

ANALYSIS OF LOCAL REVENUE (PAD) OF MOROWALI DISTRICT

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Abstract

Local governments in Indonesia are increasingly focusing on financial independence and efficiency to support regional development. Morowali Regency, located in Central Sulawesi Province, is no exception. As regional autonomy policies have been implemented, it has become crucial to assess the financial performance of local governments. This assessment helps determine their capacity for self-governance and efficient resource management. Key indicators in this evaluation include the Independence Ratio, Effectiveness Ratio, and Efficiency Ratio of Regional Original Income (PAD). This study aims to analyze the Independence Ratio, Effectiveness Ratio, and Efficiency Ratio of Morowali Regency's Regional Original Income. The research employs calculations of these ratios for Local Revenue. Results show that the Independence Ratio had an average value of 24.97 percent, falling within the medium independence criteria. This indicates that the region has not yet achieved full independence. The average Effectiveness Ratio is 2.68 percent, reflecting that the realization of Regional Original Income (PAD) is greater than the target set by the Morowali Regency Government, suggesting effective task execution. The average Efficiency Ratio is 1.72 percent, meaning that the realized PAD obtained by Morowali Regency exceeds the costs incurred in collecting it. This indicates efficient PAD collection, as the realized income is greater than the budget allocated for its collection.

Keywords: Independence Ratio, Effectiveness Ratio, Efficiency Ratio, Local Revenue

1. INTRODUCTION

Regional autonomy in Indonesia has been in effect since January 1, 2001, the purpose of which is to want a region to find a source of revenue that can finance government spending in the context of governance and development, so that it is harmonized through the development of conditions, state administration and the demands of regional governance, regulations on regional autonomy and fiscal decentralization in Indonesia are always overhauled (Abdurahmat, 2003).

The law on regional autonomy, namely Law No. 22 of 1999 which was revised by Law No. 32 of 2004 and then amended by Law No. 23 of 2014 which explains about "Regional Government", requires adequate personal support, equipment and financing (finance) (Darise, 2006). In line with the implementation of regional autonomy (Kamaroellah, 2017), the central government has distributed various sources of financing to the regions in order to carry out their delegated duties and obligations, as regulated in Law No. 25 of 1999 which was later revised by Law No. 33 of 2004 concerning "Financial Balance Between the Central Government and Regional Governments" and government regulations that support

Decentralization and regional autonomy are tools and means for democratic development and good governance.

The government gives the regions the right to obtain financial resources to provide funds for the implementation of regional autonomy through the collection and effectiveness of taxes and levies, the right to obtain separate results of the management of regional assets, balance funds and other legal regional income (Babkin et al., 2017). The characteristics that prove a region is declared to be able to implement regional autonomy, namely the level of regional financial capability to finance local government activities, through increasing low regional dependence on funds from the center with high Regional Original Revenue (PAD). PAD is one of several sources of regional income used by regions to finance autonomy activities.

The existence of a regional autonomy system means that the authority of local governments is getting bigger, which means that the responsibilities they have are also getting bigger (Sutriadi et al., 2015). However, it is a burden to demand the readiness of local governments in their government activities. As for an aspect that is a supporter in knowing correctly the ability of the region to control and manage its own territory, namely the financial aspect, the intended regional capacity is how much the region's ability to generate its own income sources to finance all regional needs and not depend for a long time on assistance originating from the Central Government (Desita, 2015). The large or small PAD obtained is a basis for seeing the level of financial capability of a region, namely the greater the amount received and the collected Regional Original Funds provide evidence that the level of regional dependence on central government assistance is getting lower.

Morowali Regency is a regency located in Central Sulawesi Province, Indonesia. The capital of this district is located in Bungku Tengah District. The district has an area of 5,472.00 km² and a population of 170,415 people as of June 30, 2022, based on data from the Ministry of Home Affairs, and 176,244 people based on data from the Central Statistics Agency in 2023. Morowali Regency's Original Regional Income is a source of capital in running the government.

A region can be declared independent, if a region no longer expects assistance from the central government (Berlian & Vega F. R., 2023). Furthermore, if the region can finance government activities from costs originating from the Regional Original Revenue. In addition, the government strongly expects that the provinces and regencies/cities that have been expanded can explore and manage effectively and efficiently their sources of local revenue. The great desire of the local government to be able to develop the region according to the ability and desire of the region is evident from several years felt by various regions of the region far from its wishes, so fiscal dependence and subsidies and assistance from the Central Government are evidence of the region's helplessness to increase PAD.

Regions with income derived from high regional sources have a tendency to be able to meet the needs of their people and are very able to finance many programs. Lobao et al (2012) which suggests that local governments have sources consisting of PAD. PAD is regional income obtained from the region's own assets which are managed according to local regulations and applicable laws (Fernandes, 2021). Various sources of PAD are local taxes, local levies, management of separate local assets, and other legitimate local income (Abdul, 2007).

This study combines the analysis of the three main ratios of independence, effectiveness, and efficiency to provide a comprehensive picture of regional financial performance. The novelty of this approach lies in the incorporation of three different perspectives in one study, providing a deeper insight into local finance than studies that only focus on one ratio. By analyzing a broad period from 2014 to 2019, this study provides a long-term view of changes and trends in the financial performance of the Morowali region, allowing the identification of patterns and fluctuations that may not be apparent in studies with shorter periods.

This research provides concrete recommendations for the improvement of regional financial performance through intensification and extensification of own-source revenues, which can be directly implemented by local governments to achieve greater financial independence. Thus, this study offers a holistic and practical approach in evaluating and improving regional financial performance, particularly in Morowali Regency, which adds a new dimension to the study of regional finance in Indonesia.

2. RESEARCH METHODS

2.1. Type of Research

This research is descriptive research. Descriptive research is research that uses a more detailed study of events or can distinguish with other events. Descriptive research is a research method that describes population characteristics to examine the current status of a human population, an object, a situation, a system of thought or an event.

2.2. Data Type and Source

The type of data used in this study is secondary data, which includes quantitative data in the form of numbers such as data on the APBD Realization Report and budgets levied by Regional Original Revenue, Morowali Regency Government in 2014-2019.

2.3. Data Collection Method

The method of collecting data used in this research is the documentation method, through data collection techniques based on documentation at the Tadulako University Library and the Faculty of Economics, journals, then browsing related websites.

2.4. Data Analysis

a. Regional Financial Independence Ratio

The Independence Ratio describes the region's dependence on external sources of funds. The higher the independence ratio, the lower the dependence of the region on transfer revenues (central and provincial governments), and vice versa. The Independence Ratio can be formulated as:

$$\frac{\text{Local Revenue}}{\text{Transfer Income}} \times 100\%$$

The following criteria for the level of regional independence ratio are:

- 1) If the level of independence is 0 - 25%, then the level of regional independence is very low.
- 2) If the level of independence is 25 - 50%, then the level of regional independence is low.
- 3) If the level of independence is 50 - 75%, then the level of regional independence is moderate.
- 4) If the level of independence is 75 - 100%, then the level of regional independence is high (Halim, 2010).

b. Regional Financial Effectiveness Ratio

The effectiveness of PAD shows how much a predetermined goal is achieved. Effectiveness always relates between the intended results and the results actually achieved. The greater the results achieved, the greater the level of effectiveness. But the opposite, the smaller the results achieved, the smaller the effectiveness. The difference in PAD effectiveness is the comparison between revenue and PAD targets. The effectiveness ratio can be formulated as follows:

$$\frac{\text{PAD Revenue Target}}{\text{Realization of PAD Revenue}} \times 100\%$$

There is also a basis for determining the level of effectiveness of Local Revenue with criteria, namely:

- 1) If the value obtained is $<100\%$ ($X < 100\%$), it means that it is not effective.
- 2) If a value similar to 100% is obtained ($X = 100\%$), it means effectiveness is balanced.
- 3) If the value is obtained $> 100\%$ ($X > 100\%$), it means it is effective (Halim, 2010).

c. Regional Financial Efficiency Level Ratio

The following are the criteria for determining the level of efficiency ratio of Local Revenue, namely that a region can be declared efficient Local Revenue if this ratio is < 1 (one) or $< 100\%$. The efficiency ratio can be formulated, namely:

$$\frac{\text{PAD Collection Fee}}{\text{PAD Realization}} \times 100\%$$

The following are the criteria for the level of the regional efficiency ratio, namely:

- 1) If a value of less than 100% ($X < 100\%$) is obtained, it is highly efficient.
- 2) If the value obtained is equal to 100% ($X = 100\%$), it means balanced.
- 3) If the value obtained is $> 100\%$ ($X > 100\%$), it means inefficient (Abdul, 2004b).

3. RESULTS AND DISCUSSION

3.1. Research Results

3.1.1. Results of Self-Reliance Ratio Calculation

Table 1. Morowali Regency Independence Ratio 2014-2019

Year	PAD (Rp)	Transfer Income (Rp)	Independence Ratio (%)	Criteria
2014	25.341.127.905	399.072.482.000	6,350	instructive
2015	74.439.927.380	583.195.993.000	12,764	instructive
2016	72.794.497.090	944.980.000.000	7,703	instructive
2017	190.571.540.418	926.907.990.000	20,560	instructive
2018	181.232.941.457	932.350.000.000	19,438	instructive
2019	221.946.739.695	930.420.000.000	23,854	instructive
Average			90,670	delegative

Source: BPKAD Kab.Morowali Data Processed

The calculation results in table 1 show that the level of independence of Morowali Regency from 2014-2019 really remains independent in implementing its autonomy. Judging from the relationship pattern, the level of regional independence of Morowali Regency is classified as delegative, which means that there is no involvement of the Central Government. The largest ratio result occurred in 2019, which amounted to 23.854 percent with very low independence criteria, namely instructive, while the lowest ratio result was in 2014, namely 6.350 percent with very low criteria.

It is known that the average result of the independence ratio of Morowali Regency from 2014-2019 is 90.670 percent with the criteria for delegative regional independence. The results of the Morowali Regency's independence ratio fluctuated due to the Morowali Regency PAD which also experienced instability which tended to decrease. The matter here gives an indication if Morowali Regency is biased towards regional autonomy, where local government independence dominates over the role of the Government.

3.1.2. Effectiveness Ratio Calculation Results

Table 2. Morowali Regency Effectiveness Ratio 2014-2019

Year	Target PAD (Rp)	PAD Realization (Rp)	Effectiveness Ratio (%)	Criteria
2014	25.341.127.905	7.485.000.000	338,559	Effective
2015	74.439.927.380	25.815.631.730	288,352	Effective
2016	72.794.497.090	25.261.548.103	288,163	Effective
2017	190.571.540.418	61.402.703.870	310,363	Effective
2018	181.232.941.457	95.775.237.749	189,227	Effective
2019	221.946.739.695	114.311.231.789	194,160	Effective
Average			1608,825	Highly Effective

Source: BPKAD Kab.Morowali Data Processed

Table 2 shows that the level of Effectiveness of Morowali Regency from 2014-2019 is truly Efficient in implementing its autonomy. Judging from the criteria, it is classified as

Effective, which means that there is no involvement of the Central Government. The largest ratio result occurred in 2014, which was 338.559 percent with Effective criteria.

While the lowest result occurred in 2018, which amounted to 189.227 percent and the same criteria, namely Effective. It is known that the average result of the effectiveness ratio of Morowali Regency from 2014-2019 is 1608.825 percent with very effective criteria. The results of the effectiveness ratio of Morowali Regency fluctuate due to the PAD of Morowali Regency which also experiences stability which tends to be better. This is because the government's role is effective in implementing regional autonomy due to Morowali Regency's PAD.

3.1.3. Results of Efficiency Ratio Calculation

Table 3. Efficiency Ratio of Morowali Regency in 2014-2019

Year	PAD Collection Fee (Rp)	PAD Realization (Rp)	Efficiency Ratio (%)	Criteria
2014	530.880.637,92	25.341.127.904,78	2,095	Efficient
2015	958.238.649,00	74.439.927.380,93	1,287	Efficient
2016	771.756.488,00	72.794.497.090,37	1,060	Efficient
2017	6.105.500.000,00	190.571.540.417,70	3,204	Efficient
2018	3.719.522.058,00	181.232.941.457,03	2,052	Efficient
2019	1.389.235.836,61	221.946.739.695,07	0,626	Efficient
Average			10,324	Efficient

Source: BPKAD Kab.Morowali Data Processed

The efficiency level of Morowali Regency from 2014-2019 is truly efficient in implementing its autonomy. Judging from the criteria, the level of efficiency of the Morowali Regency is classified as Efficient, which means that there is no involvement of the Central Government. The largest ratio result was in 2017, namely 3.204 percent with Efficient criteria. While the lowest ratio result was in 2019, namely 0.626 percent with efficient criteria.

It was found that the average efficiency ratio of Morowali Regency from 2014-2019 was 10.324 percent with efficient criteria. The results of the efficiency ratio of Morowali Regency experience stability which tends to be efficient. This is because the Morowali Regency government has been able to implement regional autonomy, this can be seen from the realization of PAD obtained by Morowali Regency which is greater than the expenditure that must be given to PAD.

3.2. Discussion

3.2.1. Regional Financial Independence Ratio

The discussion of the financial independence of a region cannot be avoided from the ability of the local government, which acts as a government organizer, to allocate regional finances in accordance with targets, goals and continuously, so as to create and increase new sources of PAD. This requires officials in the regions to organize prioritized government affairs so that sources of PAD are available, but regional officials must always innovate so that new sources of PAD are created.

The level of regional independence of Morowali Regency in financing government activities showed significant variations during the 2014-2019 period. In 2014, the level of independence was recorded at 6.350 percent, then increased to 12.764 percent in 2015. However, in 2016, this figure decreased to 7.703 percent. The following period showed a sharp increasing trend, with self-reliance reaching 20.560 percent in 2017 and 19.438 percent in 2018, before finally reaching 23.854 percent in 2019. If calculated on average, the level of Regional Original Revenue (PAD) of Morowali Regency from 2014 to 2019 is only around 30.204 percent, which indicates that the level of independence is still in the instructive category. This shows that despite improvements in several years, overall Morowali Regency still needs guidance and instructions from the central government to achieve higher independence.

In response to this, the Morowali Regency Government must take effective intensification and extensification steps so that the PAD of Morowali Regency in the future can increase so that independence is achieved in the autonomous region. Intensification and extensification in question, namely the Morowali Regency Government, always makes fundamental changes not only internally but externally, for example improving Human Resources that have the highest quality and in the field of regional financial management, bureaucratic training so that the hopes of the local government in making an independent region can be achieved (Abdul, 2004a).

3.2.2. Regional Financial Effectiveness Ratio

The regional financial capacity of Morowali Regency during the period 2014 to 2019 showed variations that reflected the dynamics of regional financial management. Regional Original Revenue in the 2014 fiscal year can achieve the targets that have been set. From the PAD target of Rp.7,485,000,000, it can be realized at Rp. 25,341,127,905 in 2014, the effectiveness ratio is classified as effective because the ratio is more than 100 percent. This high effectiveness reflects good local government performance in managing local revenue sources, as well as possible improvements in the efficiency of local tax and levy collection. This achievement can be used as a positive indicator of the local government's ability to optimize the potential of the local economy, which in turn can improve the welfare of the local community.

In Fiscal Year 2015, local revenue was able to reach the target that had become a provision of the PAD target of Rp.25,815,631,730, which was realized at Rp.74,439,927,380. This shows a remarkable increase in the effectiveness ratio of PAD compared to the previous year, which is also classified as very powerful because the value exceeds 100 percent. This increase reflects the local government's success in increasing own-source revenues through various efforts, such as optimizing tax and levy collection and better management of local resources. This success also shows that local governments are able to identify and utilize existing economic opportunities more effectively, which in turn can contribute to improving community welfare and overall regional development.

The 2016 Local Revenue budget from the PAD target of Rp. 25,261,548,103 can be realized at Rp. 72,794,497,090 in this year the effectiveness ratio tends to increase but has decreased from the previous year's PAD target. Although the effectiveness ratio tends to increase, the lower PAD target compared to 2015 indicates an adjustment in budget planning. However, the effectiveness ratio, which remains more than 100 percent, shows that the

performance of PAD management is still classified as effective. This indicates that local governments continue to manage revenue sources well and are able to maintain a high level of effectiveness, despite changes in the targets set. This achievement reflects the adaptability of local governments in dealing with economic dynamics as well as their commitment to continuously increase own-source revenues for the sake of development and community welfare.

In Fiscal Year 2017 Local Revenue from the PAD target that has been set at Rp. 61,402,703,870 can be realized at Rp. 190,571,540,418 in 2017 the effectiveness ratio has increased. The increasing effectiveness ratio shows a remarkable increase in the ability of local governments to manage and optimize revenue sources. With an effectiveness ratio that is still classified as very effective because it is more than 100 percent, this reflects outstanding performance in the collection and management of local taxes and levies. This achievement signifies the success of the local government's strategy to increase own-source revenue, which could include improvements in administration, increased taxpayer compliance, and better exploitation of local resources. These results also illustrate the stability and effectiveness of local financial management, which in turn has a positive impact on local development and community welfare.

Regional Original Revenue (PAD) in 2018 from the PAD target of Rp. 95,775,237,749, the realization of PAD reached Rp. 181,232,941,457. This shows that the effectiveness ratio of PAD has increased significantly and is still classified as very effective, because the value is more than 100 percent. This achievement reflects the performance of local governments that continue to improve in managing local revenue. This increase is most likely due to efforts to optimize tax and levy collection, increase taxpayer compliance, and more efficient management of local resources. This success also shows that local government strategies and policies in increasing own-source revenue are working well, having a positive impact on local finances, which in turn contributes to development and community welfare.

In Fiscal Year 2019, the Regional Original Revenue successfully exceeded the predetermined target. From the PAD target of Rp. 114,311,231,789, the realization of PAD reached Rp. 221,946,739,695. This shows that the PAD effectiveness ratio is still classified as very effective, because the value is more than 100 percent. This achievement reflects the outstanding performance of local governments in managing and increasing own-source revenues. This success is likely due to various factors, including optimization efforts in tax and levy collection, increased taxpayer compliance, and efficient resource management strategies. This significant increase in own-source revenue also indicates that local governments are able to utilize the potential of the local economy well, thereby making a positive contribution to development and community welfare. This success is an indication that local government policies and programs are on track, having a positive impact on the regional economy.

The ability of autonomous regions to exercise full financial autonomy in a short period of time is doubtful, not only being the impact of the capabilities of autonomous regions that cannot be changed quickly but the financial system, namely the central government does not just want to lose control of local governments. Kuncoro (2002) explains that various issues that can hinder the success of autonomous local governments, namely (1) the dominance of central transfers, (2) the lack of role of local companies as a source of local revenue (PAD), (3) the high centralization in the field of taxation, (4) although local taxes vary, but only a

few can be relied upon as a source of revenue, (5) weaknesses in the provision of subsidies from the central government to local governments.

3.2.3. Regional Financial Efficiency Ratio

Efficiency is a ratio that describes the difference between the amount of budget spent in obtaining PAD and the realization of PAD obtained in each year of budget time. The results of the ratio analysis of the Morowali Regency Government from the level of budget efficiency for PAD collection in 2014 were 2.095 percent, in 2015 1.287 percent, in 2016 1.060 percent, in 2017 3.204 percent, in 2018 2.052 percent and in 2019 0.626 percent, the level of efficiency in collecting PAD when averaged reached 10.324 percent. From the results above, it shows that the Morowali Regency government's PAD collection budget is good, because the efficiency ratio is in the range of 10.324 percent, which means that the budget that must be issued by the Morowali Regency Government in the 2017 fiscal year in order to produce PAD realization is Rp. 190,571,540,417.70 or 3.204 percent of PAD realization is classified as efficient to obtain PAD realization. This means that the realization of PAD obtained by Morowali Regency is greater than the budget that must be spent in collecting PAD.

The Regional Financial Efficiency Ratio (REKD) describes the difference between the amount of budget spent in obtaining income and the realization of income obtained. Local Government Financial Performance to levy income with the realization of income earned. Local Government Financial Performance to levy income is categorized as efficient if the ratio achieved is < 1 or below 100%. The smaller the Regional Financial Efficiency Ratio means the better the Regional Government Financial Performance. Therefore, the local government must carefully calculate how much budget is spent in realizing all the income it gets so that it can be known whether the income levy activity is effective or not.

4. CONCLUSION

The results of research calculated by three ratios from 2014-2019 resulted in a very high level of regional financial capacity of Morowali Regency so that it can be said to have been able to support the implementation of regional autonomy. This is because the PAD owned by Morowali Regency is very large with transfer funds and routine expenses so that the Morowali Regency Government does not depend on the central government. Local governments need to explore Regional Original Revenue (PAD) and create potentials that can be used as PAD income.

Especially in the era of autonomy, each region needs a budget in carrying out government and development tasks. Thus, regional dependence on external sources of funds can be reduced. In order to increase the effectiveness of PAD, it is expected that the government can further improve supervision and evaluation of PAD revenue. In addition, to reduce the operational costs of collection, it is necessary to identify costs that are considered unnecessary. This can be done by providing an explanation of the costs incurred in collecting PAD, so that regional financial efficiency can be achieved.

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