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The Relationship Between Original Regional Income (PAD) and Regional Government Financial Performance

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Abstrak

Penelitian ini bertujuan menemukan bukti empiris adanya Hubungan Antara Pendapatan Asli Daerah dengan Kinerja Keuangan Pemerintah Daerah. Metode yang digunakan dalam penelitian ini adalah metode deskriptif kuantitatif. Teknik analisis data yang digunakan adalah Teknik Dokumentasi yaitu dengan mengumpulkan data-data sekunder untuk mendukung penelitian ini yakni Laporan Target dan Realisasi Anggaran dan Pendapatan Kabupaten Minahasa Selatan Tahun 2019-2021. Hasil yang diperoleh adalah Hubungan Pendapatan Asli Daerah dengan Kinerja Keuangan Pemerintah dari Tahun 2019-2021 berfluktuasi. Pada tahun 2020 terjadi kenaikan yang signifikan meskipun pada tahun sebelum dan sesudahnya mengalami penurunan. Demikian juga dengan hasil belanja daerah yang tidak sesuai dengan total pendapatan daerah. Total belanja daerah melebihi penerimaan yang didapatkan oleh pemerintah daerah minahasa selatan.

Kata kunci: *Pendapatan Asli Daerah, Kinerja Keuangan*

Abstract

This study aims to find empirical evidence of a relationship between regional original income and local government financial performance. The method used in this research is a quantitative descriptive method. The data analysis technique used is the Documentation Technique, namely by collecting secondary data to support this research, namely the 2019-2021 South Minahasa Regency Budget and Revenue Target and Realization Report. The results show that the relationship between regional original income and government financial performance from 2019-2021 has fluctuated. In 2020, there was a significant increase even though it had decreased in the years before and after, with the results of regional spending that did not follow the total regional income. The total regional spending exceeds the revenue received by the South Minahasa regional government.

PENDAHULUAN

Bureaucratic reform in Indonesia gives local governments authority to improve community services. Bureaucratic reform also provides opportunities for local governments to manage resources in their respective regions (Faedlulloh et al., 2020; Sudrajat, 2021; Kusuma et al., 2022). This is stated in Law No. 33 of 2004 concerning regional autonomy. The enactment of this law aims for regional independence regarding managing resources and managing all development matters by relying on original regional income (Batik, 2013; Harjito et al., 2020; Sadik, 2023). With this reform, it is hoped that the welfare of the people in the regions will increase, equal economic growth and equitable development in remote areas that use Regional Original Income (PAD) (Simanjuntak, 2015; Khusaini, 2018; Pesik & Sulistyowati, 2022).

Original Regional Income is the primary source of regional income, which plays a significant role in government activities and regional development. Sources of original regional income include regional tax proceeds, regional levy proceeds, separated regional wealth management proceeds, and other legitimate PAD (Nuzulistyan et al., 2017; Hafandi & Romandhon, 2020; Kusuma & Iskandar, 2022). It is through this PAD source that regional financing is carried out. Therefore, local governments are expected to be able to maximize all the potential of existing PAD sources for the welfare of the community (Djadjuli, 2018; Chikmawati, 2019; Ulya, 2020). Another impact of maximizing the potential of existing PAD is regional development and development that looks significant (Priambodo, 2014; Sari & Supadmi, 2016; Arini & Kusuma, 2019).

To measure whether the government has maximized its PAD potential by measuring the financial performance of local governments. Regional government financial performance is the regional ability to manage local original income to meet the needs of regional households to support government activities and services to the community without interference from the central government (Kristanto & Nursiam, 2014; Puspitasari & Salisa, 2017; Wahyuni & Ardini, 2018; Maria, 2020). Regional government financial performance can be seen from regional government financial reports prepared in one accounting period, namely one year (Pramono, 2014; Ropa, 2016; Aulia & Rahmawaty, 2020). The financial report usually contains original regional income, income from the central government, and other legitimate income and regional expenditure (Nurzen & Riharjo, 2016; Berwulo, 2017; Wiraswasta et al., 2018). One measuring tool that can be used to measure performance is regional financial ratio analysis (Machmud, 2014; Tanan & Duri, 2018; Fatiha, 2021).

Financial ratio analysis used to measure financial performance aims to calculate regional income and expenditure budgets. Several ratio analyses are often used, namely: analysis of regional

financial independence, analysis of the effectiveness and efficiency of local revenue, activity analysis, and growth analysis (Kaunang, 2016; Farida & Nugraha, 2019; Amal & Wibowo, 2022). These analyses can be used as a reference for improving the government's financial performance in the future.

METODE

This research uses a qualitative descriptive research method. In analyzing the data obtained, researchers used correlational research with a quantitative approach. The analytical tools used in this study are Percentage Analysis to describe the data regarding the relationship between Local Own Revenue and the Financial Performance of the Regional Government of South Minahasa Regency analysis.

HASIL DAN PEMABAHSAN

Table 1 shows the percentage of realization of original regional income in South Minahasa Regency based on data obtained from the Regional Financial and Asset Management Agency over 3 consecutive years, from 2019 to 2021. The realization was IDR 44,055,469,890.58, or 70.62%, in 2019. In 2021, the Government has achieved a budget of Rp 30,054,603,218.39 or 100.40%. The comparison of the budgets successfully realized by the regional Government can conclude that the financial performance of the regional Government in South Minahasa Regency is good. In the last 3 years, although realization has fluctuated each year, the Government has succeeded in seeking maximum budget absorption.

Table 1. Targets and Realization of Local Own Revenue for South Minahasa Regency for 2019-2021

NO	Year	Target Original Regional Income (Rp)	Realization Of Original Regional Income (Rp)	Percentage (%)
1	2019	62.381.908.772	44.055.469.890,58	70,62
2	2020	29.934.293.614	30.054.603.218,39	100,40
3	2021	32.535.140.583	29.090.660.832.06	89.41

Source: South Minahasa Regency BPKAD processed in 2023

Furthermore, in Table 2 you can see the percentage of regional expenditure realization and regional income realization for three consecutive years, namely 2019 - 2021. In 2019, the comparative percentage was 83%. In 2020, it decreased by 79%, and in 2021, the percentage was 102%, significantly increasing. This means that the government can finance all regional spending

needs. It can be concluded that the Government's Financial Performance is Good.

Table 2. Realization of Regional Expenditures and Realization of Regional Income of South Minahasa Regency 2019-2021

NO	Year	Target Original Regional Income (Rp)	Realization Of Original Regional Income (Rp)	Percentage (%)
1	2019	827.023.754.932,90	996.210.356.105,58	83%
2	2020	709.958.029.005	903.926.276.722,39	79%
3	2021	954.256.127.861	938.003.423.487,16	102%

Source: South Minahasa Regency BPKAD processed in 2023

Based on the description of the table above, there is a relationship between the Local Own Revenue and the Financial Performance of the Regional Government of South Minahasa Regency. In 2019, the government's financial performance still needs to improve because compared to regional expenditure costs, regional own-source revenues have not been able to meet all the needs of regional expenditure costs. From 2020 to 2012, there has been a decline, meaning that the financial performance of the local government has not increased. Then, in 2021, Regional Own Revenue has increased. Even though there has been an increase in Original Regional Revenue revenue, the financial performance of regional governments still needs to improve. To answer the formulation of the problem raised, is there a positive and significant relationship between Regional Own Revenue and Regional Government Financial Performance in South Minahasa Regency? Yes, local revenue and performance have a positive and significant relationship. However, the percentage is still relatively small compared to income from the central government in balancing funds and other legitimate income, meaning that regional income in South Minahasa Regency is still more dependent on the central government because the income originating from the region has yet to be able to meet all regional expenditure needs.

However, compared with 2010 to 2014, the development of the South Minahasa district is very significant. This can be seen in Table 3 below regarding the presentation of regional original revenues with the realization of regional spending in those years.

Table 3. Realization of Original Regional Income with Regional Expenditures in South Minahasa Regency 2010-2014.

NO	Year	Target Original Regional Income (Rp)	Realization Of Original Regional Income (Rp)	Percentage (%)
1	2010	444.286.153.732,-	24.660.933.542,-	5,55%
2	2011	665.749.019.091,-	23.809.053.306,-	3,57%
3	2012	717.826.582.227,-	22.477.366.444,-	3,13%
4	2013	785.873.005.428,-	31.964.854.060,-	4,06%
5	2014	915.309.677.767,-	58.778.368.154,-	6,42%

Source: BPKAD South Minahasa Regency processed in 2023

The table above shows that the Realization of the Original Regional Income of South Minahasa Regency in 2010 was IDR 24,660,933,542,- and the Realization of Regional Expenditures was IDR 444,286,153,732,- or 5.55%. In 2011, the Realized Regional Original Income amounted to Rp. 23,809,053,306,- and Realized Regional Expenditures amounted to Rp. 665,749,019,091,- or 3.57%, meaning that from 2010 to 2011, there was a decrease in Original Regional Income of 1.98%. Then, in 2012, Realized Regional Original Income amounted to Rp. 22,477,366,444,- and Realized Regional Expenditures amounted to Rp. 717,826,582,227,- or 3.13%, meaning a decrease in Original Regional Income revenue of 0.44%. Furthermore 2013, the Realization of Original Regional Income amounted to Rp. 785,873,005,428,- or 4.06%, meaning that from 2012 to 2013, there was an increase in Original Regional Income receipts of 0.93%, and in 2014 the Realization of Original Regional Income was Rp. 58,778,368,154,- and Realized Regional Expenditures amounted to Rp. 915,309,677,767 or 6.42%, meaning that in 2014, there was another significant increase from the previous year of 2.36%.

There is a relationship between the Original Regional Income and the Financial Performance of the Regional Government of South Minahasa Regency. In 2010, the Government's Financial Performance was seen as still not good because compared to Regional Expenditure Costs, Regional Original Income could only meet some regional expenditure needs. From 2011 to 2012, it can be seen that there was a decrease of 1.98% and 0.44%, meaning that the financial performance of the regional government stayed the same. Then, in 2013, the Regional Original Income experienced an increase of 0.93% even though there was an increase in revenue receipts. Originally from the region, the financial performance of regional governments has yet to improve.

Furthermore, in 2014, the Original Regional Income experienced another increase. Furthermore 2014, there was a reasonably high increase compared to the previous year, namely 2.36%. However, the financial performance of regional governments still did not increase because Original Regional Income revenue was too small to finance regional shopping. To answer the

problem formulation raised, is there a positive and significant relationship between Original Regional Income and Regional Government Financial Performance in South Minahasa Regency? Yes, original regional income and performance have a positive and significant relationship. However, the percentage is still relatively small compared to income from the central government in balancing funds and other legitimate income, meaning that regional income in South Minahasa Regency is still more dependent on the central government because the income originating from the region has yet to be able to meet all regional expenditure needs.

SIMPULAN

Based on the results of the above research on Regional Original Income and Regional Government Financial Performance in South Minahasa Regency, it can be concluded that The relationship between Regional Original Revenue and Regional Government Financial Performance has fluctuated from 2019 to 2021. However, the relationship to financial performance is still good. In contrast to the results of research conducted from 2010 to 2014, where the relationship between own-source revenues and financial performance has decreased because local own-source revenues are still too small compared to regional expenditure costs, in 2013-2014, there has been an increase in local own-source revenues, the relationship to Financial Performance compared to Regional Expenditure has not yet increased because it is not following the needs of regional spending costs. However, it is predicted that the estimated receipt of Regional Own Revenue for South Minahasa Regency from 2023 to 2025 will increase.

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