalah metode kuantitatif dengan menggunakan data sekunder berupa laporan realisasi anggaran pemerintah daerah Kabupaten Sorong. Hasil penelitian diharapkan dapat memberikan gambaran mengenai seberapa besar pengaruh penerimaan pemerintah terhadap belanja daerah di Kabupaten Sorong. Temuan ini dapat menjadi masukan bagi pemerintah daerah dalam merencanakan dan mengelola anggaran daerah, serta dalam upaya meningkatkan penerimaan daerah untuk mendukung pembangunan yang berkelanjutan. Selain itu, penelitian ini juga diharapkan dapat memberikan kontribusi ilmiah dalam bidang ilmu keuangan daerah.
Kata Kunci : Penerimaan Pemerintah, Belanja Daerah

1. INTRODUCTION

The implementation of regional autonomy is characterized by fiscal decentralization, which indicates the delegation of authority from the central government to regional governments to govern their regions autonomously. The implementation of regional autonomy is intended to give autonomous regions the rights, authority, and obligations to regulate their own government affairs and community interests. Thus, regional governments can develop regional potential and are given the authority to explore their resources effectively and efficiently, in order to optimize their financial performance in order to realize the independence of autonomous regions. This is expected to enable each autonomous region to improve services in various sectors, especially the public sector. In an effort to improve public services, regional governments are required to allocate funds in the form of capital expenditures in the Regional Revenue and Expenditure Budget (APBD) to increase regional fixed assets.

This change in spending allocation is also aimed at developing various public facilities. The government needs to facilitate various activities to boost the economy, one of which is by opening investment opportunities for investors. Infrastructure development and the provision of various facilities are carried out to increase investment attractiveness. Industrial infrastructure development has a significant impact on increasing Regional Original Income (PAD). When allocating capital expenditures, local governments must be truly aligned with regional needs and must consider the PAD received. Therefore, if local governments want to improve public services and public welfare by increasing capital expenditures, they must strive to maximize PAD (Nuarisa, 2012).

The largest source of regional government revenue is local taxes. The significant contribution of local taxes to the regional government budget makes them central to regional development. Local tax revenue is used to finance the administration of regional government and development, as well as to cover substantial regional operational costs. Increasing regional revenue through local taxes is expected to increase the allocation of regional operational costs, regional government administration, and regional development, thereby improving the distribution of regional development equitably (Halim, 2012).

In addition to local taxes, there are also other forms of regional revenue, namely regional levies. Regional levies are a form of regional levy collected from the public for use of regional facilities. According to Law No. 28 of 2009 concerning regional taxes and levies, levies are regional levies as payment for services or specific permits specifically provided or granted by the regional government for personal or corporate purposes. The level of regional levies naturally influences regional income, with high levels of regional income leading to higher allocations for development funds.

Regional government can be well-organized due to resource factors that can drive the course of regional government activities. Financial factors are the primary source of financial resources used to finance regional government operations. According to Saragih (2003: 82), regional finances refer to all forms of regional assets related to all regional rights and obligations within the framework of the Regional Revenue and Expenditure Budget (APBD), which consists of Regional Revenue, Regional Expenditure, and Regional Financing.

Regional expenditures are used to implement government affairs under the authority of the province or district/city, consisting of mandatory and optional affairs stipulated by statutory provisions. Regional expenditures are all regional obligations recognized as a reduction in net assets during the relevant fiscal year (Minister of Home Affairs Regulation No. 13 of 2006).

Based on Domestic Government Regulation (Permendagri) Number 13 of 2006, all Regional Revenue and Regional Expenditure must be recorded and managed in the Regional Revenue and Expenditure Budget (APBD). Regional budget management is an activity carried out by regional financial management officials in accordance with their positions and authorities, which includes planning, implementation, supervision, and accountability (Permendagri Number 13 of 2006). Based on Government Regulation Number 58 of 2005, the definition of regional finance is the rights and obligations of regions in the implementation of regional government that can be valued in money. Therefore, the public needs to understand regional financial management and its stages so they can participate in monitoring transparency in budget use in the region. Thus, it can be concluded that regional finance is essentially regional rights and obligations encompass two things: regional rights and regional obligations. Regional rights are anything that legally belongs to the region and can be designated as government property. Obligations, on the other hand, are things that must be carried out or done, or things related to tasks and work. If these rights and obligations can be valued in monetary terms, they can be considered part of regional finances (Government Regulation No. 58 of 2005).

All regional revenues and expenditures must be recorded and managed in the Regional Budget (APBD). However, regional development data tends to be incomplete and scattered across each Regional Work Unit (SKPD) and is sometimes rarely updated. Furthermore, the Regional Development Planning Agency (Bappeda) faces serious obstacles in collecting data from SKPDs due to weak coordination between Bappeda and SKPDs, minimal human resources and funding within Bappeda for data management, and a lack of strong political will from leaders to promote data and information. To address these issues, the Regional Government Information System (SIPD) was created. Article 274 of Law Number 23 of 2014 stipulates that regional development planning is based on data and information managed in the Regional Development Information System. SIPD is a system that documents, administers, and processes regional development data into information presented to the public and used as decision-making material for planning, implementing, and evaluating regional government performance (Law Number 23 of 2014).

Balancing funds are funds sourced from the State Budget (APBN) allocated to regional governments to finance their regional needs in the context of implementing fiscal decentralization. Balancing funds or transfer funds from the central government consist of the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue Sharing Fund (DBH). Adi (2006) argues that the proportion of Balancing Funds, especially the General Allocation Fund (DAU), to regional revenues is still the highest compared to other regional revenues, including Regional Original Revenue (PAD). Harianto and Priyo (2007) state that the high proportion of balancing funds compared to Regional Original Revenue (PAD) illustrates that regional revenues are highly dependent on central government financial assistance (transfers). However, in the long term, this dependence should decrease. Ideally, the implementation of regional autonomy should be able to reduce dependence on the central government, making regions more independent, one of which is indicated by the increasing contribution of Regional Original Revenue (PAD) in terms of regional financing (Adi, 2006).

2. LITERATURE REVIEW

2.1. Regional Finance

Regional Finance is all regional rights and obligations in the context of the implementation of regional government that can be valued in money including all forms of wealth related to the rights and obligations of the region, this is explained in the Regulation of the Minister of Home Affairs No. 21 of 2011, concerning Guidelines for Regional Financial Management. Meanwhile, according to Kuswandi (2012) Regional Finance is all regional rights and obligations that can be valued in money and everything in the form of money and goods that can be owned by the region related to the implementation of these rights and obligations. In the Government Regulation of the Republic of Indonesia No. 58 of 2005 concerning Regional Financial Management (article 4) it is explained that regional finance is managed in an orderly manner, in accordance with laws and regulations, efficiently, economically, effectively, transparently, and responsibly by paying attention to the principles of justice, compliance, and benefits for the community and regional financial management is implemented in an integrated system that is realized in the Regional Budget which is annually determined by regional regulations.

2.2. Regional Revenue and Expenditure Budget (APBN)

According to Law Number 32 of 2004, the Regional Revenue and Expenditure Budget (APBD) is the annual financial plan of the regional government which is discussed and agreed upon jointly by the Regional Government and the Regional People's Representative Council (DPRD) and stipulated by regional regulations. According to Yuwono, et al. (2005) the APBD includes (1) the rights of the regional government which are recognized as an addition to the net worth, (2) the obligations of the regional government which are recognized as a reduction in the net worth, (3) receipts that need to be repaid and/or expenditures that will be received again, both in the relevant budget year and in subsequent budget years. The rights and obligations of the regional government according to Law Number 32 of 2004 are realized in the form of a regional government work plan and are described in the form of regional income, expenditure, and financing which are managed in the regional financial management system. The management of regional finances must be carried out effectively, efficiently, transparently, accountably, orderly, fairly, properly, and in accordance with statutory regulations. Referring to the Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines for Regional Financial Management, it states that the APBD functions as (1) Authorization function (2) Planning function (3) Supervision function (4) Allocation function (5) Distribution function (6) Stabilization function.

2.3 Locally Generated Revenue

Regional Original Revenue (PAD) is revenue obtained by a region from regional sources within its territory, collected based on regional regulations and applicable laws. The regional revenue sector plays a crucial role, as it determines the extent to which a region can finance government activities and regional development (Hasni, 2019).

Regional Original Revenue (PAD) is a source of funding for capital expenditure budgets. PAD is derived from direct contributions from the public, such as taxes, levies, and so on. The agent (local government) is responsible to the principal (the public) to provide good public services to the public through the capital expenditure budget, as the public has contributed a portion of their funds to the local government. The form of public service provided by the government to the public includes the provision of adequate facilities and infrastructure in the region. The procurement of this infrastructure or facilities is funded from the capital expenditure budget allocation in the annual Regional Budget (APBD). Thus, there is a relationship between Regional Original Revenue (PAD) and capital expenditure allocation. However, not all areas with high incomes are accompanied by good economic growth (Mundiroh, 2019).

2.3.1. Sources of Local Original Income

1. Regional taxes Regional taxes, hereinafter referred to as taxes, are mandatory contributions to the region owed by individuals or bodies that are mandatory based on law without receiving direct compensation and are used for regional needs for the greatest prosperity of the people.
2. Regional Retributions In Law Number 28 of 2009 concerning Regional Retributions, it is stated that regional retributions are levies as payment for services and the granting of certain permits specifically provided by the regional government for the benefit of individuals or legal entities. Regional retributions consist of general service levies, business service levies, and certain permit levies. Regional retributions are regional contributions as payment for services or the granting of certain permits specifically provided or granted by the regional government for the benefit of individuals or entities.
3. Other legitimate regional income, Types of other legitimate income in accordance with Law Number 23 of 2014 are provided to describe regional income that is not included in the types of regional taxes, regional levies, and results of management of regional assets that are separated and detailed according to the object of income, including the results of the sale of regional assets that are not separated in cash or installments, giro services, interest income, receipts on claims for regional compensation, receipts of commissions, deductions or other forms as a result of the sale or procurement of

goods and services by the region. Receipt of profits from the difference in the rupiah exchange rate against foreign currencies and commissions, deductions, or other forms as a result of the sale, procurement of goods and services by the region.

2.4. Balancing Fund

According to Law No. 33 of 2004, the Balancing Fund is a fund sourced from the State Budget (Transfers to Regions) provided to regions to finance regional needs in order to support the achievement of the goals of autonomy, namely public services and welfare. Technically, the Balancing Fund was created to build a proportional, efficient, fair, democratic, and transparent financial system, taking into account the potential, conditions, and needs of the regions, as enacted in Law No. 33 of 2004 concerning Fiscal Balance between the Central Government and Regional Governments. Its implementation is regulated in Government Regulation No. 55 of 2005.

The existence of the Balancing Fund is a consequence of the division of duties between the central government and regional governments in the implementation of decentralization, with a focus on fiscal stability and balance. This aligns with the objective of the Balancing Fund, as outlined in Article 3, paragraph 2 of Law No. 33 of 2004, namely to reduce the fiscal gap between the central government and regional governments, and between regional governments. The Balancing Fund consists of the Revenue Sharing Fund (DBH), the General Allocation Fund (DAU), and the Special Allocation Fund (DAK).

- Revenue Sharing Funds are funds sourced from the State Budget allocated to regions based on a percentage figure to fund regional needs in the context of implementing decentralization. According to Law Number 33 of 2004, these revenue sharing funds are sourced from taxes and regional assets. The government determines the allocation of Revenue Sharing Funds derived from natural resources in accordance with the determination of the calculation basis and the producing region. Revenue Sharing Funds sourced from taxes consist of (1) Land and Building Tax (PBB) (2) Land and Building Acquisition Fee (BPHTB) (3) Income Tax (PPh) Article 25 and Article 29 for Domestic Individual Taxpayers and PPh Article 21. Meanwhile, Revenue Sharing Funds sourced from natural resources come from (1) Forestry (2) General Mining (3) Fisheries (4) Petroleum Mining (5) Natural Gas Mining (6) Geothermal Mining.

- The General Allocation Fund refers to Law Number 33 of 2004 concerning the Balance of Central and Regional Finances, explaining that the General Allocation Fund (DAU) is a fund sourced from APBN revenues allocated with the aim of equalizing financial capacity between regions to fund regional needs in the context of implementing decentralization. The DAU for a Region is allocated based on fiscal gaps and basic allocations. The DAU is a Block Grant, namely a grant whose use is quite flexible (in the sense that there are not many restrictions) like categorical grants. Walidi (2009) stated that the DAU also functions as an equalization grant that neutralizes financial inequality due to the revenue sharing funds received by the regions. Guided by PP Number 104 of 2000 concerning the Balanced Fund, the DAU is for horizontal equity and sufficiency. Horizontal equity is the interest of the central government in order to distribute revenue fairly and equitably to avoid wide disparities between regions. Meanwhile, the interests of the regions, namely sufficiency, are primarily to cover fiscal gap. Based on Government Regulation Number 55 of 2005 concerning the Balancing Fund, it explains that the total amount of DAU is set at a minimum of 26% of the Net Domestic Revenue determined by the APBN. Provinces receive 10% of the determined DAU, while districts/cities receive 90%. The distribution of DAU is based on the weight of each region, which is determined based on the needs of each regional autonomy region and the economic potential of the region. According to Putro and Pamudji

(2010) and Law Number 33 of 2004, the General Allocation Fund for a province or district/city can be calculated using the following formula: DAU = Fiscal Gap + Basic Allocation Description: Fiscal Gap = Fiscal Needs – Fiscal Capacity Fiscal Needs = Total Average Expenditure (Population Index + Area Index + Human Development Index + Construction Cost Index) + GRDP per capita Index Fiscal Capacity = PAD + Revenue Sharing Funds (PBB + BPHTB + PPh + SDA)

- Special Allocation Funds based on Law Number 33 of 2004 concerning Financial and Regional Balance, explains that Special Allocation Funds (DAK) are funds originating from the APBN allocated to regions to help finance certain needs. Special Allocation Funds are used to cover gaps in public services between regions by prioritizing the fields of education, health, infrastructure, maritime affairs and fisheries, agriculture, regional government infrastructure, and the environment. Darise (2008) argues that DAK is intended to help finance special activities in certain regions that are regional affairs and in accordance with national priorities, especially to finance the needs of basic public service facilities and infrastructure that have not yet reached certain standards or to encourage the acceleration of regional development. The government sets DAK criteria which include general criteria, special criteria, and technical criteria. General criteria are determined by considering the Regional Financial capabilities in the APBD. Special criteria are determined by considering the laws and regulations and characteristics of the Region. Technical criteria are determined by the State Ministry/technical department. The amount of Special Allocation Funds for each district/city comes from the DAK weight which can be calculated using the following formula (Usman et al, 2008): DAK Weight = Regional Weight + Technical Weight Where the determination of Regional Weight is with the formula: Regional Weight = Fiscal and Regional Index × Construction Cost Index While the Technical Weight is calculated using the formula: Technical Weight = Technical Index × Construction Cost Index.

2.5. Regional Expenditure

Regional expenditures are all expenditures of the Regional Government during a budget period. The Regional Revenue and Expenditure Budget (APBD) consists of three main components: revenue, routine expenditures, and development expenditures. Although these three components are prepared almost simultaneously, the preparation process takes place in different institutions (Gorahe, Irdha Anisyah Marsudi Masinambow & Engka, 2014).

Expenditures can also be categorized according to their characteristics into two parts: (1) Non-capital expenditures (general administration expenditures, operational expenditures, maintenance of public facilities and infrastructure, transfer expenditures, and unforeseen expenditures). (2) Capital expenditures. Generally, expenditures in the APBD are grouped into five categories (Pradyastio et al., 2019):

- General Administration Expenditures are all Regional Government expenditures not directly related to public activities or services.
- Operational Expenditures are the maintenance of public facilities and infrastructure, including all Regional Government expenditures related to public activities or services.
- Capital Expenditures. Based on Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP), capital expenditures are budget expenditures used to acquire fixed assets and other assets capital expenditures include capital expenditures for the acquisition of land, buildings, equipment, and intangible assets. According to Minister of Finance Regulation Number 91/PMK.06/2007 concerning the Standard Chart of Accounts, capital expenditures are budget expenditures used to acquire or add fixed assets and other assets that provide benefits for more than one accounting period and exceed the minimum capitalization limits for fixed assets or

other assets set by the government. Theoretically, there are three ways to acquire these fixed assets: by exchanging them for other fixed assets, by building them yourself, and by purchasing them. These assets are used for the daily operations of a work unit and are not for sale. According to Putro and Pamudji (2010), the capital expenditure indicator can be measured as follows: Capital expenditure = Land expenditure + Equipment and machinery expenditure + Building expenditure + Road, irrigation, and drainage expenditure + Other asset expenditure.

- Transfer expenditure is the transfer of funds from the regional government to a third party without any expectation of a return or profit from the transfer.

3. METHODS

The research was conducted using a quantitative approach, where data analysis was quantitative or statistical in nature, with the aim of testing the established hypotheses, with the hope that this would ultimately strengthen the theory that served as the basis or foundation for the research. To test the hypothesis, a simple linear regression analysis method was used, where this analysis was to determine the extent of the influence between regional government revenues and regional expenditures of the Sorong Regency regional government.

4. RESULTS AND DISCUSSIONS

The research conducted showed that government revenue significantly influences regional spending. This means that the amount of government revenue significantly influences regional spending. Therefore, higher revenue in Sorong Regency leads to higher regional spending. Conversely, lower government revenue leads to lower regional spending. The calculation results show an Adjusted R-Square of 0.996, meaning that 99.6% of regional spending can be explained by government revenue, while the remaining 0.4% is unexplained by this model.

The decline in regional government revenue could be due to a decline in local revenue (PAD), a decline in transfers from the central government, known as balancing funds, or a decline in other legitimate revenues. This decline in government revenue significantly impacts regional spending, as experienced by the Sorong Regency government, which is also attempting to regulate regional spending in accordance with regional revenue.

5. CONCLUSIONS

Based on the results of the t-test, it can be concluded that government revenue in Sorong Regency has a significant impact on the region's spending. This means that when government revenue increases, regional spending also tends to rise, and conversely, when revenue decreases, spending is likely to decline. The analysis shows that 99.6% of the variation in regional spending can be explained by changes in government revenue, indicating a very strong relationship between the two variables. The remaining 0.4% is influenced by other factors not included in this model.

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