

FINANCIAL MANAGEMENT IN THE SUPPORT GOOD GOVERNANCE (Study on The Government of Subang District)

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ABSTRACT

This research is based on the regional government's reluctance to the central government in providing financial assistance. Whereas in supporting the creation of good governance that the government is obliged to manage finances with the principles mandated by the Act. The loss of potential of Original Revenue that causes the level of financial independence is very less. By using secondary data from Subang district Government expected this research can explain real condition from local finance. The research results show that in the period of 2010-2016 the amount of central government transfers is very high compared with the realization of local revenue. So the high dependency of revenue from the source of Special Allocation Fund, General Allocation Fund to the region. On the other hand, with the transfer of Subang Regency Government can finance the wheel of good development for service up to infrastructure development for 7 years.

Key Words: Financial Management, Good Governance

1. INTRODUCTION

One of the goals of enacting regional autonomy in Indonesia is for regional financial independence. This makes the topic of regional financial independence in the autonomy era, especially since the enactment of the law 23 Year 2014 on Regional Government where the Regional Government has the right to regulate and manage its own government affairs according to the principle of regional autonomy and assistance tasks, directed to accelerate the achievement of community welfare through improving services, empowerment and participation of all communities, and enhancing regional competitiveness by taking into account

the principles of democracy, equity, justice and the specificity of a region within the system of the Unitary State of the Republic of Indonesia.

The enactment of the Law above is one of the proof of the demands of decentralization, especially in the financial field. In relation to financial management, it is intended that the process of achieving development requires proportional, fair, transparent and accountable financing. To that end, regional financial management aims to identify local revenue potentials to support development financing.

The ability of an area to provide funding derived from the region that is Local Revenue (PAD) very decently on

the ability to realize the economic potential into activities that can cause rolling funds or money for the development of the region concerned. If viewed from the perspective of regional finances in achieving the Original Revenue, then the implementation of autonomy in the financial field is very small. Subang regency is one of the regencies in West Java that has a large potential area ranging from tourism potential, agriculture and industry. How financial management Subang district in the period 2010 through 2016?

2. LITERATURE REVIEW

2.1 Regional finance

According to Mardiasmo (2002: 9) Regional Finance or the regional budget plans of local governments in the form of money (rupiah) within a specific period. Furthermore, the Regional Budget or Regional Revenue and Expenditure Budget is the main policy instrument for local government.

Whereas in Government Regulation Number 58 Year 2005, Regional Finance constitutes all regional rights and obligations in the framework of the implementation of local government which can be assessed by money including all forms of wealth related to the rights and obligations of the region. So it can be concluded that the regional finance is all rights and obligations of regional governments in the form of money (*rupiah*) which is used to finance the activities of local governance

Management of Regional Finances means that each autonomous region can manage and manage its own finances by using the principle of regional financial management according to Mardiasmo (2002: 105), among others:

a. Transparency. Communities have equal rights and access to understand the budget process, because it concerns the aspirations and interests of the community, especially in the fulfillment of people's living needs.

- b. Accountability. Principles of public accountability which means the process of budgeting from planning, drafting, and implementation must be reported and accountable to the public.
- c. Value of Money. This principle is actually the application of three aspects of economy, efficiency, and effectiveness. Economics, with respect to the ownership and use of resources in certain quantities and qualities there is a cheaper price

2.1.1 Concept of Regional Independence

According to Law Number 32 Year 2004 regarding Regional Government Article 1 paragraph 5 "Regional autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in accordance with legislation. Principles of regional autonomy adopted in Law Number 33 Year 2004, namely:

- a. Implementation of regional autonomy implemented and taking into account aspects of democracy, justice, equity, and potential for regional diversity.
- b. Implementation of regional autonomy is based on broad, real, and responsible autonomy.
- c. Implementation of extensive and intact regional autonomy is placed in the districts and municipalities, while provincial autonomy constitutes limited autonomy.
- d. The implementation of regional autonomy must be in accordance with the constitution of the state, so as to maintain a harmonious relationship between the central and regional and inter-regional levels.
- e. The implementation of regional autonomy should further enhance autonomous regions autonomy and hence in regency and municipal areas there is no more administrative area.

- f. The implementation of regional autonomy should further enhance the role and function of regional legislative bodies, both as a function of legislation, the function of oversight and function of the budget and the administration of regional governments; and
- g. Implementation of co-administration tasks not only from the government to the regions, but also local governments to villages accompanied by financing, facilities and infrastructure and human resources with the obligation to report implementation and accountable to the commissioned.

The previous central and local financial relations have had an impact on the relatively small contribution of the local revenue (PAD) to the Revenue and Expenditure Budget Regional (APBD) According to Mamesah (1995: 45) "regional finance is all rights and obligations that can start with money, as well as everything in the form of money or goods that can be used as regional wealth as long as not owned / controlled by the state or region higher and the parties- other parties in accordance with the provisions / regulations".

From the above description can be picked keywords from local finance are the rights and obligations. Rights is a regional right to seek local revenue sources in the form of collecting local taxes, regional levies or other sources of revenue in accordance with prevailing laws and regulations. While the obligation is a regional obligation to spend money in order to carry out all government affairs in the region.

As for the meaning of the financial capacity itself is the ability of the region to finance all household affairs both government and development by using revenue derived from the region itself or PAD (Local Revenue).

Regional independence can be seen from the degree of fiscal

decentralization of a region, namely by using the principal variable of financial capacity of the region. The ability of regional finances can be seen from the ratio of Local Revenue (PAD) to the Regional Revenue and Expenditure Budget (all revenue areas concerned), so that the increase in Revenue is closely related to the financial independence of an area.

According to Santoso (1995), although PAD can't fully finance the APBD, but the proportion of PAD tototal revenue remains an indication of the degree of financial independence of a local government. The same is said by Kuncoro (1995) that the fiscal decentralization indicator is the ratio between PAD and total APBD.

According to Kuncoro (1995), particularly rapid physical development during the new order was the result of a centralized fiscal policy, but on the other hand the fiscal dependence between regions on the center was also greater. The high regional dependence on the center has resulted in the central government having strong control over the regions in various local financial and development policies. This will limit community empowerment, initiative and creativity and community participation. The independence of regional finances means that regions must have the financial and the ability to extract financial resources, manage and use their own finances sufficient to finance the administration of their government (Dwirandra in Halim, 2001: 167). So it is clear that financial independence is how the region can explore the economic potential to use effectively and efficiently as a source of local finance to finance development.

According Halim (2001) regional financial independence can be searched with the formula of Degree of Fiscal Decentralization (DDF), that is

$$DDF = \frac{PAD_t}{TPD_t}$$

Table 2.1 Fiscal Decentralization Degree of Interval Degree

<u>PAD/TPD (%)</u>	<u>Regional financial capability</u>
<10	Very less
10.01 – 20.00	Less
20.01 – 30.00	Adequate
30.01 – 40.00	Moderate
40.01 – 50.00	Good
>50	Very good

Source: Munir, 2004: 106

The determination of the benchmark of local financial capacity is seen from the ratio of Local Revenue (PAD) to Total Regional Revenue (TPD) is considered reasonable considering most of the revenue sources in the region have been made central tax and levied by the Central Government, so that the contribution of local taxes and levies and The Original Regional Revenue on total local revenue is very small.

2.1.2 Pattern of Relation Relations Regional Finance

According to Hersey and Blanchard in Halim (2004: 284) there are four kinds of patterns of regional financial independence in the implementation of autonomy are:

- a. The pattern of instructive relationships, the role of the central government is more dominant than the independence of local governments.
- b. The pattern of consultative relations, the interference of the central government has begun to decline, as the region is considered slightly more capable of implementing autonomy.
- c. The pattern of participatory relationships, the role of the central government is diminishing as the region concerned is near autonomous level capable of carrying out autonomy affairs.
- d. The pattern of delegate relations, central government intervention is absent, because the regions have been fully capable and self-reliant in implementing regional autonomy.

Based on the four patterns of relationship above, there are still many areas in Indonesia, especially Subang Regency still in the pattern of instructive and consultative relationship. This is due to the high level of assistance provided by the central government to local governments.

2.1.3 Local Revenue

Regional Original Income is the backbone of regional financing, therefore the ability to implement the economy is measured by the amount of contribution provided by the Local Revenue to the APBD, the greater the contribution that can be provided by the Original Revenue to the APBD means less dependence of the local government on central government aid. Regional Original Revenue is one of the components of the source of State's financial revenue in addition to other receipts in the form of equalization funds, regional loans and other legal receipts as well as previous year's remaining funds which may be added as a source of funding for the administration of the region. The entire revenue share is reflected in APBD each year, even though PAD is not entirely able to finance APBD. According to Mardiasmo (2002: 132) "Indigenous revenues are receipts derived from the local tax sector, regional levies of regional-owned enterprises, the result of separated regional wealth management, and other native income. Law No. 33 of 2004 on the financial balance between the central government and regional governments states that the sources of

regional income consist of local revenues, tax and non-tax revenue share

2.1.3.1 Classification of Local Revenue

Local Revenue consists of:

- a. Regional tax is a compulsory duty made by an individual or entity to a region without equal direct benefits, which may be enforced under applicable legislation which is used to finance the implementation of local government and regional development.
- b. Regional Levies are regional levies as payment for services or granting specific permits specifically provided and / or provided by the local government for the benefit of individuals or bodies.
- c. Legitimate Regional Processing Results In addition to local taxes and user charges, the share of profits owned by local enterprises (BUMD) is one potential source of potential to be developed

3. RESEARCH METHODOLOGY

The research is descriptive research. Descriptive research that describes the problems associated with the purpose of research as it is, by collecting data and explaining the data obtained according to the need, according to Suryabrata (2004: 19) "descriptive method is a method to create a description of the situations or events". The data used in this study is secondary data in the form of reports from local government Subang Regency.

4. RESULTS AND DISCUSSION

4.1 Regional/ local Revenue

Receipts from indigenous sources of income within 7 years (from 2010 to 2016). It is seen in the table below shows the financial structure from the revenue side of Original Income Subang Regency.

*Table 4.2 Actual Receipts of PAD Subang Regency Budget Year
2010 – 2016 (in thousands of rupiah)*

Year	Tax	Retribution	BUMD	Other Receipts	Local Revenue
2010	23,114,864	9,752,048	5,936,517	36,728,861	75,532,290
2011	35,984,516	9,434,823	9,297,665	39,464,840	94,181,844
2012	40,205,227	18,631,996	10,686,412	51,448,400	120,972,035
2013	47,738,839	20,274,061	11,486,073	62,978,206	142,972,035
2014	88,667,002	15,988,859	13,613,292	18,193,213	262,614,860
2015	106,066,366	17,196,386	14,111,771	178,766,928	316,141,452
2016	139,913,702,005	18,954,358,619	15,513,999,288	186,239,160,458	360,621,220,370

Source: Subang in Figures Year 2017, and analysis

Based on the above table, the original income of Subang Regency during the period from 2010-2016 is still fluctuating. From 2010-2012 there is an increase although relatively small. While the significant improvement is seen in 2016, this is due to the abundance of local revenue from the sector of industrial sector is increasing. This increase in PAD can be used to finance the development, especially

infrastructure in supporting the economic activities of the people.

4.1.1 The role of local revenue (PAD)

The role of local revenue (PAD) of Subang Regency in supporting local revenue is still very small. This can be seen in table 2. Comparison of Local Own Revenue (PAD) to total revenue for 7 years from 2010 to 2016 shows the average 10.84%.

*Table 4.3 Level of Independence Ratio Subang Regency Government Budget
Year 2010 -2016*

Year	Local Revenue	Total Revenue	Role PAD %
2010	75,532,290	1,188,450,070	6.36
2011	94,181,844	1,409,685,487	6.68
2012	120,972,035	1,345,029,049	8.99
2013	142,972,035	1,487,970,536	9.58
2014	262,624,860	1,787,527,130	14.69
2015	316,141,452	2,401,803,549	13.16
2016	360,621,220,370	2,199,077,590,138	16.40
		Average	10.84

Source: Subang in Figures Year 2017, and analysis

The very small role of PAD to total revenues and mean regional autonomy in preparing the RAPBD has not been supported by regional autonomy financially. Due to the independence of a region can be measured one of the indicators is to increase the potential of the region's original income financially

4.1.2 Regional financial independent

To analyze the regional financial independence is the ratio between Local Own Revenue (PAD) with Total Receipts from central government transfers, provinces and loans (TPD) which is an indicator of the level of regional independence. District financial independence Subang Regency during the period of 7 years (2010-2016) can be seen in Table 4.4 below:

*Table 4.4 Level of Independence Ratio Subang Regency Government Budget
Year 2010 -2016*

Year	Local Revenue	Transfer + Loan	%
2010	75,532,290	770,741,907	9.80
2011	94,181,844	789,215,510	11.93
2012	120,972,035	974,520,933	12.41
2013	142,972,035	1,092,064,632	13.09
2014	262,624,860	1,214,489,123	21.62
2015	316,141,452	1,288,521,357	24.54
2016	360,621,220,370	1,626,917,569,859	22.17
		Rata-rata	16.1

Source: Subang in Figures Year 2017, and analysis

Based on the ratio of financial independence level in the table above, the average level of financial independence of Subang Regency during the period of 2010-2016 is 16.1% so that it is classified according to the criteria of the regional financial independence assessment is Subang Regency with the level of Regional Financial Independence Less. This indicates that Subang Regency during the 2010-2016 fiscal year period has less financial independence and thus has a high dependence on central government

assistance through balancing funds. This is because the potential of Original Regional Revenue derived from the tax sector, retribution to other legitimate pending can't be maximized by Subang Regency Government.

The value of regional financial capability obtained from the ratio of total revenue to total expenditure, then measured by performance criteria, then compared from year to year. Analysis of local financial capacity for 7 (seven) years from 2010 to 2016 is presented in table 4.5.

*Table 4.5 Local Government Financial Capacity Level Subang Regency Budget
Year 2010 -2016*

Year	Total Revenue	Total Spending	%
2010	1,188,450,070	1,098,455,942	108.19
2011	1,409,685,487	1,218,455,942	115.69
2012	1,345,029,049	1,349,749,018	99.65
2013	1,487,970,536	1,579,383,935	94.21
2014	1,787,527,130	1,982,096,218	90.18
2015	2,401,803,549	2,068,699,520,508	0.12
2016	2,199,077,590,138	2,217,824,300,126	99.15
	Average		86.74

Source: Subang in Figures Year 2017, and analysis

Based on the ratio of financial ability level in Table 5 above, the average level of financial capability of Subang Regency during the period of 2010-2016 is 86.74% so that it is classified as having good regional financial capacity. This is due to the amount of revenue outside the original income regional enough to support and boost the financial district Subang. This financial position can be used for development financing, service up to other development. Where Subang Regency at this time will get a challenge in building an international port. Of course, there is preparation and impact on the development of Subang Regency. Preparation that must be implemented is how the city planning and infrastructure, especially the highway Subang Regency can support the creation of an area that in the region industry at the same time does not rule out the development of human resources.

With regard to infrastructure development, not only roads, educational infrastructure can also be an indicator of development success. Because the provision of educational facilities can support the creation of human beings who have quality and character in development.

5. CONCLUSIONS

Based on the results of data analysis on "Management of Regional Finance in Subang Regency

Government for 7 years from 2010 to 2016 can be concluded as follows:

- a. The level of financial independence that is less good, provides an illustration that the local financial management process is less good. In addition, shows the number of potential Revenue Original Region lost so not maximal.
- b. With the transfer of central government, Subang Regency can finance the wheel of development for a period of 7 years. However, this needs to be watched with the high dependence of Central Government assistance to the Regional Government.

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