

Analysis of Regional Government Financial Management Effectiveness of Mojokerto Regency

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Abstract

Good financial management, one of which can be reflected through an increase in *Local Own Revenue* (PAD). Excavation of the potential of local revenue sources is intended so that regions can finance all regional development activities. The higher contribution of the PAD shows that the Regional Government is increasingly successful in exploring the potential of the region. In this study want to find out the level of effectiveness of the performance the regional government of Mojokerto Regency in the management of regional finances in the Financial and Asset Management Agency of Mojokerto Regency, especially in the regional tax and retribution sector. The results of the study showed that the effectiveness of PAD from the regional tax sector in Mojokerto Regency in 2015 was at a percentage of 92.89% (effective). While the level of effectiveness of PAD from the regional retribution sector in Mojokerto Regency in 2015 was at the percentage of 90.75% (effective). This shows that the government's performance in realizing PAD based on the real potential of the region is good.

Keywords: Effectiveness, Local tax, Local retribution, Regional Original Revenue (PAD)

A. INTRODUCTION

The current era of decentralization is marked by the existence of regional autonomy that regulates the relationship between the central and regional governments. Consequently the region must become more independent and reduce dependence on the central government. One of the main issues of concern is finance. With the existence of regional autonomy, it is expected that the Regional Government is able to regulate regional households, one of which is managing regional finances. Good financial management, one of which can be reflected through an increase in Regional Original Revenue (PAD). Excavation of the potential of regional revenue sources is intended so that regions can finance all regional development activities. The higher the contribution of the PAD shows that the Regional Government is increasingly successful in exploring the potential of the region.

Regional tax is one of the sources of PAD which currently has not been maximized. The tax is a people's contribution to the state treasury based on the Act (which can be imposed) by not getting the services of lead (contra-achievement) which can be directly demonstrated and used for general expenditure (Mardiasmo, 2009). In a simple way, tax is a government tool to raise funds from the public for various interests in implementing regional development. The role of regional tax is very important in the implementation of government functions, both in the functions of allocation, distribution, stabilization, regulation, and a combination of the four. But in reality tax revenues are still not maximal. The contribution of regional tax to PAD still has a wide open opportunity to develop. There needs to be efforts to optimize local tax revenue given its important role in achieving people's welfare.

Research by Himmawan and Wahjudi (2014) uses descriptive analysis method with contribution analysis and effectiveness analysis. The variables used in this study are regional tax, regional contributions, Local Own Revenues (PAD), and Regional Revenues and Expenditures Budget (APBD). The results of this study indicate that in the period 2010-2012 the contribution of regional tax to PAD is more optimal in the city of Semarang, while the contribution of regional retribution to PAD is more optimal in the city of Surakarta. The contribution of regional tax and regional retribution to the APBD is more optimal in Semarang City so that the City of Semarang is said to be more independent.

Previous research with the title Measurement of Efficiency and Effectiveness of Regional Financial Management in the Office of Financial Management, South Minahasa District Income and Assets (DPKPA) was carried out by Suoth et al. (2016). This study aims to analyze the level of efficiency and effectiveness of regional financial management of the DPKPA of South Minahasa Regency. The results showed that based on the Financial Performance of the South Minahasa District DPKPA as a whole, the average level of effectiveness of regional financial management in the South Minahasa Regency DPKPA during the 2011-2014 fiscal year was very effective but less efficient due to regional expenditures that were still high compared to total regional revenue.

In this study want to find out the level of effectiveness of the performance of the local government of Mojokerto Regency in the management of regional finances in the Financial and Asset Management Agency of Mojokerto Regency, especially in the regional tax and retribution sector. It is expected that the results of this study will be able to encourage the local government of Mojokerto Regency to implement the right policies so that local revenue is optimal and can also be used as an evaluation of the performance of local governments in

regional financial management.

Research Purposes

Based on the title and problem formulated, the purpose of this study was to determine the level of effectiveness of regional financial management in the Financial and Asset Management Agency of Mojokerto Regency.

B. THEORITICAL REVIEW

Regional Financial Management

Regional finance can simply be interpreted as all rights and obligations that can be assessed with money, as well as everything in the form of money or goods that can be used as regional property as long as it is not owned / controlled by a higher state or region and other parties in accordance with prevailing rules/regulations (Mamesah, 1995: 16). In terms of State Finance in Law No. 17 of 2003, the definition of Regional Finance can be defined as all rights and obligations of regional governments that can be assessed with money, as well as everything in the form of money or in the form of goods that can be owned by the region due to the implementation of rights and obligations.

The measurement of the financial performance of the local government is carried out to fulfill the 3 objectives as follows (Mardiasmo, 2002: 121):

- a. Improve government performance
- b. Help allocate resources and decision making
- c. Realizing public accountability and improving institutional communication

There are several criteria that can be used as a measure to determine the ability of local governments in managing their own households (Susantih and Saptianah, 2012).

1. The structural capabilities of the organization.
2. The ability of the Regional Government apparatus
3. Ability to encourage community participation
4. Regional financial capability

Minister of Home Affairs Regulation No. 13 of 2006 said the objectives of regional financial management are as follows:

- a. Accountability
- b. Able to fulfill financial obligations
- c. Honesty
- d. Effectiveness and efficiency
- e. Control

Regional Tax

The tax is a people's contribution to the state treasury based on the Act (which can be imposed) by not getting the services of lead (contra-achievement) which can be directly demonstrated and used for general expenditure (Mardiasmo, 2009). In a simple way, tax is a government tool to raise funds from the public for various interests in implementing regional development. Regional tax basically function as revenue (budgetair), which is to fill the state / regional cash. In addition, regional tax also function as an arrangement (regular), which is the tax used by the government as an instrument to achieve certain goals that have been set.

Adam Smith introduced the principle of "The Four Maxims" as a consideration in formulating a tax policy including regional tax (Manis, 2005), namely:

1. Principles of Justice (Equity) which emphasizes balance based on the ability of the tax subject to pay.
2. Principle of Certainty which emphasizes the certainty of legal basis, subject and object of tax, and procedures for tax collection.
3. Convenience which emphasizes the importance of the right time for taxpayers to fulfill their obligations
4. The Principle of Efficiency which emphasizes tax collection must not be greater than the amount of tax collected.

The tax collection system carried out by the regions is divided into three, namely as follows:

1. Official Assessment System. The collection system that gives authority to the government to determine the amount of tax owed by the taxpayer or paid by the taxpayer himself.
2. The tax collection system that authorizes taxpayers to determine for themselves the amount of tax owed or determined by the Regional Head.
3. With Holding System. The tax collection system gives authority to third parties (not the government and not the taxpayers concerned) to determine the amount of tax owed by the taxpayer.

Regional Retribution

Regional retribution are mandatory payments by individuals or entities for the provision of certain services by the government and get direct reciprocity (Siahaan, 5: 2013). Regional retribution also mean levies as payments for services or granting certain permits specifically provided and or provided by local governments for the

benefit of individuals or entities (Riduansyah, 2003).

The Legal Basis for Regional Tax and Regional Retribution is regulated in Law No. 28 of 2009 concerning Regional Tax and Regional Retribution in lieu of the previous law, namely Law No. 18 of 1997 and Law No. 34 of 2000. There is a difference between Regional Tax and Regional Retribution when viewed from several angles, as follows:

1. Based on characteristics

Some tax characteristics are:

- a. Taxes are levied based on the law or implementing regulations
- b. With tax payments, there are no achievements that can be shown directly
- c. The collection can be carried out by the central government and regional governments, therefore there is a term of central taxes and regional tax
- d. The results of the tax money are used to finance government expenditures both routine and development expenditures and if there is excess then the remainder is used for public investment.

2. Based on the elements of the tax definition

By paying attention to the elements attached to the tax, the differences in taxes and retributions are as follows:

- a. Taxes are generally applicable, meaning that it applies to everyone who meets the requirements to be subject to taxpayers, while retribution applies only to the person appointed.
- b. In the tax, the element of coercion is criminal and administrative, while the retribution on the element of coercion is economic. This means that if you do not pay contributions, the person concerned is not allowed to use or enjoy services from the state.
- c. In the tax, the performance is indirect, meaning that even if we pay taxes, it is not certain that we can enjoy the services of the state. Whereas in the retribution, the achievement is straightforward, meaning that who pays contributions is entitled to enjoy state services.

3. Based on the object and type

Based on Law No. 28 of 2009, there are 3 types of retribution, namely General Services, Business Services, and Certain Licensing.

Retribution collection uses SKRD or other equivalent documents (can be in the form of tickets, coupons and subscription cards). Obligatory levies do not pay on time or pay less are subject to administrative sanctions in the form of interest of 2% every month from fees owed. Collection of retribution payable is preceded by a letter of reprimand.

The Concept of Effectiveness

Effectiveness is the relationship between output and purpose. The greater the contribution of output to the achievement of goals, the more effective the organization, program, or activity (South, et al., 2016). According to Adisasmita (2011: 170), effectiveness is a condition which in choosing the goals to be achieved, the means or equipment used and the desired objectives can be achieved with satisfactory results. Meanwhile, according to Mahmudi (2007: 129), effectiveness is the ability of the regional government to realize the planned PAD compared to the target set.

C. RESEARCH METHODS

Time and Place of Research

In the initial stages of the implementation of Mojokerto Regency's regional tax potential analysis activities, it is necessary to formulate a work plan that is used as a reference or guideline during the period of implementation of the activity so that all stages can be carried out well and smoothly. There are 4 stages of activities starting from preparation, surveys to data collection, analysis and concepts.

Method of Collecting Data

Primary data collection is carried out by direct observation to the field or location in Mojokerto Regency. The techniques used are field observations and interviews with resource persons from the community and local government, namely in the Revenue Service of Mojokerto Regency. Secondary data collection was obtained through literature studies and data from related agencies in Mojokerto Regency.

Method of Analysis Data

The effectiveness ratio describes the ability of the local government to realize the planned local revenue compared to the target set based on the real potential of the region. The higher the effectiveness ratio, the better the ability of the region.

$$effectiveness = \frac{\text{realization of revenue from PAD}}{\text{revenue target of PAD}} \times 100\%$$

Based on this formula, in this study measures the effectiveness of PAD in the local tax sector and local retribution with the following formula.

$$effectiveness i = \frac{\text{realization of regional tax revenue } i}{\text{Local tax revenue target } i} \times 100\%$$

Specification:

i = Types of taxes from the regional tax sector, $i= 1, 2, \dots, 10$

$$efektivitas\ j = \frac{\text{realization of regional retribution revenue } j}{\text{regional retribution revenue target } j} \times 100\%$$

Specification:

j = Types of retribution from the regional retribution sector, $j= 1, 2, \dots, 27$

Table 1. Criteria for Value of Regional Government Financial Effectiveness

Percentage of financial performance	Criteria
>100%	Very effective
90% - 100%	Effective
80% - 90%	Effective enough
60% - 80%	Less effective
<60%	Ineffective

Source: Kepmendagri No 690.900.327 of 1996

Framework

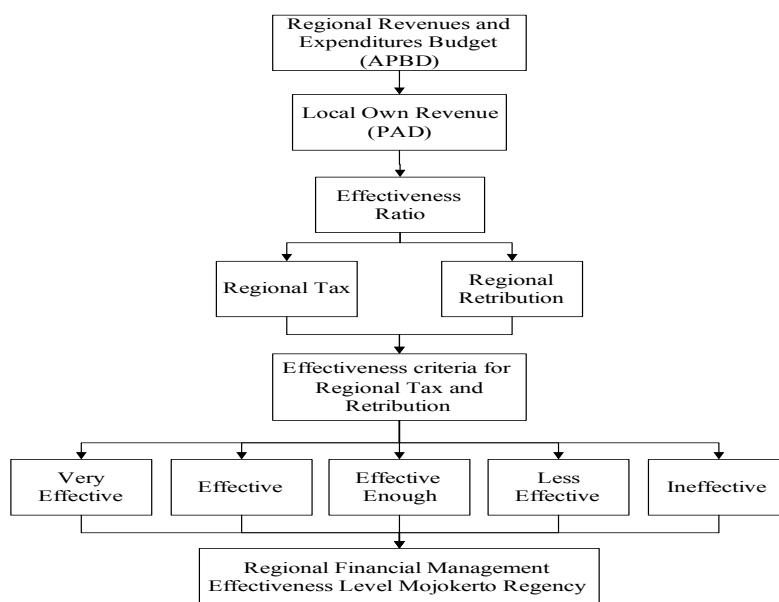


Figure 1. Framework

D. RESULT AND DISCUSSION

The Regional Revenue and Expenditure Budget (APBD) is the main fiscal policy instrument for regional governments. In the APBD, there are development priorities, especially policy priorities and targets to be achieved through the implementation of regional spending according to available resources both obtained through regional taxation and local retribution. Regional revenues consist of local revenue (PAD), balance funds, and other legitimate regional revenues. Whereas in regional expenditure there are indirect shopping and direct shopping. The composition of the PAD in the APBD is divided into four sectors, namely, the results of regional tax, the results of regional retribution, the results of processing the separated regional assets and other legitimate local revenue.

Table 2. Effectiveness Ratio of PAD Revenue in Regional Tax Sector

Description	Revenue Target	Realization	Effectiveness Ratio	Criteria
Hotel Tax	1 050 000 000,00	1 564 295 653,30	148.98%	Very Effective
Restaurant Tax	1 450 000 000,00	2 061 329 413,73	142.16%	Very Effective
Entertainment Tax	265 000 000,00	315 939 333,32	119.22%	Very Effective
Advertisement Tax	1 550 000 000,00	1 651 647 949,40	106.56%	Very Effective
Road lighting Tax	68 000 000 000,00	71 289 653 498,35	104.84%	Very Effective
Parking Tax	20 400 000,00	23 017 600,00	112.83%	Very Effective
Ground Water Tax	18 000 000 000,00	19 166 957 084,92	106.48%	Very Effective
Tax on Acquisition of Land and Building Rights (BPHTB)	61 518 000 000,00	37 487 135 852,62	60.94%	Less Effective
Non-metallic mineral and rock Taxes	30 000 000 000,00	28 918 612 000,00	96.40%	Effective
Land and Building Tax	64 750 000 000,00	66 599 510 046,00	102.86%	Very Effective
Total 2015	246603400000,00	229078098431,64	92.89%	Effective
Total 2014	165562280000,00	185724705656,89	112.18%	Very Effective
Total 2013	117156836200,00	120684456138,60	103.01%	Very Effective

Source: The Mojokerto District Financial and Asset Management Agency, processed data

Local Own Revenue (PAD) from the local tax sector has increased from 2013 to 2015 based on both target plans and realization. The target plan in 2013 was Rp. 117.156.836.200,00 and increased to Rp. 246 603 400 000,00 in 2015, while based on the realization in 2013 amounted to Rp. 120.684.456.138,60 and in 2015 increased to Rp. 229.078.098.431,64. Based on Table 2, it can be obtained that the largest tax comes from Road Lighting Tax and Land and Building Tax both on the basis of the target plan and realization.

Based on Table 2, it is obtained information that out of the ten types of taxes from the regional tax sector, there are 8 types of taxes that are able to realize the achievement of PAD exceeding the revenue target budgeted for 2015. There are also 2 types of taxes that do not exceed the budgeted revenue target, namely Tax on Acquisition of Land and Building Rights (BPHTB) and Non-Metallic Mineral and Rock Taxes.

Overall, the effectiveness of local revenue from the regional tax sector in Mojokerto Regency in 2015 was at a percentage of 92.89% and declared effective. This shows that the government's performance in realizing local revenue based on the real potential of the region is good. Based on the total regional tax data in 2014 and 2013, each of the effectiveness levels of both was 112.18% and 103.01% and was declared very effective. So it can be concluded that the government's performance in realizing local revenue based on the real potential of the region decreased in 2015.

Table 3. Target and Realization of PAD Revenue in Retribution Sector

Description	Revenue Target	Realization	Effectiveness Ratio	Criteria
Retribution Health Service	4 606 000 000,00	3 910 207 025,00	84.89%	Effective enough
Retribution Service Fees Waste / Health	568 795 000,00	571 033 400,00	100.39%	Very effective
Retribution Replacement Cost Print ID Card/ Certificat Capil	0	0	-	-
Retribution Service Fees for parking at edge of Public Road;	3 650 700 000,00	3 493 299 000,00	95.69%	Effective
Retribution Market Service Fees;	1 859 716 000,00	1 790 374 975,00	96.27%	Effective
Retribution of Motor Vehicles;	2 400 000 000,00	2 314 592 000,00	96.44%	Effective
Retribution Education Service	0	0	-	-
Retribusi penyediaan an atau penyedotan Ka	4 000 000,00	4 000 000,00	100.00%	Effective
Retribution Control Telecommunication Tower	2 000 000 000,00	1 628 200 834,00	81.41%	Effective enough
Retribution Use Local Resources	879 000 000,00	344 823 745,00	39.23%	Ineffective
Retribution Market Service Fees	42 000 000,00	46 500 000,00	110.71%	Very effective
Retribution Terminal	156 504 500,00	139 324 000,00	89.02%	Effective enough
Retribution Special place parking	577 500 000,00	408 990 973,50	70.82%	Less effective
Retribution Accommodation / Guest Houses / Villa	0	0	-	-
Retribution for slaughterhouses	102 046 000,00	102 165 000,00	100.12%	Very effective
Retribution Recreation and Sports	4 901 655 232,00	5 635 025 793,00	114.96%	Very effective
Retribusi Enterprises Production Sales Regions.	56 500 000,00	56 550 000,00	100.09%	Very effective
Retribution environmental testing laboratories	133 500 000,00	133 500 000,00	100.00%	Effective
Retribution Permits Building	15 834 000 000,00	12 342 917 360,00	77.95%	Less effective
Retribution Permits Points of Sale of Alcoholic Beverages	0	0	-	-
Retribution Permits Disturbance	4 000 000 000,00	3 607 529 000,00	90.19%	Effective
Retribution Permits Route	8 160 000,00	4 196 000,00	51.42%	Ineffective
Retribution RPKD of Motor Vehicles	814 640 000,00	852 788 000,00	104.68%	Very effective
RPKD laboratory	550 000 000,00	614 813 100,00	111.78%	Very effective
Retribution Wholesale Market and / or shopping	42 000 000,00	46 500 000,00	110.71%	Very effective
Retribution road users	150 000 000,00	132 865 850,00	88.58%	Cukup efektif
Permission to use IMTA	2 116 412 700,00	3 068 497 900,00	144.99%	Very effective
Total 2015	45 453 129 432,00	41 248 693 955,50	90.75%	Effective
Total 2014	60 475 575 050,00	43 173 235 089,92	71.39%	Less Effective
Total 2013	42 312 801 850,00	40 453 510 897,20	95.61%	Effective

Source: The Mojokerto District Financial and Asset Management Agency, processed data

Based on Table 3, it is obtained information that the types of taxes from the regional retribution sector, 9 types of which are the types of retribution that are able to realize the achievement of PAD beyond the revenue target budgeted for 2015. This type of retribution is Retribution Service Fees Waste / Health, Retribution Market Service Fees, Retribution for slaughterhouses, Retribution Recreation and Sports, Retribusi Enterprises Production Sales Regions, Retribution RPKD of Motor Vehicles, RPKD laboratory, Retribution Wholesale Market and / or shopping, Permission to use IMTA.

Overall, the level of effectiveness of local revenue from the regional retribution sector in Mojokerto Regency in 2015 was at a percentage of 90.75% and declared effective. This shows that the government's performance in realizing local revenue based on the real potential of the region is good. Based on the total regional retribution data in 2014, the level of effectiveness of government performance was 71.39% and was declared less effective. Whereas in 2013 the level of effectiveness was 95.61% and declared effective. So it can

be concluded that the government's performance in realizing local revenue based on the real potential of the region decreased in 2014 and increased in 2015.

E. CONCLUSIONS, SUGGESTIONS AND LIMITATIONS

Conclusion

The conclusions obtained based on the calculation of the ratio of the effectiveness of PAD in the Regional Tax and Regional Retribution sectors in Mojokerto Regency are as follows:

1. The average level of effectiveness of PAD from the regional tax sector in Mojokerto Regency in 2015 was 110.13% and was declared very effective. This shows that the government's performance in realizing local revenue based on the region's real potential is very good.
2. The average level of PAD effectiveness in the regional retribution sector in Mojokerto District in 2015 was at a percentage of 80.01% and stated to be quite effective. This shows that the government's performance in realizing local revenue based on the real potential of the region is quite good.

Suggestion

Based on the conclusions described previously, it can be produced several recommendations to optimize Mojokerto Regency's regional tax revenue as follows:

1. To increase the contribution of regional retribution, the need for extensification and intensification of objects of regional taxes and retribution.
2. Increasing the intensity of extension activities and socialization to the public, especially taxpayers, related to information on regional taxes and regional retributions so that it is expected to increase the willingness and trust of the community in relation to services and management of regional taxes and levies.

Limitations of Research

This research is only conducted in Mojokerto Regency by analyzing Regional Tax and Retribution as PAD Effectiveness criteria. This study does not analyze other PAD sector such as the results of processing the separated regional assets and other legitimate local revenue.

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