

Factors Determining Low Regional Financial Independence: Financial Autonomy and Degree of Decentralization

Frida Agustina¹, Agus Joko Pramono², Bahrullah Akbar³, Alma'arif⁴

Public Finance Department, Institut Pemerintahan Dalam Negeri, West Java, Indonesia^{1,3}

Badan Pemeriksa Keuangan Republik Indonesia, Jakarta, Indonesia²

Government Management Department, Institut Pemerintahan Dalam Negeri,
West Java, Indonesia⁴

fridaagustina87@gmail.com¹, agus.pramono@bpk.go.id²,

bahrullah.akbar@gmail.com³, almaarif@ipdn.ac.id⁴

ABSTRACT

This study aims to assess the Tulang Bawang Regency's fiscal independence and determine the factors that affect it. This study used the data of the 2015-2019 Statement of Budget Realization of Tulang Bawang Barat Regency and primary data from interviews. The research method applies a qualitative approach with an inductive methodology using several financial ratios such as the effectiveness of Local Own-source Revenue management, the ratio of the degree of decentralization, the ratio of regional financial dependence, and the ratio of regional financial independence. Based on the results, the ratio of regional financial independence shows an average of 1.54%, within the 0-25% interval, and classified under the shallow criteria. It may be inferred that regional financial independence in meeting its funding needs for the administration of government affairs is still very low. The regional financial dependence ratio shows an average of 85.99%, categorized as a very high dependency. The calculation of the ratio results proves that the local own-source revenue of Tulang Bawang Barat Regency is still low. Furthermore, a large number of mandatory spending from the central government and national budgeting politics causes the regional financial independence of Tulang Bawang Barat Regency to become low.

KEYWORDS:

Financial autonomy; local government; mandatory spending

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INTRODUCTION

A just and prosperous Indonesian society can be achieved through local governments. Under article 18 paragraph (1) of the 1945 Constitution, the Unitary State of the Republic of Indonesia is divided into provincial areas. The province is divided into districts and cities, where each province, district, and the city has a local government regulated by law. Local governments can run their affairs based on autonomy and co-administration tasks. In paragraph (5), it is explained that local governments exercise autonomy to the fullest extent, except for government affairs determined by law to be the affairs of the Central Government. Law Number 23 of 2014 concerning Local Government and Law Number 33 of 2004 concerning Financial Balance between the Central Government and Local Governments in lieu of Law Number 25 of 1999 regarding Financial Balance between Central and Local Governments are legal products that strengthen the role of Local Governments as the organizer of regional autonomy.

In implementing regional autonomy, funding is needed to run the government so that fiscal decentralization transpires. Fiscal decentralization in Indonesia is accomplished through Transfers to Regions and Village Funds provided by applicable regulations (Arif & Maksum, 2017). In addition, autonomous regions are also entitled to maximize their respective regional original revenues to reduce the ratio of regional financial dependence on central government finances (Babczuk & Więżnowski, 2008; Scutariu & Scutariu, 2015). In exercising regional autonomy, adequate funding is needed for the local governments to have the right to optimally manage the potential that exists in their respective regions according to the needs to achieve development and community welfare. Local governments could also provide funding sources based on the authority of the

Central Government, decentralization, de-concentration, and co-administration. As a result of implementing regional autonomy, fiscal decentralization arises, which aims to increase the region's potential from a fiscal perspective. Fiscal decentralization plays a very important role in implementing regional autonomy to improve community welfare independently of the potential of each region.

The State Budget (Anggaran Pendapatan dan Belanja Negara, APBN) in 2020 had funds transferred to regions amounting to Rp770 trillion and allocated village funds in 2020 amounting to Rp70 trillion, which were distributed to all regions and villages in Indonesia. These amounts were larger than the previous year, where in 2019, the transfer of funds to the regions reached Rp703 trillion, and village funds amounted to Rp60 trillion. The funds are distributed to all regions in Indonesia with an amount adjusted to each region's conditions. These funds are utilized to achieve equitable development throughout Indonesia. The transfer funds also include special autonomy funds granted to several regions that hold special autonomy status and regions designated as special regions.

Lampung Province is an autonomous region at the provincial level, granting the right to carry out its government affairs. The implementation of government affairs is carried out according to the conditions of each region by using the existing budget in the local government budget (Regional Revenue and Expenditure Budget, APBD), both from Local Own-source Revenue (Pendapatan Asli Daerah, PAD) and transfer funds from the central government. However, Lampung Province still relies much on transferring funds from the central government. Tulang Bawang Barat Regency is one of the autonomous regions in Lampung Province. The District of Tulang Bawang Barat was formed by

Law number 50 of 2008 and had the mandatory authority to carry out regional development and manage budget policies by the region's needs in regional fiscal independence. The initial consideration of its formation was to accelerate regional development, streamline public services, shorten the span of government control, and accelerate people's welfare.

Public services and development aimed at improving the welfare of local communities require funding to support the smooth implementation of government affairs. Tulang Bawang Barat Regency has three sources of income, namely PAD, transfer funds, and other legitimate revenue (Ngadisah & Alma'arif, 2019). However, until this research was carried out, the financial independence of Tulang Bawang Barat Regency was not better than that of Tanggamus Regency, which was an autonomous region formed in the same period (Afif & Ciptawaty, 2020). Tulang Bawang Barat Regency still relies on transfers from the central government to meet its regional expenditures. It can be seen from the percentage value of transfer funds to the regions compared to regional revenues that are still prominent in funding government affairs. The percentage of transfer funds contribution is 70%, and other legitimate revenue is around 15% to 21% of the total regional income.

Regional financial performance can be measured by regional financial performance, which can be seen from regional independence and the degree of fiscal decentralization. Regional financial independence characterizes local governments in terms of regional dependency on central and provincial government funding sources (Karenina, Andayani, Aditya, & Wasil, 2021; Suci & Asmara, 2014). The higher the regional financial independence, the lower the regional dependency on government and provincial assistance. Regional financial independence

also illustrates community participation in regional development (Kamaroellah, 2017; Rante, Mire, & Paminto, 2018), where the higher regional financial independence illustrates the higher public participation in paying taxes and regional retributions.

Studies related to regional financial independence have revealed that regional financial independence is different from one to another, depending on the geographical conditions of the region (Camagni, 2002; Psycharis, Zoi, & Iliopoulou, 2016), the structure and form of state government (Babczuk & Więznowski, 2008; Mitsopoulos & Pelagidis, 2008), and effectiveness of government organs in their ability to provide public services (Barbieri, Galli, Fedele, & Ongaro, 2013). Regional financial independence shows the ability of the Local Government to finance government affairs, development activities, and service delivery to the community who have paid taxes and levies as a source needed by the region (Halim, 2004). Several factors affect regional financial independence, including Regional economic potential and the ability of the Regional Revenue Agency (Dinas Pendapatan Daerah, Dispenda). Indicators that are widely used as a benchmark for regional economic potential are Gross Regional Domestic Product (GRDP). The regional financial independence can be improved in a planned manner through the ability or performance of innovative institutions or organizations and the use of the Dispenda to increase regional revenues (Oulasvirta & Turala, 2009; Saunders, 2018; Tarmizi, 2010).

These studies can take several considerations to determine regional financial dependence, namely the ratio of the effectiveness of PAD management, the ratio of the degree of decentralization (Olson, 2012), and the ratio of regional financial dependence (Cigu, 2014; Jemna, Onofrei, & Cigu, 2013), and the ratio of regional independence (Cigu, 2014;

Halim, 2004). Financial independence can be caused by the capabilities and capacities of local governments supported by the role of universities (Waluyo, 2018), improvement of the investment climate (Herianti, 2019), and the role of internal audit in supervising regional spending (Zarista & Ichsan, 2020).

Increasing regional independence is closely related to the ability of the region to manage local revenue. The government is expected to be able to increase PAD to reduce financial dependency on the central government, thereby increasing regional autonomy and flexibility. Based on the previous description, the author needs to assess the fiscal independence of the Tulang Bawang Regency and find out the factors that affect it.

RESEARCH METHOD

This study took place at the Regional Financial and Asset Management Agency (Badan Pengelolaan Keuangan dan Aset Daerah, BPKAD) of Tulang Bawang Barat Regency and used a constructivist paradigm with a qualitative approach. Such an approach explains that this study departs from the phenomenon of Tulang Bawang Barat Regency's high level of regional financial dependency on central government finances. Given the preceding, the theory in this study serves as a guide for analysis and interview. For this purpose, this study uses exploratory research. Data was collected qualitatively by conducting interviews with local government officials such as regional heads, heads of development planning agencies, members of regional revenue agencies, and local assembly members. Meanwhile, interviews with academics were also conducted with people responsible for drafting local government laws in Indonesia.

This study uses two types of triangulation for data validation: methodological triangulation

and data source triangulation. Methodological triangulation compares interview results and documents collected from financial reports of the Ministry of Finance and the local revenue agency of Tulang Bawang Barat regency. In contrast, data source triangulation compares the information from several interviews developed hierarchically. The data analysis technique uses several methods carried out in stages, such as data coding, data presentation, and concluding. Data coding is implemented through several stages, starting with open, axial, and selective coding (Saldaña, 2009), finding common factors that lead to the region's high financial dependency on central government finances. This study used the NVIVO version 12 plus application to analyze the data (Bazeley & Richards, 2011).

RESULT AND DISCUSSION

Financial independence aims to solve problems and address obstacles related to financing development and services to the community without any assistance from external parties. This financing can be done by increasing community participation in utilizing regional resources and potential also making appropriate financial decisions from the local government. An important step that the local government must take is calculating the actual potential PAD owned by the region. One of the objectives of implementing regional autonomy and fiscal decentralization is to increase regional independence and reduce fiscal dependence on the central government. The principle of independence leads to budget management done by reducing dependency on financial sources that are pragmatic, originating from the central government, by trying to innovate and discover new sources of revenue, optimize existing resources, and enhance the quality of existing resources. Therefore, it will improve productivity and increase the community's

prosperity and welfare (Oulasvirta & Turala, 2009; Tarmizi, 2010).

Factors Causing the High Dependence of Regional Finances: Local Own-source Revenue

PAD is one source of regional income, which usually consists of regional taxes and levies as its components. Law Number 33 of 2004 concerning Financial Balance between the Central Government and Local Governments specifies that PAD includes regional income originating from regional tax results, regional levies, results of separated regional wealth management, etc. Another legitimate PAD, which aims to provide flexibility to regions in exploring funding sources to implement regional autonomy, is seen as a manifestation of the principle of decentralization.

Regional financial independence can be demonstrated by comparing PAD with revenues from the central government. PAD in Tulang Bawang Barat Regency is different every year. According to Kamaroellah (2017), the low regional financial capacity is caused by the relatively small PAD compared to the total regional income. This can be seen from the development of PAD receipts in the last five fiscal years, especially from the 2015 to the 2019 of APBD, as illustrated in Table 1. Table 1 is sourced from the Statement of Budget Realization (Laporan Realisasi Anggaran, LRA) and shows that PAD targets and realizations have increased in each fiscal year. However, despite an increase yearly,

the budget realization in the 2015-2019 fiscal year has not yet reached its target. In the 2019 fiscal year, the realization percentage was the highest compared to the previous four years, which was 92.65%. Overall, the realization of the APBD revenue of Tulang Bawang Barat Regency has not been going well. The Head of BPKAD Planning Subdivision of Tulang Bawang Barat Regency said that regional revenue targets must be adjusted to regional conditions. The adjustment is mainly carried out on PAD, the main component in seeing financial independence. Therefore, the determination of the target is left to the local government and adjusted to the condition of PAD sources owned by the Tulang Bawang Barat Regency government in the relevant fiscal year.

In addition, the comparison between the realization of PAD with the target set shows the ability of local governments to realize local revenue or commonly referred to as the PAD Effectiveness Ratio (Halim, 2004). The higher the effectiveness ratio, the better the regional ability to manage finances. According to Mardiasmo (2006), the value of the effectiveness ratio is < 75, the local government PAD management is declared as ineffective, 75-89 is less effective, 90-99 is quite effective, and 100 is effective.

From Table 1, it can be seen that, in general, the level of effectiveness of PAD management is less effective because the average percentage is 82.41, which is in the range of 75-89. Although it is stated that it is still not

Table 1. Target and Realization of Local Own-source Revenue (PAD) Tulang Bawang Barat Regency in 2015-2019

Year	Target	Realization	Percentage (%)
2015	22,208,000,000	16,452,748,570	74.08%
2016	29,235,329,180	20,882,974,136	71.43%
2017	27,039,304,221	23,142,474,247	85.58%
2018	32,359,786,824	27,611,116,135	85.32%
2019	33,883,490,825	32,410,517,401	92.65%

Source: Government of Tulang Bawang Barat Regency (2015, 2016, 2017, 2018, 2019).

effective, the effectiveness of PAD management increases in each fiscal year. The Head of the BPKAD of Tulang Bawang Barat Regency explained that the management of PAD continued to be improved each fiscal year. However, the realization has not yet reached the target. The local government of Tulang Bawang Barat Regency has the authority and regional opportunities to obtain profitable regional income by increasing income sources and through good revenue management. Meanwhile, income other than PAD, especially transfer funds from the central government, has fixed provisions. There is a fixed pattern that local governments only receive funds according to a predetermined amount.

The most significant contributor to the income of the Tulang Bawang Barat Regency is the transfer of the central government, especially the balance fund. Balance Funds originate from the APBN, which aim to fund regional needs in implementing decentralization. The funds consist of the Tax Revenue Sharing Fund, the Non-Tax Revenue Sharing Fund/Natural Resources, the General Allocation Fund (Dana Alokasi Umum, DAU), and the Special Allocation Fund (Dana Alokasi Khusus, DAK). There are two objectives of the existence of a balancing fund. The first is to reduce the fiscal gap between the central and local governments also between other local governments.

Second is the achievement of financial equity between the central and local governments and other local governments.

The degree of fiscal decentralization illustrates the ability of regions to increase local revenue to finance regional autonomy (Oulasvirta & Turala, 2009). This ratio is calculated by comparing the amount of PAD with the Total Regional Income. Based on Table 2, it can be seen that the average degree of decentralization of Tulang Bawang Barat Regency for five fiscal years is 2.69%. According to Mardiasmo (2006), the ratio of the degree of decentralization of Tulang Bawang Barat Regency for the 2015-2019 fiscal year still falls under the very poor criteria (0.00-10.00).

In addition, the degree of decentralization also can be calculated using the regional financial dependence ratio to show how much regional financial depend on transfer funds from balance fund. The ratio is obtained by comparing the transfer funds with the total regional income. The higher this ratio, the greater the level of dependence of local governments on the central and/or provincial governments and vice versa (Kamaroellah, 2017; Psycharis et al., 2016). The high level of fiscal decentralization shows that local governments have been able to increase PAD compared to other revenues in regional revenues. If the PAD ratio is high, it will reduce the dependence of local governments on the

Table 2. The degree of fiscal decentralization, Regional Financial Dependence and Independence Ratio

Year	Total Regional Revenue (Rp)	Transfer Funds (Rp)	PAD (Rp)	Degree of Decentralization Ratio (%)	Regional Financial Dependence Ratio (%)	Regional Financial Independence Ratio (%)
2015	804,443,705,056	706,298,417,218	16,452,748,570	2.04	87.79	1.10
2016	865,796,622,415	720,823,633,663	20,882,974,136	2.41	83.55	1.33
2017	865,130,634,078	801,318,569,071	23,142,474,247	2.67	92.62	1.58
2018	943,924,559,731	879,890,258,775	27,611,116,135	2.92	93.21	1.70
2019	946,904,183,516	689,236,141,842	32,410,517,401	3.42	72.78	2.02

use of funds. Furthermore, regional financial independence shows the ability of local governments to finance government activities, development, and services to people who have paid taxes and levies as a source needed by the region (Halim, 2004).

Table 2 also shows the calculation results of the degree of regional financial dependence of Tulang Bawang Barat Regency with an average of 85.99%. The value falls in the category of very high dependence (>50%), according to Mardiasmo (2006). The level of dependence is determined by the size of the local government's financial independence ratio. This is in accordance with the explanation of The Head of BPKAD Planning Subdivision of Tulang Bawang Barat Regency.

“The regional revenue of Tulang Bawang Barat Regency is still low; therefore still relies on transfer funds to meet its spending. This is because the regional revenue source of Tulang Bawang Barat is still not collected optimally, therefore, causing the contribution of original regional revenue to remain low, resulting in high regional financial dependence.”

The average regional financial independence of Tulang Bawang Barat Regency is 1.54%. It still lies within the interval of 0.00 – 25.00 and can be interpreted that the ratio of regional financial independence of Tulang Bawang Barat Regency is low (Mardiasmo, 2006). Calculating the regional financial independence ratio is the opposite of the regional financial dependence ratio method. There are slight differences in terms of the components being measured. This measurement can strengthen the results of calculating regional financial independence.

Based on the calculation results of the various ratios above, it shows that PAD has a significant influence on the financial independence of a region, both in terms of the effectiveness of PAD management, the degree of decentralization, regional financial depend-

ence, and regional financial independence. The low PAD causes the regional dependence to become high, and regional financial independence becomes low. The regional dependence ratio shows how much regional finance is dependent on transfer funds from the central and/or provincial governments. The higher this ratio, the greater the level of local government dependence on the central and/or provincial governments and vice versa. The regional financial independence ratio can describe the region's dependency on sources of funds originating from external parties of the local government. The level of dependency is determined by the size of the ratio of local government financial independence. On the one hand, a high financial independence ratio indicates that local government dependence on funds from external parties is low. However, the lower the level of the financial independence ratio of a local government, the higher the dependence of the local government on funds sourced from external local governments.

In this ratio, it can be seen that PAD is the primary indicator that is used as a benchmark. However, the ability of regions to increase PAD in financing government administration should also be a focus. The low amount of PAD indicates that the region's ability to achieve targeted PAD is low. Various other reasons cause this. The Head of the Budget Division of the BPKAD of Tulang Bawang Barat Regency explains that the weakness of the local government of Tulang Bawang Barat Regency so far lies in the ability to realize PAD. These weaknesses include finding sources of PAD, utilizing existing sources of PAD (as evidenced by the presence of unfulfilled targets), and managing PAD. There are still taxpayers who do not pay taxes due to the absence of strict sanctions and more accessible tax payment systems such as online tax payments and other conveniences.

Based on the description above, it can be concluded that all the problems that cause low PAD cannot be separated from the regional conditions at that time. PAD collection can be carried out properly if a sound management system is available. Although the source of PAD is still relatively small, the collection can be optimized with a robust management system in place. Moreover, the problem in the Tulang Bawang Barat Regency area is the lack of PAD sources and coupled with the lack of a sound collection management system. Therefore the collection is not optimal, especially on regional taxes and levies. This greatly affects the region's financial condition, making PAD influential in regional financial independence.

Factors Causing the High Dependence of Regional Finances: Mandatory Spending

Mandatory spending is state expenditure or expenditure that has been regulated by law (Bowen, Chen, & Eraslan, 2014; Grechyna, 2021). The contribution of funds originating from the central government (transfer funds) dominates the regional income and affects regional financial independence. The amount of transfer funds is caused by the large number of mandatory spending given by the central government to local governments and must be fulfilled.

The Head of BPKAD Planning Subdivision Tulang Bawang Barat Regency explained that in the administration of the local government, a budget was needed to carry out the programs set by the local government and the central government. One of the expenditures set by the central government for local governments is Mandatory Expenditure. In meeting these expenditures, the District Government of Tulang Bawang Barat still relies on transfer funds from the central government.

Mandatory expenditures in managing local government finances in Indonesia include an education budget allocation of 20% of the APBD following the mandate of the 1945 Constitution Article 31 Paragraph 4 and Law Number 20 of 2003 concerning the National Education System Article 49 Paragraph 1. The health budget allocation of 10% of the APBD excludes salary expenditures as mandated in the Law Number 36 of 2009 concerning Health Article 171. General Transfer Funds of at least 25% are directed to be absorbed for regional infrastructure spending directly related to the acceleration of the development of public and economical service facilities to increase job opportunities, reduce poverty, and reduce supply gaps. It is regulated in the Law concerning State Budget. Meanwhile, according Law Number 2014 concerning Villages, Village Fund Allocation (Alokasi Dana Desa, ADD) is at least 10% of the balance fund received by the regency/city in the APBD after deducting DAK.

The regional revenue of Tulang Bawang Barat Regency has not been able to meet regional expenditures and still relies on transfer funds from the central government to meet its needs. Moreover, a large number of mandatory spending from the central government leads to greater regional financial dependence of the Tulang Bawang Barat Regency. On the other hand, mandatory spending is a policy that helps regions with poor financial capacity prioritize and meet the primary needs of the community (Phaup, 2019). The average contribution of PAD to regional expenditures in Tulang Bawang Barat Regency in the 2015-2019 period was 2.704.

Factors Causing the High Dependence of Regional Finances: Political Budget Policy

The central government provides a regional autonomy policy for all regions in Indonesia to achieve equitable development following

Law Number 23 of 2014 concerning Local Government. The central government provides balance funds to prevent inequality between regions with low income and regions with high income to support the implementation of regional autonomy. The authority of local governments has changed in Law Number 32 of 2004 and most recently Law Number 23 of 2014. Table 3 presents these differences.

These differences lead to changes that have impacts on local governments. One of the impacts is the central government's control over large regional potentials. Because of this, the central government's concerns regarding large regional revenues can result in emerging 'small kings' in the regions; hence some authorities are withdrawn (Saunders, 2018). This shows that regardless of the central government's goal of carrying out budgetary politics, one of the causes of regional financial dependence in Tulang Bawang Barat Regency is a large amount of potential income managed by the central government (Zarista & Ichsan, 2020). Thus, it will affect the financial independence of the region.

Increasing regional financial independence of Tulang Bawang Barat Regency is carried out

through efforts undertaken by local governments to overcome the factors causing low autonomy. Such efforts to increase PAD and regional financial independence are, first, data collection on potential sources of PAD. This activity is carried out to improve the source of local revenue. This includes monitoring restaurant/restaurant taxes and fixing parking lots in markets that have not been coordinated by the local government (Maličká, 2019). Second, renewal of taxpayer data, including data collection for new taxpayers and re-stipulation of the amount of tax that must be paid. Third, increasing supervision of tax revenues in the regional treasury (de Sousa, Pinhanez, do Monte, & Diniz, 2020). Fourth, growing and increasing public awareness, especially taxpayers, of their obligations through outreach activities on regional regulations on regional taxes and levies (da Cruz, Tavares, Marques, Jorge, & de Sousa, 2016; de Sousa Santos, 1998); lastly, coordinating with the provincial government and related regional offices.

Furthermore, policies have also been set to increase the PAD of Tulang Bawang Barat Regency. The first policy is the distribution Notice of Tax Land and Building Assessment (Surat Ketetapan Pajak Bumi dan

Table 3. Comparison of Regency/City Authorities Based on Law Number 32/2004 and Law Number 23/2014

Criteria	Law Number 32 Year 2004	Law Number 23 Year 2014
Administration of Affairs	Divided based on the criteria of externality, accountability, and efficiency by taking into account the compatibility of the relationship between government structures (article 11, paragraph 1)	Implemented based on the principles of Decentralization, Deconcentration, and Co-Administration (article 5, paragraph 4)
Classification of Government Affairs	It consists of mandatory and optional affairs (article 11, paragraph 3)	It consists of absolute government affairs, concurrent government affairs, and general government affairs (article 9, paragraph 1)
Energy and Mineral Resources	It only refers to "natural resources," but the relationship between the central government and local governments includes authority, responsibility, utilization, maintenance, impact control, cultivation, conservation, profit sharing on the use of natural resources and other resources, and harmonization.	The administration of government affairs in forestry, marine affairs, and energy and mineral resources is divided between the Central Government and the Provinces. (Article 14, Paragraph 1) Government affairs in the field of energy and mineral resources related to the management of oil and gas are under the authority of the Central Government

Bangunan) to people whose assets have not been subject to PBB. Second is conducting a monthly meeting to evaluate the achievement of PBB acceptance with the Head of local agencies, the sub-district Head, and the Head of the village (Lurah). Next policy is providing information on the Village Head/Lurah and the sub-district head with the highest percentage of PBB payments in their area. The fourth is conducting socialization with taxpayers to build awareness of paying taxes and developing online tax payments.

In addition to increasing local revenue through the complete collection of taxes and levies, the local government of Tulang Bawang Barat Regency also seeks to increase PAD through Local-owned Enterprises. There are three Local-owned Enterprises (Badan Usaha Milik Daerah, BUMD) namely Tulang Bawang Barat Regional General Hospital, Islamic Rural Bank Tani (PT BPRS), and Ragem Sai Mangi Wawai Limited Company (PT RSMW). BUMD that has a fairly good contribution to the regional income of Tulang Bawang Barat, is PT RSMW Tulang Bawang Barat. The other two BUMDs still have no significant contribution as they face obstacles in their operations. Therefore, the government must always seek and develop other innovations to increase PAD and regional financial independence.

Measures have been undertaken to overcome the dependence of regional finance on transfer funds from the central government by improving regional financial management. The local government must have good budget priorities to reduce the burden of spending on regional finances. Efforts to overcome the politics of national budgeting must also be carried out in routine coordination with the central government. Good planning needs to be done in determining budget allocation priorities to meet regional development needs and reduce regional dependence on transfer funds from the central government.

Local Government Efforts to Increase Regional Independence

BPKAD has the authority to collect PAD and determine the amount received through the target setting. The efforts made by BPKAD also influence this. Such effort is to find out how these sources of PAD can be increased in terms of capacity or the amount of potential that can become a source of PAD. This can also increase the collection of PAD from existing potential sources. The Head of BPKAD of Tulang Bawang Barat Regency described that the local government simplifies the system and procedures for collecting regional taxes and levies, including strengthening regulations that govern the collection of regional taxes and levies to increase the financial independence of the region.

In addition, the local government also made efforts to increase the obedience of taxpayers and regional retribution payers, followed by increased control and supervision over the collection of PAD which was realized by improving the quality, convenience, accuracy, and speed of service. According to The Head of BPKAD Planning Subdivision, a lack of public awareness causes the lack of PAD in Tulang Bawang Barat Regency in terms of compliance with payment obligations, either in the form of local taxes or levies. It is necessary to increase taxpayer compliance through increased control and supervision of the collection of taxes or levies and strengthen regulations related to regional taxes and levies.

Moreover, the dependence of regional finance on transfer funds from the center to meet mandatory spending provided by the central government must be reduced. Efforts made by local governments in overcoming the dependence of regional finance on transfer funds from the center are by improving planning. Budget planning in one fiscal year should be focused on the priority needs of

the region. Mandatory spending is one of the priorities of the regional budget that must be fulfilled. The Head of BPKAD of Tulang Bawang Barat Regency describes:

"One of the priorities for budget spending is the mandatory expenditure given by the central government. This mandatory expenditure is what local governments must carry out each fiscal year. Good regional financial management must be carried out in such a way to reduce the burden of regional spending, that spending becomes a priority and benefits the region, no less profitable for the region so that no budget is considered useless in Tulang Bawang Barat."

The Head of the Planning Subdivision also supported the statement that setting good budget priorities can reduce the burden of regional financial expenditures, thereby reducing regional dependence on the central government. Budget politics needs to be done to overcome this, among others, by coordinating with local government associations. The politics of government is designed so that the central government's authority remains dominant. Normatively, the solution for local governments, both executive and legislative, is to urge the central government to give a larger portion to the regions to implement autonomy in their respective regions.

CONCLUSION

The regional financial independence of Tulang Bawang Barat Regency remains low due to several factors, such as low PAD. Those are a result of a lack of complete tax collection and the lack of awareness of taxpayers to pay their obligations, the amount of mandatory spending that local governments must meet, and the occurrence of budget politics which leads to a reduction in the potential for regional revenues. The unitary form of government and the government system be-

come the main considerations to increase regional financial independence.

Several efforts and measures are necessary to increase the capacity of the source of PAD of Tulang Bawang Barat Regency. These efforts include simplifying the system and procedures for collecting regional taxes and levies, including strengthening regulations on collecting regional taxes and levies. Also, making efforts to increase the obedience of taxpayers and regional retribution payers followed by increased control and supervision of the collection of PAD can be achieved by improving the quality, convenience, accuracy, and speed of service. Good budget planning management is adjusted to the priority of regional needs and budget allocation in a good APBD structure, which is the main prerequisite for realizing regional financial independence.

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