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Why Fiscal Dynamics Occur in Samarinda City ?

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Abstract

Regions that lack economic potential will face difficulties in increasing sources of revenue. This difference eventually raises great expectations for subsidies from the central government as a source of funding in Samarinda City. The aim to be achieved in the study is to analyze and identify the degree of fiscal decentralization in the City of Samarinda during 2014-2018. This type of research is quantitative and the data source used is secondary data. The data is based on time series during budget year of 2014-2018, which was compiled through the publication of the Regional Revenue Agency and Central Bureau of Statistics Samarinda City. The analytical tool used is Degree of Fiscal Decentralization. Simple conclusions that can be obtained based on the analytical tool, namely: (1) The average ratio of Regional Original Income to Regional Revenues is 3.44% (very less); (2) The average ratio of Tax Sharing and Non Tax/Natural Resources Sharing to Regional Revenues is 39.69% (sufficient); (3) The average ratio of Balanced Budget to Regional Revenues is 64.51% (very good); (4) The average ratio of Regional Original Income to Regional Expenditures is 11.94% (less); (5) The average ratio of Regional Original Income to Capital Expenditures is 42.75% (good); and (6) The average ratio of Tax Sharing, Non Tax/Natural Resources Sharing, and Regional Original Income to Regional Expenditure is 47.20% (good).

Keywords: Fiscal dynamics; Regional income; Regional expenditures

JEL Classification: E62; E64; R50

INTRODUCTION

Constitution of the Republic of Indonesia Number: 32/2004 concerning Regional Government (Article 15, paragraph 1), states: "Relations in the financial sector between the Government and Regional Governments include: a) Providing financial resources to administer governmental affairs that are the authority of regional governments; b) Allocation of Balanced Budget to regional governments; and c) Providing loans and/or grants to regional governments. The Act implies that the regions are given the authority to utilize their own financial resources, namely: Regional Original Income (ROI), and supported by Balanced Budget (BB), including: Revenue Sharing Fund (RSF), General Allocation Funds (GAF) and Special Allocation Funds (SAF). Based on this, one important indicator of regional financial authority is the magnitude of regional fiscal autonomy. Fiscal

autonomy (ROI) provides an overview of the independence or ability of an autonomous region”.

Providing autonomy to the regions in planning, exploring, managing and using regional finances in accordance with regional conditions, ROI can be seen as one of the indicators or criteria to reduce a region's dependence on the center. In principle, the greater ROI to the Regional Government Budget (RGB) will show the smaller regional dependence on the center. In addition, the government determination to realize broad, real and responsible autonomy through granting wider authority to the District and City regions is an effort to empower regional potential in various fields of development. Thus, regions in carrying out development must be prepared to accept the burden and responsibility to regulate, and manage their own households in accordance with their capabilities (Chalid, 2005).

Samarinda City as part of the economy of the East Kalimantan Province, and has a relatively similar economic structure, the development strategies and policies that must be applied are relatively the same. Where ROI inequality is still a real condition that is still felt by the community. This can be seen from the different levels of progress between regions, differences in Gross Domestic Regional Products (GDRP), and the magnitude of the unemployment rate that occurs. The city of Samarinda is one of the cities and is the capital of the province of East Kalimantan, Indonesia. The entire city area is directly adjacent to Kutai Kartanegara Regency. Samarinda city can be reached by land, sea and air travel. With the Mahakam River dividing in the middle of Samarinda City, which is the gateway to the interior of East Kalimantan. The total area of Samarinda City in 2016 is 718 km² with a population of 828,303 people or about 0.67% of the total population of Indonesia and makes this city the largest population in all of Kalimantan (Central Bureau of Statistics Samarinda City, 2017).

Even with such a small population, it should be able to help development. However, if it is not empowered it will only add to the development burden. Seeing the current situation where the rate of population growth continues to increase but is not balanced with the distribution of population distribution. In general, the population accumulates more in the City area than in the Regency. There are various kinds of problems faced by Samarinda City, including poverty, economic growth and income distribution. An important aspect to pay attention to in addition to increasing income is income distribution, because one of the strategies and objectives of national development is income equity.

Based on Regional Revenue Agency Samarinda data in 2018, the development of the Samarinda RGB realization for 5 years (2014-2018) has fluctuated. The highest realization occurred in 2013 reached Rp. 2,567.673 billion and the lowest was Rp. 2,237.923 billion for 2015. The facts regarding the value of the RGB budget that tend to be inconsistent are caused by lower income than income realization. In other words, the Samarinda City government tends to be wasteful in using the budget.

In development activities, a large amount of funds is needed to finance development in addition to other facilities. State revenues continue to be improved by exploring and developing all sources of state revenue. Especially the source of revenue that comes from taxation and other sources, while still paying

attention to the increase in the capacity of development financing by the community.

In order for the goals and efforts of regional development to work and succeed well, the central and regional governments need to remind the source of revenue, because it is a necessity that every development effort always requires funding that is not small.

Likewise with the City of Samarinda to achieve the goals of development and equity, the government needs to increase its own source of local revenue which in turn can affect the level of regional economic development seen from the development of added value of GDRP through the revenue sources of the regions determined in RGB Samarinda City.

Sectoral development programs aim to create a balanced economic structure. The existence of limited development funds requires the existence of appropriate and directed policies for development, so it is necessary to establish sectoral priorities. Development priorities in terms of economy are determined based on fluctuating conditions in the use of RGB.

The theoretical assumption is that the proportion of Samarinda City government expenditure is highly dependent on how much the regional revenue is. Government expenditure figures can increase, if there is appreciation from these recipients, in a quality manner. The problem that occurs empirically (quantity) is the amount of government spending increases, but not accompanied by regional revenues that appear to be volatile for several years. Thus, the absorption value of the regional revenue and expenditure budget of Samarinda City, which is expected as an economic output, is not achieved and can lead to fiscal imbalances.

In reality the problem faced by Samarinda City now is the different economic conditions between regions. Regions that lack economic potential will face difficulties in increasing sources of revenue. This difference eventually raises great expectations for subsidies from the central government as a source of funding in Samarinda City.

Based on empirical facts, the objectives to be achieved in the study are to analyze and identify the performance of fiscal degree in the Samarinda City at budget year of 2014-2018.

LITERATURE REVIEW

Degree of Fiscal Decentralization and Determinant Factors

Today, measurement of decentralization degree has been developed in two ways, namely the measure of legal control rules, and behaviorally measures which consist of local government direct expenditure ratio, and categorical grants ratio.

A measure of legal control was first developed by Zimmerman (United States Intergovernmental Relations Advisory Commission) in 1981, which looked at the state of centralization/decentralization in 50 states in 1980 by comparing the direct expenditure of local governments with state governments. The Zimmerman scale simply specifies that if a number 1 (centralization) and number 5 (decentralization) is obtained. The four things observed gained weight sequentially, namely the structure of government, functional, personnel, and financial responsibilities.

The ratio of expenditure or direct expenditure of local government (spending on goods and services, and excluding assistance) is the first behaviorally comparing measure of budget decision making between local government and the central government, with the Wolman and McCormick formulas in Bannett (1994).

To maximize the increase in the efficiency of decentralization, the following conditions are needed: (1) Sufficient skilled labor, access to resources and capital to develop public services that cool local communities; (2) efficient tax administration; (3) Taxing power that can capture a significant portion of people's income; (4) Income-elastic demand; (5) Election of regional officials democratically; and (6) Local discretion in budget preparation and tax-rate determination (Bahl & Linn, 1992).

To find out how far the ability of fiscal assignment theory can predict, it is necessary to measure the degree of fiscal decentralization that can be measured conceptually and empirically. Fiscal decentralization depends qualitatively in terms of its importance. Fiscal interests can be measured by the share revenue generated by the share expenditure made.

The development of regional economic development models in Indonesia is not easy. A theoretical and empirical framework for analyzing regional development and local policies is practically absent in Indonesia. This fact caused many studies on regional development with diverse frameworks and approaches based on conditions in each country. In connection with this, although it is not intended to impose a uniform format, a consistent analytical framework is needed by justifying existing theories or at the same time forming models for the various models. then the general trend can be seen based on the analysis developed from the model (Azis, 1994).

If attention to the components of government assistance in the regional government budget in Indonesia, the largest part is in the form of capital transfers. In 1984/1985 the average was around 50% of routine expenditure and 39% of development expenditure was provided by the central government. While in Regency development expenditure, the average ROI only covers 2.3% overall.

The financial capacity of Regency/City in Indonesia is very low. If the contribution of ROI to RGB Province national average is only 21%, then the contribution of ROI to RGB Regency/City is even smaller at only 18%. Assistance or subsidies received by district show an imbalance between block grants and specific grants. Special assistance is dominant (86.8%), and most of the special assistance funds (66.9%) are in the form of autonomous regions. Meanwhile, only 13.2% allocated for general assistance (Koswara, 1998).

Fiscal Decentralization as a Public Policy Instrument

Cheema & Rondinelli (1983) explain that decentralization in a policy and administrative perspective is a form of planning, decision making, or administrative authority from the central government to its organizations in the field, local administrative units, semi-autonomous organizations, and parastatal organizations, local government (regional) or non-governmental organization.

Fiscal decentralization is basically a derivative of the pattern of relations between the central and regional governments. This is in accordance with what is mandated in Constitution of the Republic of Indonesia Number: 25 of 1999

concerning Central and Regional Financial Balance. In the law, it has been regulated that the fiscal decentralization policy includes the allocation of General Allocation Funds as a source of financing for the administration of regional governance, Profit Sharing Funds which are extraction of natural resources from the region concerned and given limited tax authority to local governments.

Fiscal decentralization is one of the main components of the concept of decentralization. If the local government implements its functions effectively and is given freedom in making decisions on service provision in the public sector, then they must be supported by adequate financial resources both from Regional Original Income including Taxes, Tax Sharing and Non Tax Sharing, Regional Loans, or Special and General Subsidies from the Central Government (Sidik, 2002).

The initiation of fiscal decentralization is based on the objectives of fiscal policy, namely the efficiency of resource allocation, redistribution of income, and macroeconomic management (Kumorotomo, 2008). Based on these three objectives, Musgrave (1959) has also outlined this as a function of allocation, distribution and stabilization. Finally, the arguments for the implementation of fiscal decentralization policies include: (1) To overcome the fiscal gap; (2) Political arguments; and (3) Increase the level of effectiveness of government spending.

To examine fiscal decentralization as part of the public policy process, it can be seen from the elites who make the policy. Public Policy Expert, Grindle and Thomas (1991) explained that there are two conditions that can be analyzed, namely the existence of macro politics and micro politics. Macro politics means that elites are focused on problems that affect the legitimacy of the regime, political and economic goals in the long term, nationally. While micro politics is usually not a crisis, it is related to parochial demands from certain groups, the use of policy resources to maintain relations with political clients, the distribution of policy resources to gain political control, elite interests in the short term. Therefore, the fiscal decentralization policy in its implementation is influenced by the level of local democracy (Azfar, 1999).

Local democracy will function well in a society that is economically and socially homogeneous. However, devolution of authority in the taxation sector will have an impact on vertical externalities. In addition, many developing countries implement fiscal decentralization policies due to escape from the pitfalls of government inefficiencies, macroeconomic instability and inadequate economic growth that have caused these countries to fall lately (Bird & Vaillancourt, 1998). Ebel (2000) argues that a fiscal decentralization policy is implemented aimed at: (1) Division of roles and responsibilities between levels of government; (2) Strengthening the regional income system or formulating a public service system in the area; (3) Transfers between levels of government; (4) Privatization of government-owned companies; and (5) Provision of social safety nets.

Sidik (2002) explains the purpose of the fiscal decentralization policy must be able to guarantee: (1) the sustainability of fiscal policy in the context of macroeconomic policies; (2) Conduct a correction of inequality between regions and inequality between central and regional governments to improve the efficiency of allocating national resources and activities of local governments; (3) Meet the aspirations of the regions, improve the fiscal structure, and mobilize

revenues regionally and nationally; (4) Increasing accountability, transparency and community participation in decision making at the regional level; (5) Improve fiscal balance between regions and ensure quality services in each region; (6) Creating social welfare for the community.

The Fiscal Gap

As developed by Auerbach (1994) and implemented in many subsequent analyses, the “fiscal gap” measures the size of the immediate and permanent increase in taxes and/or reductions in noninterest expenditures that would be required to set the present value of all future primary surpluses equal to the current value of the national debt, where the primary surplus is the difference between revenues and noninterest expenditures. Equivalently, it would establish the same debt-GDP ratio in the long run as holds currently. The gap may be expressed as a share of GDP or in dollar terms. The fiscal gap is an accounting measure that is intended to reflect the current long-term budgetary status of the government.

A fiscal gap is defined only under a set of assumptions about future policies and economic growth. These assumptions require judgment and justification. In Auerbach, Gale, Orszag & Potter (2003), we justify the assumptions reported here. Following a dichotomy employed in most previous estimates of the fiscal gap, we project future policies and economic growth using some what different, but linked, methods for the first 10 years of the forecast period and for subsequent years.

To these considerations the political economy approach adds three additional reasons to avoid vertical fiscal gaps. *First*, as already mentioned, such gaps may subvert desirable fiscal competition among jurisdictions. *Second*, when states become more dependent on grants and less dependent on own-source revenue, their incentive to grow the local revenue base weakens (Careaga & Weingast 2003; Weingast 2009). This problem is more severe when grants are strongly progressive or have been means tested, essentially taxing away most of the gains of growth from regions that improve their economic performance. Because of the dominance of the dynamic effects of a fiscal decentralization system over the long run, Singh & Srinivasan (2006) argue that “the allocative efficiency of the tax system in a standard public economics sense is of second order importance relative to fiscal autonomy on the revenue side”. In other words, fine-tuning incentives to correct subtle externalities is of lower priority than providing robust incentives to promote growth over the long run, which only a system with small vertical fiscal gaps and ample subcentral tax autonomy can do.

METHOD

Definition of Operational Variables

In this study, the variables used and the limitations of the variables under study in order to avoid misperception and misunderstanding of the analyzed model are as follows:

- 1) Degree of Fiscal Decentralization (DFD) is a measure of the amount of budgeting authority delegated by the central government to Samarinda City during 2014-2018 (%).

- 2) Regional Revenue (RR) is all receipts of money through the Samarinda City general cash account that adds equity to current funds which are the rights of the local government in 1 (one) fiscal year that does not need to be repaid by the Samarinda City region consisting of: Regional Original Income (ROI); Balanced Budget (BB); and Other Legal Revenue (OLR) for 2014-2018 (billion rupiah).
- 3) Regional Original Income is the revenue or revenue of the Samarinda City, which consists of: Local Taxes (LT); Local Retributions (LR); Income of Regional Government Corporate and Management of Separated Regional Government Wealth (IRGC-MSRGW); and Other Original Local Government Revenue (OOLGR) during 2014-2018 (billion rupiah).
- 4) Tax Sharing (TS) and Non Tax/Natural Resources Sharing (NT-NRS) are regional rights to the management of state revenue sources generated from the Samarinda City, the amount of which is determined by the producing region and based on the provisions of the prevailing laws in 2013 -2017 (billion rupiah).
- 5) Capital Expenditure (CE) is the expenditure of the Regional Government of Samarinda City whose benefits exceed one fiscal year and will add regional assets or wealth and then will add routine expenditures such as: Land Capital Expenditure (LCE); Expenditures Equipment and Machine (EEM); Capital Expenditure of Building (CEB); Expenditure on Roads, Irrigation and Networks (ERIN); Expenditures of Other Fixed Assets (EOFA); and Capital Expenditure of School Operational Assistance (CESOA) during 2014-2018 (billion rupiah).
- 6) Regional Expenditure (RE) is all cash disbursements of Samarinda City or liabilities that are recognized as a deduction from the value of net assets in a period of one fiscal year that the government of Samarinda will not receive again, including: Operations Expenditure (OE); Capital Expenditure (CE); and Unpredicted Expenditure (EU) during 2014-2018 (billion rupiah).
- 7) Balanced Budget (BB) is a fund sourced from The Indonesian Budget (TIB) revenue allocated to Samarinda City to fund the needs of Samarinda area in the context of implementing decentralization, including: Tax Sharing (TS); Non Tax/Natural Resources Sharing (NT-NRS); General Allocation Funds (GAF); and Special Allocation Funds (SAF) during 2014-2018 (billion rupiah).

Types and Sources of Data

The type of data in this study is quantitative based and the data source used is secondary data. What is meant by secondary data is data that is published or used by organizations that are not processors (Dajan, 1991). The data is time series based on the year of 2014-2018 budget, which consists of several regional financial data, namely:

- 1) Regional Government Budget (RGB)
 - a) Regional Revenue (RR)
 - b) Regional Expenditure (RE)
- 2) Regional Original Income (ROI)
 - a) Local Taxes (LT)
 - b) Local Retributions (LR)

- c) Income of Regional Government Corporate and Management of Separated Regional Government Wealth (IRGC-MSRGW)
- d) Other Original Local Government Revenue (OOLGR)
- 3) Balanced Budget (BB)
 - a) Tax Sharing (TS)
 - b) Non Tax/Natural Resources Sharing (NT-NRS)
 - c) General Allocation Funds (GAF)
 - d) Special Allocation Funds (SAF)
- 4) And other data deemed necessary in the study

The data is collected or obtained from the second party in the form of annual reports (publications) of Government Intensity, namely: (1) Regional Avenue Agency Samarinda City; (2) Central Bureau of Statistics Samarinda City; (3) Mulawarman University Library; and (4) Several scientific journals to support the course of research.

Analysis Tool

Based on the research objectives stated in the previous section, then in solving or analyzing the problems that exist in this study used descriptive and quantitative analysis. The analytical tool used is the Degree of Fiscal Decentralization.

One of the measures of regional financial performance is measuring fiscal decentralization, which explains the ability of regional revenues compared to total income or regional expenditure (Tan, 2014). There are several formulas that can be used as follows:

$$DFD^1 = \frac{ROI}{RR} \times 100\% \quad (1)$$

$$DFD^2 = \frac{TS + NT-NRS}{RR} \times 100\% \quad (2)$$

$$DFD^3 = \frac{BB}{RR} \times 100\% \quad (3)$$

$$DFD^4 = \frac{ROI}{RE} \times 100\% \quad (4)$$

$$DFD^5 = \frac{ROI}{CE} \times 100\% \quad (5)$$

$$DFD^6 = \frac{TS + NT-NRS + ROI}{RE} \times 100\% \quad (6)$$

note:

- DFD = Degree of Fiscal Decentralization
 ROI = Regional Original Income
 TS = Tax Sharing
 NT/NRS = Non Tax/Natural Resources Sharing
 BB = Balanced Budget
 RR = Regional Reveneus
 RE = Regional Expenditure
 CE = Capital Expenditure

All regions expect that the ratio of decentralization indicators above will be greater, which indicates that the greater the ability of regions to finance regional expenditures. Especially regarding the ROI ratio to RR, the study conducted by the Faculty of Social and Political Science at Gadjah Mada University (2001) in collaboration with the Institute of Research and Development Ministry of Home Affairs of the Republic of Indonesia in 1991 determined the benchmark of the ratio were:

- 1) The ratio value between 0.00% - 10.00% is categorized as very less.
- 2) The ratio value between 10.01% - 20.00% is categorized as less.
- 3) The ratio value between 20.01% - 30.00% is categorized as medium.
- 4) The ratio value between 30.01% - 40.00% is categorized as sufficient.
- 5) The ratio value between 40.01% - 50.00% is categorized as good.
- 6) The ratio value above 50% are categorized very good.

It is hoped that the degree of decentralization of ROI tax on RR in Samarinda City is large, which will provide great results for Samarinda City to finance all development.

RESULTS AND DISCUSSION

Regional Original Income (ROI) Performance on Regional Reveneus (RR)

Table 1 shows the proportion of ROI to RR Samarinda City for 5 years is 3.44% or classified as very less. This ratio is still far from the government's expectations. When reviewed based on ROI ratings and types, LT is still your (rank 1) for RR. It was proven that the average ratio during 2014-2018 was 8.03% (very less).

Table 1. Degree of ROI on Samarinda City RR in 2014-2018 (%)

Year	DFD ¹				
	LT/RR	LR/RR	IRGC-MSRGW/RR	OOLGR/RR	ROI/RR
2013	5.88	2.09	0.23	2.07	2.07
2014	7.70	2.16	0.23	3.07	3.07
2015	9.29	2.47	0.47	5.41	5.41
2016	8.77	2.31	0.21	4.23	4.23
2017	8.52	1.95	0.14	2.41	2.41
Average	8.03	2.20	0.26	3.44	3.44

Source: Regional Avenu Agency Samarinda City (processed), 2019

Note: LT = Local Taxes; LR = Local Retributions; IRGC-MSRGW = Income of Regional Government Corporate and Management of Separated Regional Government Wealth; OOLGR = Other Original Local Government Revenu; ROI = Regional Original Income; RR = Regional Reveneus.

The following sequence is the degree of OOLGR with an average of 3.44% (very less) to RR. The third rank is LR, the average proportion for RR is 2.20% or in the same criteria as before, which is very less. Likewise for the type of IRGC-MSRGW acceptance of RR. The average achievement in the 5 years is 0.26% (very less), so this acceptance post is ranked fourth. Samarinda City for the past 5 years has had the most contribution to ROI (an average of Rp 204.995 billion), this is inseparable from several sources of revenue that have generally increased over the past 5 years, and have a significant role or contribution, namely: (1) Road Lighting Tax; (2) Advertising Tax; (3) Hotel Tax; (4) Restaurant Tax; and (5) Nightclub Tax. There is OOLGR Samarinda City which gives the second largest contribution to total ROI (an average of Rp. 85.441 billion), despite a slight decline in 2013.

This is inseparable from some of its revenue sources which have generally increased during 2014-2018, and have a significant role or contribution, such as realization: (a) Revenue from Returns; (b) Acceptance of Interest on Deposits; and (c) Acceptance of Banking Giro Services. In the third order, the LR of the City of Samarinda ROI realization was inseparable from several sources of revenue which in general increased for 5 years (an average of Rp. 56.012 billion), and had a significant role or contribution, such as: (a) General Service Retribution; (b) Business Services Retribution; and (c) Specific Licensing Retribution. On the other hand, IRGC-MSRGW with the lowest contribution to total ROI, was inseparable from its revenue source which in general increased (on average Rp. 6.389 billion), namely: Equity Participation in the Regional Development Bank of East Kalimantan Province, Water Supply Companies, and State Electricity Company Branch of Samarinda.

The study findings contrast with what Sanusi (2002) investigated. The results showed that the level of financial capability of the Jambi Province was included in the medium category with an average degree of fiscal decentralization of 20.2%.

Tax Sharing (TS) and Non Tax/Natural Resources Sharing (NT-NRS) Performance on Regional Revenues (RR)

Table 2 shows the proportion of TS and NT-NRS to RR Samarinda City for 5 years is 39.69% or quite sufficient. In other words, the ratio has met the government's expectations. When reviewed based on rank and type of Revenue Sharing Fund (RSF), TS is still your (rank 1) for RR. It is evident that the average ratio during 2014-2018 is 31.11% (enough). The following sequence is the degree of NT-NRS with an average of 8.59% (very less) of RR.

When analyzed based on real conditions, the achievement of Samarinda City's RSF against Balanced Budget (BB) with the highest growth rate in the last 5 years, although the trend tends to decline in 2015-2017 (an average of Rp. 817.06 billion). Then, TS with the second highest growth rate when viewed during 2014-2018 (an average of Rp. 225.25 billion) in forming BB.

NT and NT-NRS Samarinda City is a BB component that has a role in organizing regional autonomy, because its revenue is based on the potential of Samarinda as a producing region. Basically, Samarinda City is required to be able to explore the potential of existing natural resources and human resources and

manage them. So, that Samarinda City Government revenue can continue to increase and the dependence of the region on the central government can be reduced.

Table 2. Degree of TS and NT-NRS on Samarinda City RR in 2014-2018 (%)

Year	DFD ²		
	TS/RR	NT-NRS	RSF/RR
2013	38.95	0.00	38.95
2014	34.15	0.00	34.15
2015	5.25	23.71	28.96
2016	38.02	0.00	38.02
2017	39.16	19.24	58.39
Average	31.11	8.59	39.69

Source: Regional Avenu Agency Samarinda City (processed), 2019

Note: TS = Tax Sharing; NT-NRS = Non Tax/Natural Resources Sharing;
RSF = Reveneue Sharing Fund; RR = Regional Reveneus.

Both types of revenue are allocated based on the principle of by origin with distribution based on the realization of regional revenues. If examined carefully, NT and NT-NRS, are potential sources of regional income and are one of the basic capital of the Samarinda Regional Government in obtaining development funds and meeting regional expenditures other than those from: ROI, GAF, and SAF.

Through the second policy of acceptance, it is expected that the local people of Samarinda City can feel the results of their natural resources. This is because during the New Order government the results of human resources were more enjoyed by the central government, so that there was an imbalance of development between one region (Java Island) and another area (Outside Java).

The study findings contrast with what was observed by Suprajitno (2003). In his research, it was concluded that the financial capability of the Banjarnegara Regency in its readiness to face regional autonomy in terms of the degree of fiscal decentralization was still considered insufficient, or it could be concluded that the level of fiscal dependency of the Banjarnegara Regency Government on assistance from the Central Government was still very high.

Balanced Budget (BB) Performance on Regional Reveneus (RR)

Table 3 shows the proportion of BB to RR Samarinda City for 5 years is 64.51% or classified as very good. In other words, the ratio is in line with the government's expectations. When analyzed based on the rank and type of BB itself, TS is still your (rank 1) and NT-NRS (rank 3) for RR, as what was stated in the previous section. The second rank is GAF, the average proportion for RR is 22.47% or in the medium criteria. On the one hand, for the type of SAF acceptance of RR Samarinda. The average achievement in the 5 years is 2.35% (very less), so this acceptance post is ranked fourth.

GAF Samarinda City in the past 5 years has contributed greatly to RR (an average of Rp. 573.98 billion). Meanwhile, SAF only contributed the lowest contribution to the total RR of Samarinda City (an average of Rp. 66.14 billion), despite a slight decline in 2015. This was inseparable from several sources of

revenue which in the last 2 periods increased sharply, in 2016-2017.

GAF turned out to have a role in influencing the acceptance of Samarinda City with medium criteria. This means that if there is an increase in the GAF value, it will cause an increase in the achievement of Samarinda's financial performance. GAF realization that has been flexible in terms of its utilization, has caused Samarinda area to not be completely free in planning budget allocation for development activities in accordance with its economic agenda, which among others includes the construction of basic facilities (physical or non-physical) which should contribute to supporting the fiscal needs of Samarinda City optimally.

Table 3. Degree of BB on Samarinda City RR in 2014-2018 (%)

Year	DFD ³				
	TS/RR	NT-NRS/RR	GAF/RR	SAF/RR	BB/RR
2013	38.95	0.00	19.09	0.16	58.20
2014	34.15	0.00	22.57	0.35	57.07
2015	5.25	23.71	26.58	0.27	55.80
2016	38.02	0.00	21.98	2.43	62.42
2017	39.16	19.24	22.13	8.54	89.06
Average	31.11	8.59	22.47	2.35	64.51

Source: Regional Avenu Agency Samarinda City (processed), 2019

Note: TS = Tax Sharing; NT-NRS = Non Tax/Natural Resources Sharing; GAF = General Allocation Funds; SAF = Special Allocation Funds; RR = Regional Revenues.

Based on the Government Regulation of the Republic of Indonesia Number: 58/2005, GAF is one component of the balancing fund in the Regional Government Budget (RGB), whose allocation is based on a formula with the concept of fiscal gap or fiscal gap, namely the difference between fiscal needs and fiscal capacity plus with basic allocation. The function of GAF itself is as an instrument to overcome horizontal imbalance, which is allocated with the aim of equal distribution of financial capabilities between regions where its use is determined entirely by the Samarinda. Provision of GAF for Samarinda City by calculating the area is the right thing because it is closely related to the management of the region to carry out its authority functions in the framework of decentralization, which is closely related to the efforts of economic growth and protecting the environment and the development of land and river infrastructure in Samarinda.

On the one hand, the role of SAF partially lacks a positive impact and does not play a direct role in the output or accumulation of values reflected in the Samarinda City RR. In this case, the autonomy policy is a delegation of authority accompanied by the transfer and transfer of funding, including one that is SAF in the framework of decentralization for the Samarinda City. In the face of decentralization, it is hoped that the potential of the Samarinda region will be explored even deeper. That way, it will produce a sustainable and equitable regional revenue.

The ability of Samarinda City to provide funding originating from the center is highly dependent on the realization of the economic potential into forms of economic activities that are able to create revolving funds for sustainable regional development. The smaller the value and realization of the Samarinda City

SAF, the lower the role of the government in efforts to improve the quality of public services through investment activities. Thus, the impact of SAF it self has a small negative effect on all fiscal needs.

The study findings are in line with what was studied by Mardiasmo (2000). The results of his research suggest that the implementation of regional autonomy will lead to fundamental changes in the form of institutional reform and regional financial management mechanisms. Changes to the mechanism of regional financial management lie in changes in portions and structure, both in The Indonesian Budget (TIB) and RGB which are caused by balancing funds to finance the implementation of decentralization. One main thing that must be remembered in the effort to achieve the success of regional autonomy is not solely in efforts to increase ROI, but more on how the local government can have the authority and freedom to use the funds in the local government, both from within (ROI) or from outside (eg Balanced Budget).

Regional Original Income (ROI) Performance on Regional Expenditure (RE)

Table 4 shows the total ROI for RE Samarinda City broadly in less criteria. Proved if the results of the analysis for 5 periods, the whole degree in the interval (10.01-20.00%). The highest ratio was only around 16.37% (in 2014) and the smallest was 10.01% for 2016.

The proportion of ROI to RE Samarinda City for 5 years was 11.94% or classified as less. In other words, this ratio is still far from the government's expectations. When reviewed based on the rank and type of ROI it self, IRGC-MSRGW is still your (rank 1) for RE. It was proven that the average ratio during 2014-2018 was 21.60% (medium). The following sequence is the degree of LT with an average of 6.94% (very less) to RE. The third rank is OOLGR, the average proportion for RE is 2.86% or in the same criteria as before, which is very less. Likewise for the type of LR acceptance of RE. The average achievement in the 5 years is 1.92% (very less), so this acceptance post is ranked fourth.

Table 4. Degree of ROI on Samarinda City RE in 2014-2018 (%)

Year	DFD ⁴				
	LT/RE	LR/RE	IRGC-MSRGW/RE	OOLGR/RE	ROI/RE
2013	5.87	2.09	22.47	2.07	10.25
2014	9.57	2.69	28.19	3.82	16.37
2015	6.09	1.62	30.81	3.54	11.57
2016	5.65	1.49	13,75	2.72	10.01
2017	7.52	1.72	12.80	2.12	11.49
Average	6.94	1.92	21.60	2.86	11.94

Source: Regional Avenu Agency Samarinda City (processed), 2019

Note: LT = Local Taxes; LR = Local Retributions; IRGC-MSRGW = Income of Regional Government Corporate and Management of Separated Regional Government Wealth; OOLGR = Other Original Local Government Revenue; ROI = Regional Original Income; RE = Regional Expenditure.

The realization of the ROI in Samarinda City is still considered minimal, reflecting the policy as an effort to improve the welfare of the community. However, on the way the Government must provide and multiply public goods,

because there is no private sector that wants to provide goods enjoyed by many people. Government activities will shift from providing facilities to expenditures for social activities that can ultimately increase economic activity. In this case the regional government imposes regional taxes and levies, so that the ROI of Samarinda City also increases to finance government expenditure.

In terms of quality, the condition of infrastructure and pre-existing facilities in the Samarinda City area to date have not had a significant impact on regional independence during the study period. If the facilities and infrastructure are adequate, then the community can carry out their daily activities safely and comfortably which will affect the increasing level of productivity, and with adequate infrastructure will attract investors to open businesses in Samarinda City. By allocating the value of RE Samarinda realization effectively and efficiently, it is expected that it will have an impact on the future period, namely increasing productivity of the community and increasing investors, will increase ROI.

The study findings are in line with what Kevin (2013) examined. The results of his research suggest that the ability of the region is used as a basis for measuring and determining the amount of authority that will be handed over to the District/City in regulating and managing government affairs as their own domestic affairs. Regional capacity in increasing income still faces many obstacles, including: types of taxes and regional retributions have been determined in a limited way, making it difficult for regions to be creative in exploring their own financial resources. Regional Government Corporate development deals with limited capital, excessive bureaucrat interference, unclear legal status and lack of professional human resources. For other income, there is still a lack of standard mechanisms and procedures for distribution, so there are frequent delays that result in disruption of regional financial liquidity.

Regional Original Income (ROI) Performance on Capital Expenditure (CE)

Table 5 shows the proportion of ROI to CE Samarinda City for 5 years is 42.75% or good criteria, the ratio is in line with the government's expectations. When reviewed based on ROI ratings and types, LT is still your (rank 1) for CE. It was proven that the average ratio during 2014-2018 was 25.18% (medium). The following sequence is the OOLGR degree with an average of 9.78% (very less) to CE. The third rank is LR, the average proportion for CE is 7.03% or in the same criteria as before, which is very less. Likewise for the type of IRGC-MSRGW acceptance of CE Samarinda. The average achievement in the 5 years is just under 1.0%, which is 0.76% (very less), so that this acceptance post is ranked fourth.

In terms of quality, the role of partially increasing ROI has had a positive impact and has a direct role for output or accumulated value reflected in the CE of 2014-2018. In this case, the Government of Samarinda City CE will be adjusted to changes in government revenues or changes in income occur before changes in expenditure. The main objective of fiscal decentralization is the creation of regional independence. The government is expected to be able to explore local financial resources, especially through the contribution of ROI.

When examined carefully, ROI is one of the expenditure sources in the Samarinda City. If ROI increases, the funds owned by the Samarinda Government will be higher and the level of regional independence will also increase. Thus, the regional government will take the initiative to further explore the potential of the

region and increase CE. This shows a strong indication, that if Samarinda's ROI increases, the ability of the region to carry out Regional Expenditure, such as CE and so on in this case will also increase.

Table 5. Degree of ROI on Samarinda City CE in 2014-2018 (%)

Year	DFD ⁵				
	LT/CE	LR/CE	IRGC-MSRGW/CE	OOLGR/CE	ROI/CE
2013	29.54	10.53	1.13	10.42	51.62
2014	27.94	7.85	0.82	11.15	47.76
2015	16.78	4.46	0.85	9.76	31.85
2016	14.85	3.92	0.36	7.15	26.27
2017	36.81	8.42	0.63	10.40	56.26
Average	25.18	7.03	0.76	9.78	42.75

Source: Regional Avenu Agency Samarinda City (processed), 2019

Note: LT = Local Taxes; LR = Local Retributions; IRGC-MSRGW = Income of Regional Government Corporate and Management of Separated Regional Government Wealth; OOLGR = Other Original Local Government Revenue; ROI = Regional Original Income; CE = Capital Expenditure.

The study findings contradict what Fathillah (2001) investigated. His research concluded that during 1996/1997-2000, the proportion of the average miscellaneous expenditure on the total CE in the Regional Government Budget of Kutai Kartanegara Regency was 32.27% which was the second largest proportion after the average personnel expenditure was 40.07%. From this condition shows that the cost awareness of the Kutai Kartanegara Government is still not good. This condition certainly affects other CE posts. If the proportion of miscellaneous expenditure remains high, then other expenditure items in the routine expenditure group become smaller.

Tax Sharing (TS), Non Tax/Natural Resources Sharing, and Regional Original Income (ROI) Performance on Regional Expenditure (RE)

Table 6 shows TS, NT-NRS and ROI against RE Samarinda City broadly in good criteria. Evidently if the results of the analysis for 5 periods is 47.20% (good). The highest ratio was around 58.80% (very good) in 2014 and the smallest was 30.55% (enough) for 2015. The ratio was in line with the government's expectations.

The performance of the growth rate of the Revenue Sharing Fund (RSF) which is reflected in the source or type of revenue (TS, NT-NRS), and ROI is the achievement of what was planned by the Samarinda City. If the achievement of this is in accordance with the plan of the Samarinda Government, then the performance will be carried out well. Achievement with the growth rate of both types of RSF and ROI exceeding what was planned, can be said that the performance of the Samarinda City is in good category. Conversely, if the achievement is not in accordance with what is planned or less than what was planned by the Samarinda, then its performance is in a less category. Financial performance based on revenue sources Balanced Budget Samarinda City through RSF and ROI is a performance measure that uses growth rate indicators. Analysis of the growth rate is basically done to assess the revenue performance of the

Samarinda City RSF and ROI in the past by carrying out various policies that are implemented, so as to obtain a position or growth rate that represents the reality of the entity and the potential financial performance that will continue for Samarinda in the future.

Table 6. Degree of TS, NT/NRS, and ROI on Samarinda City CE in 2014-2018 (%)

Year	DFD ⁶
	Total TS + NT-NRS + ROI/RE
2013	49.14
2014	58.80
2015	30.55
2016	34.51
2017	63.02
Average	47.20

Source: Regional Avenu Agency Samarinda City (processed), 2019

Note: TS = Tax Sharing; NT-NRS = Non Tax/Natural Resources Sharing;
ROI = Regional Original Income; RE = Regional Expenditure.

The role of the Samarinda City in development is as a catalyst and facilitator of course requires a variety of supporting facilities and facilities, including the budget in the framework of implementing sustainable development. The expenditure is partly used for development administration and partly for development activities in various types of important infrastructure. Such spending will increase aggregate expenditure and enhance the level of economic activity. With increasing economic activity, the flow of the Samarinda City Government Revenues such as TS, NT-NRS, and ROI also increased.

The study findings contrast with what Sanusi (2002) investigated. The results showed that the level of financial capability of the Jambi Province was in the medium category, with an average degree of fiscal decentralization of 20.2%.

CONCLUSION

The simple conclusions that can be based on the analysis findings in this study are the following the average ratio of Regional Original Income (ROI) to the Reveneus Regional (RR) of Samarinda City for 5 years is 3.44% (very less). This means that the performance of the ROI flow for RR Samarinda targeted so far is not in line with expectations. The average ratio of Tax Sharing (TS) and Non Tax/Natural Resources Sharing (NT-NRS) to the Regional Revenues (RR) of Samarinda City for 5 years is 39.69% (sufficient). This means that the performance of TS and NT-NRS flows for RR Samarinda which have been targeted so far has been in line with expectations. The average ratio of Balanced Budget (BB) to Regional Revenues (RR) of Samarinda City for 5 years is 64.51% (very good). That is, the performance of the BB flow for RR Samarinda which has been targeted so far, exceeds expectations.

The average ratio of Regional Original Income (ROI) to the Regional Expenditure (RE) of Samarinda City for 5 years is 11.94% (less). This means that the performance of the ROI flow for Samarinda RE which has been targeted so far is not in line with expectations. The average ratio of Regional Original Income (ROI) to Capital Expenditure (CE) in Samarinda City for 5 years is 42.75% (good). That is, the performance of the ROI flow for Samarinda Samarinda that

has been targeted so far has been in line with expectations. The average ratio of Tax Sharing (TS), Non Tax/Natural Resources Sharing (NT-NRS), and Regional Original Income (ROI) to the Regional Expenditure (RE) of Samarinda City for 5 years is 47.20% (good). This means that the performance of TS, NT-NRS flows and ROI for Samarinda RE which has been targeted so far has been in line with expectations.

To maximize efforts to increase Regional Original Income (ROI) as well as sources or types of revenue in Samarinda City, policy recommendations can be given to various parties, among others it is necessary to take a policy regarding the ideal proportion of Samarinda City Government spending, especially in the infrastructure development sector (facilities and pre-facilities), so that government spending that has tended to be wasteful, is not too skewed on personnel, administrative and general spending. Always support constructive (participatory) policies made by the Samarinda Government. Therefore, the resources owned by the Samarinda must be fully developed optimally, so that the goal of increasing ROI can be achieved.

There are still weaknesses in this study, such as the use of a simple analysis tool, the Degree of Fiscal Decentralization (DFD) and limited data from authorized institutions. It is expected that researchers in the future can use a more varied model, namely Fiscal Capacity and Fiscal Needs Analysis with additional area, population, poverty proportion and unemployment rates. In addition, the scope or object of study is further refined by making comparisons between Regency/City in a Province, or even between Provinces in Indonesia and more detailing types (sub-fields) in RR, such as LT can be described again on: Motor Cycle Vehicles Tax, Swallow Nest Tax, and so on. So, research will be more interesting.

NOVELTY

Not many previous studies have revealed the problem of fiscal inequality in detail and in particular the regional (city) level. Although the analysis model that researchers use is simple, it examines the components and indicators of local government expenditure and revenue in detail, so this research phenomenon is more interesting.

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