



EFFECTIVENESS AND INDEPENDENCE OF REGIONAL FINANCIALS IN NTT PROVINCE IN THE IMPLEMENTATION OF FISCAL DECENTRALIZATION

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Abstract:

Autonomy is expected to be able to optimize various sources of revenue by utilizing various real regional potentials so as to increase original regional income and thereby reduce dependence on assistance from the central government. This research was conducted to determine the effectiveness and independence of regional finances in NTT Province and successful regional financial management. The method used in this research uses qualitative descriptive analysis. The research results show that the effectiveness of the financial performance of the NTT Provincial government from 2012-2022 is less effective. The government's financial independence is in the low category and has a consultative relationship pattern. Financial performance with a moderate degree of fiscal decentralization, seen from trend analysis, is not yet stable. The income aspect, from tax power, GRDP always increases but is never comparable to the tax power of regional taxes; from tax effectiveness, the NTT Provincial government continues to increase tax revenues from its tax potential; in terms of tax efficiency, the NTT Provincial government is very efficient because it is careful and thorough in calculating the costs incurred to obtain regional taxes; and from elasticity, when viewed from GRDP it is unitary elastic, meaning changes in GRDP and regional taxes are the same, and when viewed from population size it is elastic, meaning changes in population influence changes in regional tax revenues.

Key words: Effectiveness, Financial Independence, Fiscal Decentralization

Introduction

Providing regional autonomy is an effort to empower regions in order to manage development in their regions, creativity, innovation and independence are expected to be possessed by each region, so as to reduce the level of dependence on the Central Government. The quality of government services to the community will increase, both direct services and indirect services provided. In other words, the provision of public goods and public services can be more guaranteed (Sun'an & Senuk, 2015). The region is also expected to be able to attract investors to encourage growth.

With regional autonomy, decentralization occurs which concerns regional financial management, economic planning including preparing regional development programs and other planning which is delegated from the center to the regions (Kharisma, 2013). The consequence of the implementation of regional autonomy in Indonesia is the division of authority between the Central Government and Regional Government (the national monetary and fiscal sector is decentralized to the regions) (Hadi & Saragih, 2013). The implementation of fiscal decentralization and regional autonomy in Indonesia as a political consequence is currently at the point of no return, so the aspects being put forward are more about strengthening capacity and quality improvement. Thus, in the future, fiscal decentralization and regional autonomy are expected to be able to bring Indonesia towards inclusive and sustainable prosperity.

Decentralization is a tool to achieve one of the goals of the state, namely providing better public services and

creating a more democratic public decision-making process (Sidik, 2002). The concept of decentralization consists of *political decentralization*, *administrative decentralization*, and *fiscal decentralization* (Sidik, 2002). Decentralization is the transfer of authority from the central environment to the regional government environment to regulate and administer the region based on the real conditions surrounding it (Kaloh, 2007).

Decentralization is the transfer of authority from the Central Government to autonomous regions to regulate and manage government affairs within the framework of the Unitary State of the Republic of Indonesia (Kumorotomo, 2008). Fiscal decentralization is one of the mechanisms for transferring funds from the APBN in connection with state financial policy, namely to realize sustainable fiscal sustainability and provide a stimulus to community economic activity, so the fiscal decentralization policy creates equal distribution of financial capacity between regions commensurate with the amount of authority government affairs are handed over to autonomous regions (Sun'an & Senuk, 2015). Fiscal decentralization is a consequence of the implementation of regional autonomy in Indonesia, the aim of which is to increase regional potential from a fiscal perspective. Each region has the right and obligation to regulate and carry out its own government affairs within its authority by adjusting the financial capacity of the region concerned.

The main characteristics of a region that is capable of implementing autonomy are: (1) regional financial capacity, meaning that the region must have the authority and ability to explore financial resources, manage and use its own finances sufficiently to finance the administration of its government, and (2) dependence central assistance must be as minimal as possible, so that regional original income can become the largest part of the financial source so that the role of regional government becomes greater (Halim, 2001). Data regarding the ratio of original regional income to the regional revenue and expenditure budget, average from 2000- 2019 in all provinces and districts/cities in Indonesia (Kuncoro, 2004).

Table 1. Ratio of PAD to Provincial and Regency/City APBD in Indonesia

PAD/APBD (%)	Number of Provinces	Number of Regencies/Cities
< 10	3	154
10 — 19,99	7	90
20 — 29,99	14	38
30 — 39,99	6	16
40 — 49,99	2	7
≥ 50	1	1
Total	33	306

Source: (Kuncoro, 2004).

From table 1 it can be seen that before regional financial reform was implemented, there was only one province, namely DKI Jakarta, which had an independence ratio of more than 50%. In managing regional finances, the NTT Provincial Government submitted the NTT Provincial APBD Draft for the 2022 fiscal year with planned regional income of IDR 5,143,180,144,500, consisting of targeted PAD of IDR 2,006,603,573,074, transfer income of IDR 3,130,380,146,100, Other legitimate regional income is IDR 6,196,425,326. Furthermore, regional expenditure is planned at Rp. 5,450,673,245,190 and directed towards operational expenditure amounting to Rp. 3,559,556,544,919, capital expenditure amounting to Rp. 1,238,484,948,576, unexpected expenditure amounting to Rp. 73,830,000,000, planned transfer expenditure amounting to IDR 578,801,751,695. Regional funding is IDR 307,493,100,690. Financing receipts amounted to Rp. 786,989,510,375, financing expenditure amounted to Rp. 479,496,409,685.

The economy of NTT Province in 2022 will grow by 3.01%, an increase compared to the previous period which grew by 1.86%, although it is still lower than the national level which grew by 5.44%. The realization of total government spending (APBD and APBN) decreased compared to the same period in the previous year, in line with the slowdown in government consumption. Total expenditure amounted to IDR 14.365 trillion or contracted 7.24% compared to 2021. The nominal realization reached 29.25% of the total budget, also decreasing from the same period the previous year which reached 30.14%. The decline occurred in APBN, Provincial APBD and Regency/City APBD spending. On the other hand, realized government revenue in 2022 was recorded to grow by 1.41%, mainly driven by improved transfer revenue realization, especially at the district/city level. In general, financial system stability in 2022 will still be maintained as reflected in the ROA value of 2.47%, an increase compared to the previous quarter and DPK also recorded growth of 2.11%. The economy of NTT Province as a whole is estimated to grow in the range of 2.8–3.6%, an increase compared to the realization of economic growth in 2021. From the data presented on regional financial management, the province of NTT in 2022 will experience fluctuating conditions both in terms of income and expenditure. influenced by various components of revenue and expenditure.

In the context of implementing regional autonomy at the district/city level, it is hoped that the provincial government can optimize various sources of revenue by utilizing various real regional potentials so as to increase original regional income and thereby reduce dependence on assistance from the central government. Based on these conditions, this research was conducted to determine the effectiveness and independence of regional finances in NTT Province and successful regional financial management. The aim of the research is to conduct an analysis of the regional financial effectiveness of NTT Province and its trends; and to conduct an analysis of the regional financial independence of NTT Province and successful regional financial management.

Method

This research uses a quantitative descriptive analysis method by analyzing using ratio analysis and analysis of the success of regional financial management. The analysis is:

Regional financial effectiveness ratio

The regional financial effectiveness ratio shows the ability of regional governments to realize planned PAD when compared with targets that have been set based on the real potential that exists in a region (Halim, 2002). The Autonomous region financial effectiveness ratio calculation formulation is as follows:

Realization of Regional Original Income

Regional Financial Effectiveness Ratio = $\frac{\text{Realization of Regional Original Income}}{\text{Determined Regional Original Income Target}} \times 100\%$

Determined Regional Original Income Target

A region's ability to carry out its duties can be categorized as effective if the ratio achieved reaches at least 100%. However, the higher the effectiveness ratio, the better the regional capacity. According to Minister of Home Affairs Decree Number 690.900-327 of 2006, the financial effectiveness capabilities of autonomous regions are categorized into five levels of effectiveness.

Table 2. Financial Effectiveness of Autonomous Region

Financial Capabilities	Effectiveness Ratio (%)
Very effective	>100

Effective	>90 – 100
Effective enough	>80 – 90
Less effective	>60 – 80
Ineffective	≤60

Source: Kepmendagri, 2006

Fiscal decentralization degree ratio (DDF ratio)

To see fiscal independence, it can be seen through the DDF formula as follows:

$$\frac{\text{Regional Original Income}}{\text{Total Regional Revenue}} \text{ Decentralization Degree Ratio} \text{ -----} = \text{X } 100\%$$

Table 3. Degree of Fiscal Decentralization

Degree of Fiscal Decentralization	Information
0,00 – 10,00	Very less
10,01 – 20,00	Not enough
20,01 – 30,00	Currently
30,01 – 40,00	Enough
40,01 – 50,00	Good
> 50,01	Very good

Source: (Hanafi & Halim, 2005)

Regional financial independence ratio (autonomy/fiscal independence)

The regional financial independence ratio shows the ability of regional governments to independently finance government activities, development and services to the community who have paid taxes and levies as a source of income needed by the region (Halim, 2002). The regional financial independence ratio is calculated by comparing the amount of regional income divided by the amount of regional revenue originating from other parties (external parties), including tax revenue sharing, non-tax revenue sharing from natural resources, general allocation funds and special allocations. The higher this ratio, the higher the local government's regional financial independence (Mahmudi, 2010). The calculation formulation is as follows:

$$\frac{\text{Regional Original Income}}{\text{Regional financial independence ratio} \text{ -----} \text{ Central Government Assistance and Loans}} \text{ -----} \text{ X } 100\%$$

Trend analysis is carried out to see trends or directions of development in regional financial management. If the trend is positive, it shows development in a good direction, but if the trend is negative, it shows that the regional financial development of NTT Province is not good. To show trends or developments in this research, pictures and graphs are used.

Table 4. Relationship Patterns and Regional Capacity Levels

Financial Capabilities	Effectiveness Ratio (%)	Relationship Patterns
Very low	0 - 25	Instructive
Low	35 – 50	Consultative
Currently	50 – 75	Participative
Tall	75 – 100	Delegative

Source: (Halim, 2002)

Apart from looking at regional financial independence, it can also be seen the extent of regional financial dependence of regional governments on the central government. Regional financial dependence can be calculated using the regional financial dependence ratio by comparing the amount of transfer income or balancing funds or assistance from the central government with regional government transfers (Mahmudi, 2010). To assess the

degree of regional financial dependence, see the following table:

Table 5. Criteria for Regional Financial Dependency Assessment

Dependency (%)	Category
0,00 – 10,00	Very low
10,01 – 20,00	Low
20,01 – 30,00	Currently
30,01 – 40,00	High enough
40,01 – 50,00	Tall
< 50,00	Very high

Source: (Banga, 2017)

Income aspect

Successful regional finance is regional finance that is able to increase regional revenues in a sustainable manner along with economic development without worsening the allocation of production factors. The successful formulation of regional financial calculations is:

Tax power, is the ratio between tax revenue and the capacity or ability to pay taxes in an area. One indicator that can be used to determine people's ability to pay is Gross Regional Domestic Product with a formula:

$$\text{Tax power} = \frac{\text{Tax revenue}}{\text{Gross Regional Domestic Product}} \times 100 \text{ Ability to Pay Taxes}$$

Table 6. Classification of Tax Power Ratios

Percentage	Kriteria
0,00 – 0,199	Very low
0,20 – 0,399	Low
0,40 – 0,599	Currently
0,60 – 0,699	Strong
0,80 – 1,000	Very strong

Source: (Sugiyono, 2006)

If a region's Gross Regional Domestic Income increases, then the region's ability to pay taxes will also increase (Mulyanto, 2007). This means that regional revenue administration can increase its tax power so that tax revenues increase. Tax power analysis can be used to determine the fiscal position in an area with a tax power value ranging from zero to one. If the tax power value is close to one then it can be said that the fiscal position in that area is classified as strong, whereas if the tax power value is close to zero then the fiscal position is This area is classified as weak. The greater the tax power value indicates the greater the local government's ability to collect local taxes (Halim, 2004).

Effectiveness, measuring the relationship between the results of a tax collection and the potential of the tax itself, or with a formula:

$$\text{Tax revenue Effectiveness} = \frac{\text{Tax revenue}}{\text{Tax Potential}} \times 100\%$$

The effectiveness indicator is the ratio between the results of collecting a tax and the potential tax results, assuming that all taxpayers pay all taxes owed. Effectiveness concerns all stages of tax revenue administration, determining taxpayers, determining taxable value, collecting taxes, enforcing the tax system and recording tax revenues.

Efficiency, measuring the portion of tax proceeds used to cover the costs of collecting the tax in question, or:

$$\text{Efficiency} = \frac{\text{Collection Fees}}{\text{Tax Revenue Collected}} \times 100\%$$

Apart from covering the direct costs of the tax office concerned, usability also takes into account indirect costs for the tax office, namely the time used to make decisions, the time of offices and other institutions spent to assist with tax collection activities). The performance of local governments in collecting regional taxes is categorized as efficient if the ratio achieved is less than 10%. The smaller this ratio the better. The efficiency value is determined according to the criteria (Mahmudi, 2010) following:

Table 7. Tax Efficiency Value Categories

Tax Acquisition Costs Against Tax Revenue	Tax Efficiency
<10%	Very Efficient
10% - 20%	Efficient
21% - 30%	Quite Efficient
31% - 40%	Less efficient
>40%	Not efficient

Elasticity, this analysis is to determine the level of sensitivity to changes in a type of revenue if there is a change in Gross Regional Domestic Income and population, using a formula:

$$\% \Delta \text{Tax} \div \text{Elasticity Gross Regional Domestic Income} = \frac{\% \Delta \text{Tax}}{\% \Delta \text{Gross Regional Domestic Income}} \times 100\%$$

$$\text{Elasticity Population} = \frac{\% \Delta \text{Tax}}{\% \Delta \text{Population}} \times 100\%$$

Information:

$$\% \Delta \text{Local Tax} = \frac{\text{Local tax}_{(t+1)} - \text{Local tax}_{(t)}}{\text{Local tax}_{(t)}} \times 100\%$$

$$\% \Delta \text{Gross Regional Domestic Income} = \frac{\text{Gross Regional Domestic Income}_{(t+1)} - \text{Gross Regional Domestic Income}_{(t)}}{\text{Gross Regional Domestic Income}_{(t)}} \times 100\%$$

$$\% \Delta \text{Population} = \frac{\text{Population}_{(t+1)} - \text{Population}_{(t)}}{\text{Population}_{(t)}} \times 100\%$$

Population_(t) (t + 1) : year of observation
(t) : previous year of observation

The degree of sensitivity of regional taxes if there is a change in Gross Regional Domestic Product can be seen in the following table:

Table 8. Elasticity Ratio

Criteria	Information
Elasticity > 1	Elastic
Elasticity = 1	Unitary Elastic
Elasticity < 1	Inelastic

Source: (Halim, 2004)

1. Elastic, occurs if the elasticity coefficient value is more than 1 (> 1) indicating that changes in GRDP are very sensitive or have a big influence on changes in regional tax revenues. A change of 1% in GDP will cause a change in local tax revenue of greater than 1%.
2. Unitary Elastic, occurs when the coefficient value is equal to 1 (= 1) indicating that the changes that occur between GRDP and regional taxes are the same. If there is a change of 1% in GRDP, there will also be a change of 1% in regional tax revenues.
3. Inelastic, occurs if the coefficient value is less than 1 (< 1) indicating changes in GRDP have less influence on changes in regional tax revenues. If there is a change in GRDP of 1%, then the change in regional tax revenue will be less than 1%.

Results and Discussion

To measure the effectiveness and performance of regional financial capacity as well as determining the priority scale as a form of policy that can be taken by policy authority owners in order to improve regional financial capacity in implementing fiscal decentralization, the analytical tools used include:

Regional Financial Effectiveness Ratio

Based on data in the form of targets for original regional income and realization of original regional income for NTT Province during the 2012-2022 period, the following data was obtained:

Table 9. Regional Financial Effectiveness of NTT Province 2012-2022

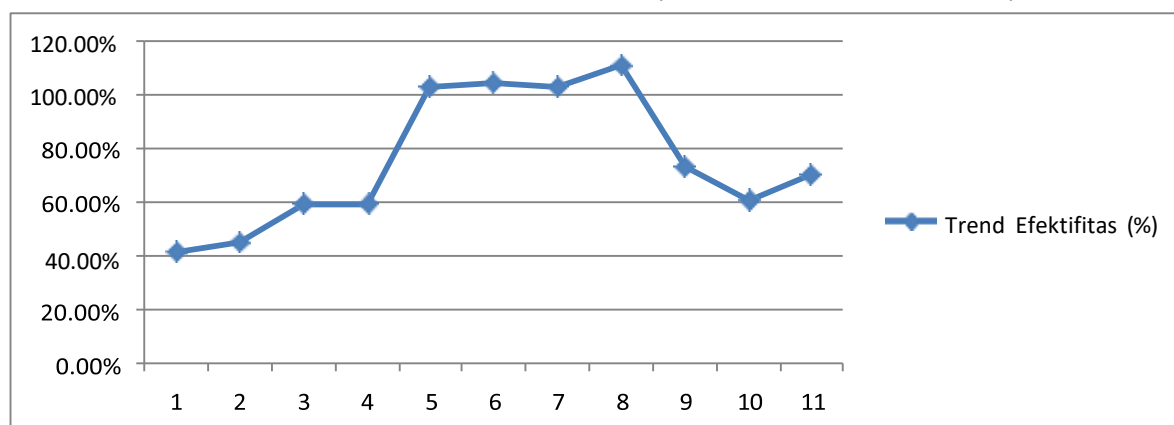
No	Year	Target for Original Regional Income (Rp)	Realization for Original Regional Income (Rp)	Effectiveness Ratio (%)	Information
1	2012	1,102,993,489,474	459,657,187,316	41.67%	Ineffective
2	2013	1,165,849,000,000	528,832,134,000	45.36%	Ineffective
3	2014	1,282,745,000,000	763,337,478,000	59.51%	Ineffective
4	2015	1,481,037,000,000	882,315,240,000	59.57%	Ineffective
5	2016	966,860,000,000	995,186,121,000	102.93%	Very effective
6	2017	1,004,040,000,000	1,047,491,567,000	104.33%	Very effective
7	2018	1,061,830,000,000	1,095,269,979,000	103.15%	Very effective
8	2019	1,131,940,000,000	1,258,958,953,000	111.22%	Very effective
9	2020	1,588,860,000,000	1,166,570,596,000	73.42%	Less effective
10	2021	2,033,518,433,000	1,238,030,000,000	60.88%	Less effective
No	Year	Target for Original Regional Income (Rp)	Realization for Original Regional Income (Rp)	Effectiveness Ratio (%)	Information
11	2022	1,923,950,000,000	1,363,740,000,000	70.88%	Less effective
Average				75.72%	Less effective

Source: Data processed (2023)

The regional financial effectiveness ratio generally explains or describes how regional governments carry out financial performance in realizing original regional income from the budget target value that has been set. The financial effectiveness ratio looks at the percentage of original regional income that is realized compared to the budget target. Thus, the financial effectiveness ratio is able to provide information on the extent of efforts made by local governments to maximize the potential of local original income so that it can be absorbed optimally, for example through regional taxes and levies.

Based on table 9, the regional financial effectiveness ratio of NTT Province is more or less than 100%. In 2012-2015, the financial effectiveness ratio of NTT Province was in the range of $\leq 60\%$, where the original regional income obtained did not exceed the planned target, meaning that the financial performance of NTT Province was in the less effective category. In 2016-2019, the financial effectiveness ratio of NTT Province was in the range of $> 100\%$, where the original regional income obtained exceeded the planned target, meaning that the financial performance of NTT Province was in the very effective category and was increasing. In 2020-2022, the financial effectiveness ratio of NTT Province is in the range of $> 60\% - 80\%$, where the original regional income obtained is almost close to the planned target, meaning that the financial performance of NTT Province is in the less effective category and is experiencing a decline, one of the factors that causing a decrease in financial effectiveness ratios due to the Covid-19 pandemic outbreak that occurred throughout the world.

From 2012-2022, the highest financial effectiveness ratio value for NTT Province was achieved in 2019 at 111.22% and the lowest occurred in 2012 at 41.67%. The average financial effectiveness ratio of NTT Province from 2012-2022 is in the range of $> 60\% - 80\%$, where the original regional income obtained is almost close to the planned target, meaning that the financial performance of NTT Province is in the less effective category. The financial effectiveness ratio of NTT Province for 2012-2022 can also be explained using the trend graph in the following figure:



Source: Data processed (2023)

Figure 1. Trend of Regional Financial Effectiveness in NTT Province 2012-2022

The effectiveness ratio is clearly visible during 2012-2022, classified as ineffective, very effective and less effective. However, based on Figure 1, it is clear that the trend in NTT Province's financial effectiveness in 2012-2022 is not yet stable or fluctuating. It is clear that the target and realization of regional original income have experienced increases and decreases, if it is not maintained properly, there is a possibility that in the long term the financial effectiveness ratio of NTT Province could experience a decline.

Regional Financial Independence Ratio

Based on data in the form of realization of local original income and NTT Province balancing funds during the 2012-2022 period, the following data was obtained:

Table 10. Regional Financial Independence of NTT Province 2012-2022

No	Year	Original Regional Income (Rp)	Balancing Fund (Rp)	Regional Financial Independence Ratio (%)	Regional Financial Independence	Relationship Patterns
1	2012	459,657,187,316	1,098,619,869,000	41.84%	Low	Consultative
2	2013	528,832,134,000	1,165,848,623,000	45.36%	Low	Consultative
3	2014	763,337,478,000	1,282,745,347,000	59.51%	Currently	Consultative
4	2015	882,315,240,000	1,461,922,423,000	60.35%	Currently	Consultative
5	2016	995,186,121,000	2,839,657,759,000	35.05%	Low	Consultative
6	2017	1,047,491,567,000	3,643,692,862,000	28.75%	Low	Consultative
7	2018	1,095,269,979,000	3,799,586,456,000	28.83%	Low	Consultative
8	2019	1,258,958,953,000	4,067,952,845,000	30.95%	Low	Consultative
9	2020	1,166,570,596,000	4,152,039,227,000	28.10%	Low	Consultative
10	2021	1,238,030,000,000	4,185,910,431,000	29.58%	Low	Consultative
11	2022	1,363,740,000,000	3,133,743,302,000	43.52%	Low	Consultative
Average				39,26%	Low	Consultative

Source: Data processed (2023)

One of the regional successes in implementing regional autonomy can be seen from the financial independence of the region. Regional financial independence is very necessary in implementing development and services to the community, meaning that regional governments do not depend much on the central government in the form of fund transfers or sources of income from external parties. The higher the independence ratio, the higher the financial independence of local governments.

Table 10 explains that the results of calculating the regional financial independence ratio of NTT Province from 2012-2022 with an average percentage of independence of 39.26% and if it is connected to financial capacity, it has a consultative relationship pattern. This means that the regional financial independence of NTT Province is in

the low category and central government intervention is still present (starting to decrease). Low financial independence illustrates that the NTT Province's finances are not yet fully independent or still depend on balancing funds, or it could also be said that in carrying out various government activities, the NTT Province has not been able to finance itself with its own regional revenues.

NTT Province's regional revenues come from balancing funds and have a very large portion.

The amount of balancing funds that is greater than the original regional income of NTT Province is one of the causes of the low level of regional financial independence. This cause is in line with what has been found that the higher the financial independence ratio of a region indicates the higher the region's financial independence (Mahmudi, 2010). So, to increase financial independence, NTT Province needs to maximize local original income by increasing the role of its resources, both facilities and infrastructure to increase local original income. In this way, the financial independence of NTT Province will become more independent and will be even better.

Regional original income is formed from several components, namely regional taxes and levies which need to be maximized so that there is no financial dependence on balancing funds. So, there is a need for government policy and strict implementation in the management of regional taxes and levies. In this way, regional original income will increase, and this will have an impact on increasing regional financial independence.

The following are the results of calculating the regional financial dependency ratio for NTT Province for 2012-2022:

Table 11. Regional Financial Dependence in NTT Province 2012-2022

No	Year	Balancing Fund (Rp)	Total Regional Revenue (Rp)	Regional Financial Dependency Ratio (%)	Level of Regional Financial Dependency
1	2012	1,098,619,869,000	2,241,542,051,000	49.01%	High
2	2013	1,165,848,623,000	2,393,070,439,056	48.72%	High
3	2014	1,282,745,347,000	2,787,588,697,000	46.02%	High
4	2015	1,461,922,423,000	3,315,669,415,000	44.09%	High
5	2016	2,839,657,759,000	3,875,554,165,000	73.27%	Very High
6	2017	3,643,692,862,000	4,700,213,492,000	77.52%	Very High
7	2018	3,799,586,456,000	4,781,089,963,000	79.47%	Very High
8	2019	4,067,952,845,000	5,354,092,406,000	75.98%	Very High
9	2020	4,152,039,227,000	5,419,935,156,000	76.61%	Very High
10	2021	4,185,910,431,000	5,312,450,000,000	78.79%	Very High
11	2022	3,133,743,302,000	4,426,470,000,000	70.80%	Very High
Average				65.48%	Very High

Source: Data processed (2023)

Table 11 is the result of calculating the financial dependency ratio of the NTT Provincial government from 2012-2022, with an average result of 65.48%. This figure explains that the financial dependency ratio of NTT Province is very high. This means that in financing regional or other development activities, the NTT Provincial government is still very dependent on assistance from the central government or external parties in the form of balancing funds.

The balance fund is very large because the NTT Provincial government has not optimally explored, managed and implemented existing policies in utilizing existing local resources to increase local revenue. The higher the regional original income, the lower the dependence on the central government or external parties. Under these conditions, the NTT Province must take more initiative in identifying its sources of income to increase local revenue.

The results of this research are also in line with several studies which state that regional financial independence in Central Java still depends on the central government (Febiandani & Suseno, 2016). The level of dependence on external funds from districts and cities in Aceh Province is still very high (Prastiwi et al., 2016). Kotamobagu

City's regional financial dependency ratio on the central and provincial governments is still very high (Mokodompit et al., 2014).

Degree of Fiscal Decentralization

Regional financial capacity can also be calculated using the ratio of the degree of fiscal decentralization, as follows:

Table 12. Degree of Fiscal Decentralization of NTT Province 2012-2022

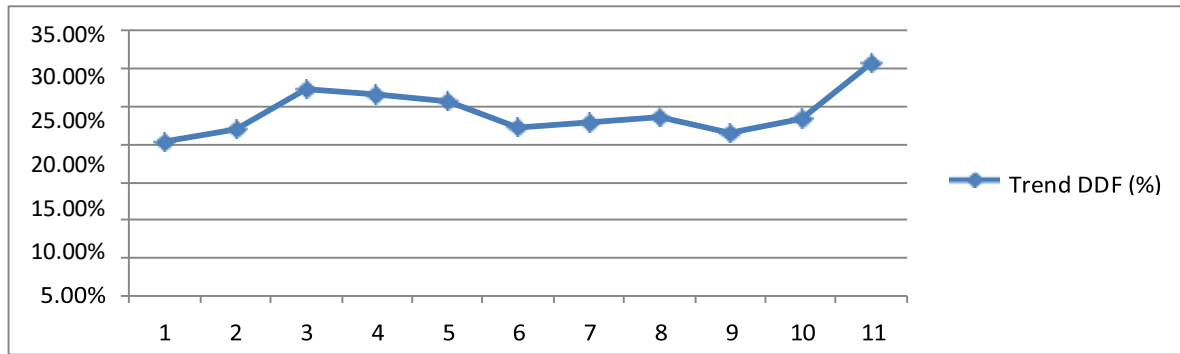
No	Year	Original Regional Income (Rp)	Total Regional Revenue (Rp)	Fiscal Decentralization Degree Ratio (%)	Information
1	2012	459,657,187,316	2,241,542,051,000	20.51%	Currently
2	2013	528,832,134,000	2,393,070,439,056	22.10%	Currently
3	2014	763,337,478,000	2,787,588,697,000	27.38%	Currently
4	2015	882,315,240,000	3,315,669,415,000	26.61%	Currently
5	2016	995,186,121,000	3,875,554,165,000	25.68%	Currently
6	2017	1,047,491,567,000	4,700,213,492,000	22.29%	Currently
7	2018	1,095,269,979,000	4,781,089,963,000	22.91%	Currently
8	2019	1,258,958,953,000	5,354,092,406,000	23.51%	Currently
9	2020	1,166,570,596,000	5,419,935,156,000	21.52%	Currently
10	2021	1,238,030,000,000	5,312,450,000,000	23.30%	Currently
11	2022	1,363,740,000,000	4,426,470,000,000	30.81%	Enough
Average				24.24%	Currently

Source: Data processed (2023)

Table 12 is the result of calculating the degree of fiscal decentralization for NTT Province during 2012-2022, where overall the average degree of fiscal decentralization shows a figure of 24.24% which is in the medium category. This means that in carrying out its authority and responsibilities, the NTT Province has moderate capabilities in implementing regional development provided by the central government. This percentage also explains that regional revenue has not been maximized from regional original income, or that total regional revenue is much greater than regional original income. The small original regional income of NTT Province illustrates that it has not been maximal in exploring and utilizing all the potential local resources it has.

These results explain that the higher the contribution of original regional income, the higher the regional government's ability to implement decentralization, or conversely, the lower the contribution of original regional income, the lower the regional ability to implement fiscal decentralization. (Mahmudi, 2010). The degree of fiscal decentralization in NTT Province in 2022 will reach 30.18%, which is in the sufficient category or has increased from previous years, meaning that the higher the degree of fiscal decentralization can create regional independence and reduce the dependence of regional governments on the central government. These results are in line with research on regional financial independence in Central Java which still depends on the central government (Febiandani & Suseno, 2016). So, to continue to increase the degree of fiscal decentralization, NTT Province must continue to utilize all the resources it has to increase local revenue and not depend on the central government.

The ratio of the degree of fiscal decentralization of NTT Province in 2012-2022 can also be explained by the trend graph in the following figure:



Source: Data processed (2023)

Figure 2. Trend in the Degree of Fiscal Decentralization of NTT Province 2012-2022

Figure 2 explains that the degree of fiscal decentralization in NTT Province in 2012-2022 experienced an unstable or fluctuating trend. However, it can be seen that from 2020-2022 there has been an increase showing a positive trend. This means that as time goes by, NTT Province shows an increasing level of independence. If this trend continues to be maintained by the NTT Provincial government, it is very likely that one day it will be 100% financially independent. In this way, NTT Province is able to meet its income needs from within or with its own efforts without any dependence on external parties or the central government.

Income Aspect

Successful regional finance is the ability of regional finance to increase regional revenues without worsening the allocation of production factors. The formula used to calculate the income aspect can be done by:

Tax power, is a comparison between the results of a tax system and the ability to pay taxes in a region. A region's tax paying ability is measured by Gross Regional Domestic Product. Tax power is an analysis used to determine the results of a tax system compared to the tax paying ability of the region concerned. The commonly used measure of tax paying ability is Gross Regional Domestic Product. If Gross Regional Domestic Product increases, the ability of regional taxpayers to pay taxes will increase and vice versa. Regional financial capacity is calculated by tax power.

Table 13. NTT Province Tax Power for 2012-2022

No	Year	Regional Tax (Rp)	Gross Regional Domestic Product (Rp)	Tax power (%)	Information
1	2012	315,287,237,000	54,893,145,500,000	0.574%	Currently
2	2013	363,720,612,000	61,325,255,200,000	0.593%	Currently
3	2014	559,803,346,000	68,500,433,900,000	0.817%	Very strong
4	2015	662,667,383,000	76,190,854,500,000	0.870%	Very strong
5	2016	745,480,000,000	84,172,637,300,000	0.886%	Very strong
6	2017	814,122,728,000	91,160,000,000,000	0.893%	Very strong
7	2018	866,157,779,000	99,087,000,000,000	0.874%	Very strong
8	2019	908,207,117,000	106,893,000,000,000	0.850%	Very strong

No	Year	Regional Tax (Rp)	Gross Regional Domestic Product (Rp)	Tax power (%)	Information
9	2020	924,189,837,000	106,506,000,000,000	0.868%	Very strong
10	2021	925,862,559,000	110,886,000,000,000	0.835%	Very strong
11	2022	1,095,500,000,000	118,718,000,000,000	0.923%	Very strong
Average				0.817%	Very strong

Source: Data processed (2023)

Based on table 13 of the calculations between regional taxes and Gross Regional Domestic Product of NTT Province for 2012-2022, it can be seen that tax power has increased every year. The largest increase occurred in 2022 because the realization of regional taxes experienced a significant increase from 2021 with a percentage level of 0.835% to 0.923%. This increase occurred because taxpayers were increasingly aware of paying taxes. This increase also occurs because the Gross Regional Domestic Product increases every year, where the Gross Regional Domestic Product of a region continues to increase, so the region's ability to pay taxes also increases. This means that regional revenue administration can also increase tax power so that tax increases increase. The increase in Gross Regional Domestic Product is influenced by several factors such as investment, human resources, technological developments and other factors (Asmawanti et al., 2016). Investment is the funds needed to increase capital, because high economic growth requires relatively large capital to be used to strengthen physical and social infrastructure. Human resources are also a factor that influences Gross Regional Domestic Product, because human resources as labor are capital for the development of a region, where demand for labor is influenced by wage levels. So, if high population growth is not accompanied by the availability of jobs, it will cause an increase in the number of unemployed.

The increase in Gross Regional Domestic Product is not commensurate with tax power, this is because although there is an increase every year, this increase is not commensurate with the tax power of regional taxes because every year it is below one percent. This means that tax power is low, which indicates that people's ability to pay is very low. These results are in line with research conducted in Bengkulu City (Asmawanti et al., 2016). Tax power which is still very low results in fiscal pressure, meaning that regions experience increasing fiscal pressure, this is because regions continue to be required to increase their regional potential and fiscal capacity to reduce the level of dependence on the central government. Each autonomous region has different potential sources of revenue and can be used as regional revenue, but it can also cause problems because of the demand to increase regional capacity.

Effectiveness, based on data in the form of tax revenues and tax potential for NTT Province during the 2012-2022 period, the following data was obtained:

Table 14. Effectiveness of Regional Taxes in NTT Province for 2012-2022

No	Year	Tax Potential (Rp)	Tax Revenue (Rp)	Effectiveness Ratio (%)	Information
1	2012	315,000,000,000	315,287,237,000	100%	Effective
2	2013	363,000,000,000	363,720,612,000	100%	Effective
3	2014	559,000,000,000	559,803,346,000	100%	Effective
4	2015	662,000,000,000	662,667,383,000	100%	Effective
5	2016	721,410,000,000	745,480,000,000	103%	Very effective
No	Year	Tax Potential (Rp)	Tax Revenue (Rp)	Effectiveness Ratio (%)	Information
6	2017	766,960,000,000	814,122,728,000	106%	Very effective
7	2018	822,890,000,000	866,157,779,000	105%	Very effective
8	2019	876,340,000,000	908,207,117,000	104%	Very effective
9	2020	1,088,050,000,000	924,189,837,000	85%	Effective enough
10	2021	1,533,440,000,000	925,862,559,000	60%	Less effective
11	2022	1,486,180,000,000	1,095,500,000,000	74%	Less effective
Average				94%	Effective

Source: Data processed (2023)

Based on the data in table 14, it can be seen that the effectiveness of regional taxes in NTT Province from 2012-2022, on average, is in the effective category (94%). This means that for almost 11 years the NTT Provincial government has been trying to continuously increase tax revenues from the potential taxes it has under its authority based on Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments, where there are seven types of taxes collected by the provincial government, such as motor vehicle tax, motor vehicle title transfer fee, heavy equipment tax, motor vehicle fuel tax, surface water tax, cigarette tax, and non-metallic mineral and rock tax opportunities. In 2012-2019, the effectiveness of regional taxes in NTT Province continued to increase from the effective category to very effective, meaning that the regional tax revenue achievement was above the effectiveness achievement standard of 100%. The research results show that regional tax revenues with realization achievements in the category are very effective due to an increase in tax realization that has been determined by the NTT Provincial government. In 2020-2022, the effectiveness of NTT provincial regional taxes will decrease from the moderately effective to less effective category. The decline in regional tax revenues was caused by several factors, one of which was the decrease in the effectiveness of regional tax revenues due to the Covid-19 pandemic outbreak that occurred throughout the world, which had an impact on regional tax revenues.

Efficiency, regional taxes are calculated by comparing the total costs incurred in obtaining regional taxes with the realization of regional tax revenues (Mahmudi, 2010). Data related to tax revenues and tax collection costs for NTT Province to calculate the tax efficiency ratio for the 2012-2022 period, as follows:

Table 15. NTT Province Regional Tax Efficiency 2012-2022

No	Year	Tax Revenue (Rp)	Tax Collection Fees (Rp)	Efficiency Ratio (%)	Information
1	2012	315,287,237,000	5,000,000,000	1,59%	Very Efficient
2	2013	363,720,612,000	7,000,000,000	1,92%	Very Efficient
3	2014	559,803,346,000	9,000,000,000	1,61%	Very Efficient
4	2015	662,667,383,000	12,000,000,000	1,81%	Very Efficient
5	2016	745,480,000,000	15,000,000,000	2,01%	Very Efficient
6	2017	814,122,728,000	22,355,410,623	2,75%	Very Efficient
7	2018	866,157,779,000	22,678,045,658	2,62%	Very Efficient
8	2019	908,207,117,000	23,968,470,440	2,64%	Very Efficient
9	2020	924,189,837,000	24,000,000,000	2,60%	Very Efficient

Source: Data processed (2023)

No	Year	Tax Revenue (Rp)	Tax Collection Fees (Rp)	Efficiency Ratio (%)	Information
10	2021	925,862,559,000	25,000,000,000	2,70%	Very Efficient
11	2022	1,095,500,000,000	30,000,000,000	2,74%	Very Efficient
Average				2,27%	Very Efficient

Table 15 explains that during 2012-2022, the efficiency level of NTT Province in tax collection is in the very efficient category. The performance of local governments in collecting local taxes is categorized as very efficient if the ratio achieved is less than 10%, the smaller this ratio the better (Mahmudi, 2010). This means that the NTT Provincial government has been very careful and thorough in calculating the costs incurred to obtain regional taxes.

Elasticity, this analysis is to determine the level of sensitivity to changes in a type of revenue if there is a change in the amount of Gross Regional Domestic Product and population. Data related to the elasticity of local taxes and the population of NTT Province to calculate the elasticity ratio for the 2012-2022 period, are as follows:

Table 16. NTT Province Tax Elasticity 2012-2022

No	Year	Regional Tax (Rp)	Gross Regional Domestic Product (Rp)	% Δ Pajak	% Δ Gross Regional Domestic Product	Tax Elasticity	Information
1	2011	245,797,392,000	48,000,000,000,000	-	-	-	-
2	2012	315,287,237,000	54,893,145,500,000	28.27	14.36	1.97	Elastic
3	2013	363,720,612,000	61,325,255,200,000	15.36	11.72	1.31	Elastic
4	2014	559,803,346,000	68,500,433,900,000	53.91	11.70	4.61	Elastic
5	2015	662,667,383,000	76,190,854,500,000	18.38	11.23	1.64	Elastic
6	2016	745,480,000,000	84,172,637,300,000	12.50	10.48	1.19	Elastic
7	2017	814,122,728,000	91,160,000,000,000	9.21	8.30	1.11	Elastic
8	2018	866,157,779,000	99,087,000,000,000	6.39	8.70	0.74	Inelastic
9	2019	908,207,117,000	106,893,000,000,000	4.85	7.88	0.62	Inelastic
10	2020	924,189,837,000	106,506,000,000,000	1.76	-0.36	-4.86	Inelastic
11	2021	925,862,559,000	110,886,000,000,000	0.18	4.11	0.04	Inelastic
12	2022	1,095,500,000,000	118,718,000,000,000	18.32	7.06	2.59	Elastic
Average				15.38	8.65	1.00	Unitary Elastic

Source: Data processed (2023)

Based on table 16, it explains that during the period 2012-2022 the tax elasticity value of NTT Province was still in a fluctuating condition. The average coefficient value is equal to one ($= 1$) so that the elasticity is unitary elastic, meaning that the changes that occur between Gross Regional Domestic Product and regional taxes are the same, where if there is a 1% change in Gross Regional Domestic Product then regional tax revenues will experience the same change of 1%. In 2014, the value of regional taxes on Gross Regional Domestic Product was 4.61% (elastic), meaning that every 1% change in Gross Regional Domestic Product would have a significant impact on changes in regional tax revenues greater than one (> 1), namely 4.61%.

Meanwhile, in 2020 the value of regional taxes on Gross Regional Domestic Product was -4.86% (inelastic), meaning that for every 1% change in Gross Regional Domestic Product there was actually a decrease in regional tax revenues of less than one (< 1), namely -4.86%. These results are in line with the results of tax power, where the increase in Gross Regional Domestic Product is not proportional to tax power, this is because although there is an increase every year, this increase is not proportional to tax power. This means that tax power is low, which indicates that people's ability to pay is very low.

Table 17. Population Elasticity of NTT Province 2012-2022

No	Year	Regional Tax (Rp)	Total Population (People)	% Δ Tax	% Δ Population	Population Elasticity	Information
1	2011	245,797,392,000	4,788,618	-	-	-	-
2	2012	315,287,237,000	4,871,227	28.27	1.73	16.39	Elastic
3	2013	363,720,612,000	4,953,967	15.36	1.70	9.04	Elastic
4	2014	559,803,346,000	5,036,897	53.91	1.67	32.20	Elastic
5	2015	662,667,383,000	5,120,061	18.38	1.65	11.13	Elastic
6	2016	745,480,000,000	5,203,514	12.50	1.63	7.67	Elastic
7	2017	814,122,728,000	5,287,302	9.21	1.61	5.72	Elastic
8	2018	866,157,779,000	5,371,519	6.39	1.59	4.01	Elastic
9	2019	908,207,117,000	5,456,203	4.85	1.58	3.08	Elastic
10	2020	924,189,837,000	5,541,394	1.76	1.56	1.13	Elastic
11	2021	925,862,559,000	5,387,738	0.18	-2.77	-0.07	Inelastic
12	2022	1,095,500,000,000	5,466,285	18.32	1.46	12.57	Elastic
Average				15.38	1.22	12.62	Elastic

Source: Data processed (2023)

Table 17 explains the population elasticity of NTT Province in 2012-2022 in terms of population, with an average coefficient value of 12.62%, more than one (> 1), so the elasticity is elastic. This means that a change in population has a big influence on changes in regional tax revenues, if a change in population of 1% will cause a change in regional tax revenues of more than 1%.

Conclusion

The financial performance of the NTT Provincial government from 2012-2022 seen from the overall effectiveness ratio is in the less effective category, this shows that the NTT Provincial government in realizing the planned Regional Original Revenue has not been implemented optimally based on the existing real potential. If we look at the trend analysis, the financial effectiveness of the NTT Provincial government in 2012-2022 is not yet stable or fluctuating. This is because the target and realization of Regional Original Revenue experience increases and decreases, if it is not maintained properly, there is a possibility that in the long term the financial effectiveness ratio of the NTT Provincial government could experience a decline.

The financial performance of the NTT Provincial government from 2012-2022 is seen from the overall financial independence ratio and is related to financial capacity being in the low category and having a consultative relationship pattern. This means that the NTT Provincial government is not yet independent or still depends on balancing funds, or it could also be said that in carrying out various government activities, the NTT Province has not been able to finance

itself with its own Regional Revenue. This is in line with the results of the dependency ratio, that from 2012-2022 the NTT Provincial government has a very high level of dependency on central government assistance in the form of balancing funds.

The financial performance of the NTT Provincial government from 2012-2022 seen from the Degree of Fiscal Decentralization ratio is in the medium category, meaning that in carrying out its authority and responsibilities the NTT Provincial government has moderate capabilities in implementing regional development provided by the central government. The NTT Provincial Government has not maximized regional revenues sourced from Original Regional Revenues, or the Total Regional Revenues are much greater than Original Regional Revenues. The lower the contribution of Original Regional Revenue, the lower the regional ability to implement fiscal decentralization. The NTT Provincial Government's small Original Regional Revenue illustrates that it has not been very optimal in exploring and utilizing all the potential local resources it has. If we look at the trend analysis of the NTT Provincial Government's Fiscal Decentralization Degree for 2012-2022, it is not yet stable or fluctuating, but has experienced a positive increase. This means that as time goes by the NTT Provincial government shows an increasing level of independence. If this tendency/trend continues to be maintained by the NTT Provincial government, it is very likely that one day its finances will be 100% independent. In this way, NTT Province is able to meet its income needs from within or with its own efforts without any dependence on external parties or the central government.

Viewed from the income aspect, after being analyzed using four formulas, regional finances are seen from tax power, Gross Regional Domestic Product always increases but is never commensurate with the tax power of regional taxes because every year it is below one percent; from tax effectiveness, the NTT Provincial government continues to increase tax revenues from its tax potential; in terms of tax efficiency, the NTT Provincial government is very efficient because it is careful and thorough in calculating the costs incurred to obtain regional taxes; and from elasticity, if seen from Gross Regional Domestic Product it is unitary elastic, meaning that the change in Gross Regional Domestic Product with regional taxes is the same, if the change is 1% in Gross Regional Domestic Product then regional tax revenues experience the same change of 1% and if seen population is elastic, meaning that changes in population influence changes in regional tax revenues, where a 1% change in population will cause a change in regional tax revenues of more than 1%.

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