Analysis of Independence and Effectiveness of Regional Finances in North Toraja Regency

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Abstract

This study analyzes the Financial Independence and Effectiveness of North Toraja Regency. Quantitative analytical methods were used. The results of this study indicate that (1) the level of regional financial independence of North Toraja District is still not good because the value of the original regional income of North Toraja District is still much smaller than the balance fund, and thus it is not yet independent. (2) The level of regional financial effectiveness in North Toraja District is also not good because it meets the criteria of less than 100% or is said to be ineffective.

Keywords: Effectiveness, Independence, Regional Original Income.

INTRODUCTION

Measurement of financial capability is important for assessing the accountability of local governments in managing local finances and is outlined in the form of financial statements that aim to present information about the financial capability of local governments that is useful in decision-making and to demonstrate reporting accountability for resources managed by the government.

The ability of local governments to manage their finances is outlined in the Regional Budget (APBD), which describes the ability of local governments to finance activities to carry out development tasks, as well as equity and justice, by developing all the potential possessed by each region. In carrying out regional autonomy, local governments are required to run the government efficiently and effectively, encourage community participation in development, and improve equity and justice by developing the potential possessed by each region (Sholikhah, 2011; Wijayanto & Muin, 2020).

Many North Toraja people believe that the North Toraja government has not been able to manage its finances. People feel unfair to manage the finances of the North Toraja Regency because of uneven development and road improvements in several subdistricts.

Each region in Indonesia has a different revenue potential due to differences in resource potential, economic level, and sociocultural characteristics. Therefore, specifically for the North Toraja Regency, it is necessary to conduct separate research to obtain a more complete picture of the region's ability to become an autonomous region. The successful implementation of regional autonomy cannot be separated from the ability of the financial sector, which is an important indicator of regional autonomy.

Regional Original Revenue is regional finance that comes from regional potential and is sourced from local taxes, levies, service companies, and other legitimate businesses. Regional Original Revenue increases every year, indicating that the region can develop independently without depending on central funds (Ismanthono in Mahardika, 2020).

Regional financial independence shows the government's ability to finance its own government activities, development, and services to people who have paid taxes and levies as a source of revenue needed by the region (Halim, 2007; Eka, 2017).

Effectiveness is the level of achievement of the program results within the target set. In simple terms, effectiveness refers to the comparison of outcomes with outputs. Effectiveness is generally defined as a measure of the ability to achieve certain goals or objectives. The intended ability can vary depending on the goals or objectives to be achieved or set. The definition of effectiveness defined by Hans Kartikahadi in Cicilia et al. (2019) is the end product of an operational activity that has achieved its objectives, both in terms of the quality and quantity of work results, and the targeted time limit. Meanwhile, Ruchyat Kosasih (Cicilia et al., 2019) defines effectiveness as "the comparison of input-output in various activities, up to the achievement of the goals set, both in terms of quantity (volume) of work, quality of work results and the targeted time limit".

METHODS

This research was conducted at Lembang Tondon Langi', Tondon District, North Toraja Regency, with the objective of research at the Regional Finance and Asset Agency with the focus of research on the independence and effectiveness of regional finances in North Toraja Regency. The data analysis used in this research is a quantitative descriptive analysis method that describes the independence and effectiveness of the regional finances of the North Toraja Regency in the 2016-2021 fiscal year. The analytical tool used is the analysis of the ratio of regional financial independence and the effectiveness ratio of the Regional Original Revenue.

RESULTS AND DISCUSSION

Table 1. Local Revenue North Toraja

No.	Year	Local Revenue (Rp)	Balance Fund (Rp)	RKKD (%)	Relationship Pattern
1	2016	34.896.515.041,55	677.025.597.393,00	5,15	Instructive
2	2017	44.165.976.209,12	711.002.965.149,00	6,21	Instructive
3	2018	41.975.878.751,30	795.904.719.613,00	5,27	Instructive
4	2019	51.882.966.518,99	763.972.242.419,00	6,79	Instructive
5	2020	55.672.229.593,93	828.657.727.776,00	6,72	Instructive
6	2021	46.186.064.285,50	887.435.896.052,00	5,21	Instructive

Source: BKAD North Toraja (Processed in 2023)

Regional Financial Independence is the ability of a region to finance its own government activities, development, and services to people who have paid taxes and levies as a source of revenue needed by the region. The independence of regional finances of the North Toraja Regency during the 2016-2021 period can be said to be independent because it does not describe the expected relationship pattern. Previous research conducted by Sholikhah experienced the same thing, the level of independence was still in an instructive relationship pattern due to the lack of public participation in paying local taxes and levies. The highest independence ratio of the North Toraja Regency Regional Finance was in 2019 and the lowest in 2016. Although it experienced only a slight decrease, it remained in the very low category. According to the relationship pattern and the level of regional financial capability, if the ratio of regional financial independence is still in the range of 0.00-25.00, the regional financial independence of North Toraja Regency is still classified as very low with an instructive relationship pattern, which means that the ability of the North Toraja Regency government to meet the needs and to carry out the tasks of government, development, and community social services is still relatively low, and the role of the central government is more dominant than the independence of the local government. Although local tax and levy revenues as well as other legitimate local revenues continue to show an increase from 2016 to 2017 and 2019 to 2021, this increase is not significant enough to boost regional financial independence from a very low level of ability to a better level of financial capability.

Table 2. Realization of PAD Revenue North Toraja

No.	Year	PAD Revenue Target (Rp)	Realization of PAD Revenue (Rp)	PAD Effectiveness Ratio (%)	Criteria
1	2016	44.045.099.325,00	34.896.515.041,55	79,23	Less Effective
2	2017	66.508.803.000,00	44.165.976.209,12	66,41	Ineffective
3	2018	58.220.028.100,00	41.975.878.751,30	72,1	Less Effective
4	2019	56.220.028.100,00	51.882.966.518,99	92,29	Effective Enough
5	2020	77.433.903.735,00	55.672.229.593,93	71,9	Less Effective
6	2021	57.732.296.542,61	46.186.064.285,50	80	Less Effective

Source: BKAD North Toraja (Processed in 2023)

The Effectiveness Ratio changes annually from 2016 to 2021. The ratio of regional own-source revenue in 2016 was 79.23%; in 2017, 66.41% this is a very low level of effectiveness; in 2018, 72.10% in 2019, 92.29% this is the highest level of effectiveness; in 2020, 71.90% and in 2021, 80.00%, which means that the government's ability to realize the planned regional own-source revenue is still insufficient. This is because the local government sets a very high target in setting the target for local revenue and pays less attention to the realization of local revenue in the previous year, such as in 2016 the realization of local revenue was only IDR 34,896,515,041.55 and the time of setting the 2017 local revenue target of IDR 66,508,803,000.00, it has a very large gap which should be a guideline for the North Toraja Regency government in setting the local revenue target for the next fiscal year.

CONCLUSION

Based on the results of the research and discussion, it can be concluded that: 1) regional original income and balancing funds from 2016 to 2021, the level of regional financial independence of North Toraja Regency is still not good because the value of regional original income of North Toraja Regency is still much smaller than the balancing funds so that it is not yet independent. 2) The target and realization of local revenue of North Toraja Regency from 2016 to 2021, and the level of effectiveness of local finance of North Toraja Regency from year to year is not stable.

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