Factor Affecting Local Own Revenue and Their Impact on Impact on Fiscal Autonomy and Economic Growth in Jabodetabekjur

Ambar Tri Hapsari*, Sidik Priadana, Sugiyanto
{ambar.trihapsari@gmail.com}

Universitas Borobudur, Jakarta, Indonesia

Abstract. In the era of regional autonomy, the acceleration of regional economic development depends on the ability of local governments to manage local sources of revenue in independently financing regional expenditures. This investigation's goal is to to look into the impact of per capita income, population, and regional investment on Regional Original Income, as well as their impact on fiscal independence and economic growth in the Jabodetabekjur area. The research model was formulated recursively in the Tiered regression analysis was used to study the Cobb-Douglas linear function of panel data through the EViews 10 application. The results of the analysis show that: 1) Per capita income, population, and regional investment have a significant effect, either simultaneously or partially on local taxes and levies. Per capita income, population, and regional investment also have a significant simultaneous effect on regional operating profit, but partially regional operating profit is more influenced by the positive influence of per capita income; 2) Taxes, levies, and regional operating profits have a significant simultaneous effect on fiscal independence, but partial fiscal independence is more influenced by the positive influence of regional taxes and levies; and 3) Fiscal independence has a substantial beneficial impact on the economy. As practical suggestions, the findings of this study recommend that local governments develop new sources of income for the community, increase population productivity, and build a favorable investment climate; increase the contribution of PAD sources that are more balanced between taxes, levies, and regional operating profits; and empowering fiscal independence to encourage sustainable regional economic growth.

Keywords: capita income; population; regional investment; regional original income; fiscal independence; economic growth; Jabodetabekjur

1 Introduction

The Jabodetabekjur area is a unique unit based on social and physical characteristics. Ethnicity in this region has diversity, as well as the physical area varies from low topography to highlands. The rapid development of the City of Jakarta as the State Capital, has caused an overflow of urban development to the surrounding areas, resulting in various allocations of functions in cities around Jakarta. Meanwhile, there is no integrated planning in the area around Jakarta, which is based on a unified ecosystem that influences each other. Thus, an

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understanding is needed to manage together within the framework of inter-regional cooperation that has been determined by the mechanisms and systems by applicable regulations.

Inter-regional cooperation is one of the main approaches in Spatial Planning/Region and environmental management which covers more than one administrative area. The forms and mechanisms of inter-regional cooperation, among others: a) Inter-regional cooperation that is adjacent, must be carried out in the context of bringing services closer to the community; b) Cooperation between regions that are not close together, can be developed based on needs and is situational in nature, carried out in the context of developing the potential and superior commodities of each cooperating region; c) Cooperation between the Regional Government and third parties.

Within the Jabodetabekjur area, the city of Jakarta is expected to become a growth center capable of stimulating economic growth, both internally and externally. Geographically, the city of Jakarta is a location that has many facilities and conveniences so that it becomes the center of attraction. More than half of the autonomous regions within the Jabodetabekjur area have an average economic growth below the national average target (about 6%/year). Taking into account the location and population as well as their relationship to economic growth in DKI Jakarta as a concentration area, the imbalance of economic growth between hinterlands and centers needs to be analyzed for the factors causing it.

As with per capita income and population, inter-regional investment is one of the factors that determine PAD revenue [1]. Investment in the regions is obtained from local government investment and private investment [2]. Local government investment (government investment) is an allocation of local government savings or government saving (excess revenue over routine expenditures). Investment can be treated as an expenditure for capital goods, both by the government and the private sector, in the context of implementing the process of producing goods and services [3]. In the perspective of the theory of changes in the economic structure and regional economy, the inequality of economic growth between regions in the Jabodetabekjur area is not merely a stand-alone economic development problem, but can be positioned as an output of economic transition in the transformation of the structure of Regional Original Income to achieve fiscal independence.

Changes in the structure of local government revenues, as an economic Transition must be defined as the level or condition that must be met in order for income to increase and remain stable. in the transformation of the economic process. The theory of economic development, as a grand theory; state finance theory, as a middle-range theory; and the theory of per capita income, population, regional investment, regional original income, fiscal independence, and economic growth, as a substance/applied theory, are the theoretical structures that underpin the theoretical line of thinking above. In the context of fiscal independence, this dissertation research is a development of previous research which shows that the structure of Regional Original Revenue as the structure of government revenue in financing development is a determinant of high fiscal independence [4] [5] [6].

According to Keynes (in Wirasasmita, 2010), an increase in government spending will encourage an increase in national income. Increasing local revenue from PAD sources, in the transformation of regional revenue structures for the sake of achieving regional economic prosperity, will synergistically encourage the process of changing all economic functions, including fiscal independence as a transformation of resource use [7]. As according to Chenery's theory of structural change (1979 in Marjanovic, 2015), a fundamental change in the economic structure (structural transformation), including the structure of government revenue (which is reflected in the PAD structure), will trigger an increase in production capacity to generate output; Transformation of resource use, as well as socio-economic dynamics [8]. According to

Chenery (1979, cited in Marjanovic, 2015), an economic transition must be defined as a level or condition that is required for the increase and sustainability of income and social welfare as a transformation of socio-economic processes [8]. Structural transformation is reflected through changes in overall factor proportions, reallocation of these factors in various proportions, and/or increased productivity or total factor productivity between sectors [8]. The change in the contribution of government revenue from PAD sources indicates a change in the structure of government revenue which has an effect on economic growth [8].

The government's fiscal independence in financing its expenditures has a very important role in development. This is because governments in developing countries act as agents of development, namely how stability, growth, and equity can be achieved [7]. Keynesians emphasize the importance of government policies in avoiding fluctuations in economic activity and creating stability and economic growth [9]. Government spending (G) in the identity of the national income balance the formula $Y = C + I + G + (X – M)$ lends credence to the Keynesian notion of the importance of government involvement in the economy. As can be seen from the equation above, an increase or decrease in government spending will result in an increase or decrease in national revenue.

Based on theoretical studies, previous research, relevant variables, and descriptions of relationships between variables, the research paradigm as a model of functional relationships between variables in this study is as follows:

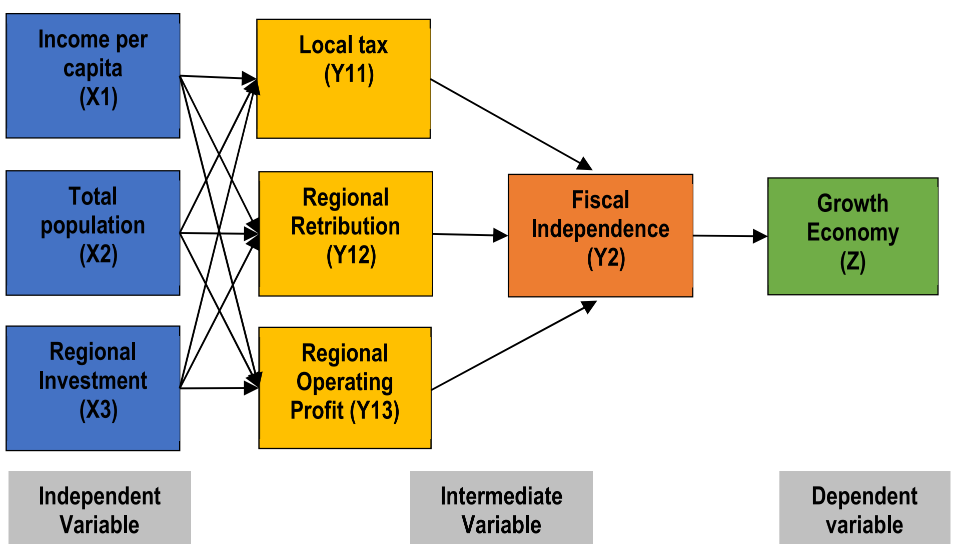

Fig.1. Research paradigm

2 Research Methods

The subjects in this study were autonomous regions within the Jabodetabekjur area. The research population is all autonomous regions within the Jabodetabekjur area, as many as ten

(10) autonomous regions: DKI Jakarta Province, Kab. Bogor, Bogor City, Depok City, Kab. Tangerang, Tangerang City, South Tangerang City, Kab. Bekasi, Bekasi City, and Cianjur Regency during the entire development period. The development span 2010–2019 was used to study the sample (10 years). The convenience sampling strategy was adopted since the relevant study data was readily available. Secondary data in the form of panel data (pooled data), which is a blend of cross-sectional (between areas) and time series data, is used to measure research variables (inter-years) obtained from the Directorate General of Budget, Central Statistics Agency (BPS), Bank Indonesia (BI), and the Jabodetabekjur Development Cooperation Agency are all part of the Ministry of Finance (BKSP).

Explanatory studies, also known as hypothesis testing studies, are studies that are used to explain and test hypotheses about the relationship between variables. the relationship described is a causal relationship (causation) or influence between variables as has been modeled in the research paradigm, namely a causal relationship (influence) between the variables Regional Original Income derived from regional taxes, regional levies, and profits of regionally owned enterprises; Regional Original Income derived from sources of regional taxes, regional levies, and regionally owned enterprises' profits; Regional Original Income derived from sources of regional taxes, regional levies, and regionally owned enterprises' profits; fiscal independence; and economic growth in the Greater Jakarta area.

The data collection instrument used in this research is a secondary data documentation study. Documentation studies were conducted at the Directorate General of Budget, Jabodetabekjur Development Cooperation Agency, Bank Indonesia, the Ministry of Finance, and the Central Statistics Agency (BPS) (BI), and Jabodetabekjur Development Cooperation Agency (BKSP). The computer program eViews 10 for Windows was used to complete the full data processing and analysis process in this investigation.

3 Results and Discussion

Table 1. Theoretical Conformity Test Results

Relationship Between Variables	**Relationship Direction**		**Suitability**
	Pra-Estimasi	**Pasca-Estimasi**	
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Taxes			
Effect of per capita income	+	+	In accordance
Population Effect	+	+	In accordance
Regional Investment Effect	+	+	In accordance
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Levies			
Effect of per capita income	+	+	In accordance
Population Effect	+	+	In accordance
Regional Investment Effect	+	+	In accordance
The Influence of Per capita Income, Population, and Regional Investment on Regional Operating Profit			
Effect of per capita income	+	+	In accordance
Population Effect	+	+	In accordance

The Influence of Regional Taxes, Regional Levies, and Regional Operating Profits on Fiscal Independence			
Effect of Local Tax	+	+	In accordance
The Effect of Regional Retribution	+	+	In accordance
The Effect of Regional Operating Profit	+	+	In accordance
The Effect of Fiscal Independence on Economic Growth	+	+	In accordance

Table 2. Model Accuracy Test Results

Relationship Between Variables	***p-value***
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Taxes	0,000*
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Levies	0,000*
The Influence of Per capita Income, Population, and Regional Investment on Regional Operating Profit	0,000*
The Influence of Regional Taxes, Regional Levies, and Regional Operating Profits on Fiscal Independence	0,000*
The Effect of Fiscal Independence on Economic Growth	0,000*

Table 3. Ability Test Results Explain

Relationship Between Variables	***Standard Error (SE)***	**R**	**½ R**
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Taxes	0,206	0,991	0,4955
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Levies	0,297	0,756	0,378
The Influence of Per capita Income, Population, and Regional Investment on Regional Operating Profit	0,301	0,667	0,3335
The Influence of Regional Taxes, Regional Levies, and Regional Operating Profits on Fiscal Independence	0,164	0,899	0,4495
The Effect of Fiscal Independence on Economic Growth	0,059	0,684	0,342

Table 4. Prediction Ability Test Results

Relationship Between Variables	***Adjusted R^2***
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Taxes	98,2%
The Influence of Per capita Income, Total Population, and Regional Investment on Regional Levies	57,1%

The Influence of Per capita Income, Population, and Regional Investment on Regional Operating Profit	44,5%
The Influence of Regional Taxes, Regional Levies, and Regional Operating Profits on Fiscal Independence	80,8%
The Effect of Fiscal Independence on Economic Growth	46,8%

Discussion

a. The Influence of Per capita Income, Total Population, and Regional Investment on Regional Taxes

According to the findings, per capita income, total population, and regional investment all had a substantial simultaneous effect on regional taxes, as well as a partially significant positive effect on regional taxes from per capita income, total population, and regional investment. These findings show that greater municipal taxes are influenced by per capita income, total population, and regional investment.

As a result of the study's findings, this study concludes that the model of the components studies' influence on local taxes has a very high level of conformity, The altered value of the coefficient of determination reflects this. However, the results of this modeling, when seen in the context of different strategies for increasing Regional Taxes, suggest that more research is needed to construct a model that includes other undiscovered aspects that could possibly influence Regional Taxes.

b. The Influence of Per capita Income, Total Population, and Regional Investment on Regional Levies

The findings revealed that Per capita income, total population, and regional investment all had a significant simultaneous effect on regional levies, while per capita income, total population, and regional investment all had a significant positive partial effect on regional taxes. These data reveal a link between per capita income, total population, and regional income. Increased investment has resulted in higher regional taxes. The population is the most potent force driving the increase in Regional Levies.

It also shows that an increase in population causes a greater increase in regional taxes than the other independent components. On the other hand, the combined influence of per capita income, population, and regional investment shows that increasing per capita income, population, and regional investment is beneficial investment alone or synergistically can result in greater regional taxes.

c. Influence of per capita income, population, and regional investment on regional operating profit

The results showed that regional income, population, and per capita income investment had a significant simultaneous effect on regional operating profit, as well as per capita income had a partial positive effect on regional operating profit. These results reveal that income per capita plays a role in increasing regional operating profit. The positive but not significant effect of Population on Regional Operating Profit shows that a higher Population, under the condition of the other independent variables being fixed, is less able to encourage regions to achieve higher Regional Operating Profits.

The insignificant effect of population size indicates that the role of population in increasing regional operating profit has not been effective. While the negative effect of Regional Investment which is not significant on Regional Operating Profit shows that higher Regional Investment, under the conditions of other independent variables, tends to reduce Regional Operating Profit, but the effect is not significant.

d. The Influence of Regional Taxes, Regional Levies, and Regional Operating Profits on Fiscal Independence

The results of the study indicate that Regional Taxes, Regional Levies, and Regional Operating Profits have a significant simultaneous effect on Fiscal Independence, as well as Regional Taxes and Regional Levies have a somewhat favorable impact on the economy Fiscal Independence. These results reveal that Regional Taxes and Regional Levies play a role in increasing Fiscal Independence.

The insignificant positive effect of Regional Operating Profits on Fiscal Independence shows that higher Regional Operating Profits, under the condition that other causal variables remain, tend to increase Fiscal Independence, but its contribution is still very low. Local Tax is the most powerful driver in increasing Fiscal Independence. However, the The combined Regional Operating Profits Regional Operating Profits together or synergistically has more ability to increase Fiscal Independence.

e. The Effect of Fiscal Independence on Economic Growth

Fiscal independence has a strong favorable effect on economic growth, according to the findings of the study. These results reveal that Fiscal Independence plays a role in increasing Economic Growth. Increasing fiscal independence will encourage economic growth due to increased synchronization of economic development planning as a form of increasing the role of local governments. Relative to other factors that have not been investigated for their influence on Economic Growth, with an influence of 46.8%, Fiscal Independence is an important determinant of economic growth in the region. the results of model testing indicate that measures to promote fiscal independence, which have been shown to have a beneficial direction, can be used to boost economic growth.

In order to increase, the applicable development policy must be implemented Economic Growth is to increase regional fiscal independence in a sustainable manner. In terms of regional revenue, it is through increasing the capacity of regional governments to increase regional original revenues. Meanwhile, in terms of regional expenditures through increasing the efficiency of regional expenditures, including the financing of various tax intensification programs and regional retributions as well as capital participation in regionally owned enterprises (BUMD).

4 Conclusion

The results showed that per capita income, total population and regional investment had a significant simultaneous effect on regional taxes, regional levies and regional operating profits, as well as per capita income, total population and regional investment had a significant positive effect partially on regional taxes, regional levies and operating profits. area. These results reveal that per capita income, total population and regional investment play a role in generating higher local taxes. regional levies are all examples of regional taxes fees are all examples of regional taxes Operating Profits have a positive effect on Fiscal Independence and the final result is able to affect economic growth.

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