Analysis of Regional Financial Management of North Bengkulu District Towards Regional Independence in The Autonomy Era

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ABSTRACT

The purpose of this study was to determine the extent to which the financial management of the North Bengkulu district affected regional independence. In this study, researchers used secondary data with techniques of collecting data from relevant agencies and using the method of analysis of regional financial independence. The results showed that North Bengkulu Regency was still not at the level of being able to finance its household, the level of independence of the North Bengkulu district during 2012-2019 was at a low level of independence and was still very dependent on the central government.

Keywords: Regional Autonomy, Financial Management, Financial Independence

INTRODUCTION

The birth of Law No. 22 of 1999 concerning Regional Autonomy and in line with Law no. 17 of 2003 concerning State Finances, furthermore Regional Financial Management is regulated by Law Number 23 of 2014 concerning Regional Government, which is based on the Government of the Republic of Indonesia Regulation Number 12 of 2019 concerning Regional Financial Management which was stipulated by President Joko Widodo on March 6, 2019, in Jakarta. This further confirms that financial management is part of governmental power, and the power of State financial management from the president is partly delegated to the governor/regent/mayor as the head of regional government to manage regional finances and represent local governments in the ownership of separated regional assets. This brings a breath of fresh air for local governments in managing the potential that exists in their regions because local governments know the best about what potential resources can be extracted in their regions compared to the central government. Besides, the enactment of this law allows local governments to independently make policies that can benefit their regions.

In regional autonomy, fiscal decentralization is a major component of the implementation of autonomy and the start of a new chapter in regional development, local governments must be able to manage their regional finances effectively and efficiently and encourage their people to manage resources or all their potential to realize regional welfare and progress. Local governments have greater powers and responsibilities and will also increase in number. The implication of the broad governmental authority given to regions in the framework of regional

autonomy can be a blessing for the regions. However, on the other hand, the increase in regional authority is also a burden that demands regional readiness for its implementation, because of the increasing number of governmental affairs that are the responsibility of the regional government. Therefore, several aspects must be prepared, including human resources, financial resources, and regional facilities and infrastructure. The financial aspect is one of the basic criteria to be able to know the real capacity of a region, which means the extent to which a region can exploit its financial sources to finance regional financial needs without always having to rely on assistance and subsidies from the central government. The role of regional original revenue in regional finances is one of the important benchmarks in the implementation of regional autonomy in the sense that the greater a region obtains and collects regional original revenue, the greater the amount of regional finance available that can be used to finance the implementation of regional autonomy.

North Bengkulu Regency, which has an area of 4,424.60 km², has various potentials that can increase local revenue, including in the plantation sector, which has a very large area of oil and rubber plantations in North Bengkulu Regency, both managed by private companies and communities processing palm oil and producing palm oil, besides that there are also rubber processing factories. In the fisheries sector, North Bengkulu Regency has a sea area with a beach length of 262.63 km, 40 coastal villages, and 2,436 fishermen with a marine fishery potential of around 13,060.30 tons. A district that has one large island and several small islands with biological resources such as fish, shrimp, mollusks, crabs, seaweed, mangroves, coral, seagrass beds, turtles, and another biota. Apart from the potential in the field of marine fisheries. North Bengkulu Regency is also known as the largest freshwater fishery producer in Bengkulu Province. 40% of Bengkulu Province's total freshwater fish production is from North Bengkulu. The freshwater fishery center in North Bengkulu is in Padang Jaya District and has been designated as Mina Politan for freshwater fisheries. In the mining sector, North Bengkulu Regency had coal production in 2004 reaching 205,541.56 tons. North Bengkulu Regency is the largest coal producer in Bengkulu Province. Several coal mining companies that are still exploiting in North Bengkulu Regency are PT Rekasindo Guriang, a mining location in Putri Hijau District. This company also has a special coal port located at Pasar Sebelat, PT Injatama, a mining location in Tanjung Dalam village. This company also has a special coal port in Pasar Ketahun village, PT Bara Adhipratama, a mining location in the village of Bukit Harapan, Napal Putih, North Bengkulu. Besides, North Bengkulu also has many natural and cultural tourist attractions, including Tapak Balai in Palik, Batu Layang, Kota Agung Beach, Urai Beach, Putri Hijau Beach, Makam Panglima Ratu Samban, Sawah Kemumu, Curug 9 Waterfall, Waterfall. Bagus, Batu Roto Waterfall, Lorong Watu River, Air Lais Dam, and Palak Siring are some of the habitats for the Rafflesia flower. Another tourist attraction that is no less interesting is the Sebelat Elephant Training Center (PLG) in Putri Hijau District.

All potentials possessed by North Bengkulu Regency, if managed optimally, will be able to generate large local revenue and can be a source of financial revenue for the region. Therefore local governments need to pay greater attention to revenue sources and the performance of regional financial management. Regional financial management that is carried out economically, efficiently, and effectively or fulfills the principles of value for money, as well as participatory, transparent, accountability, and fairness, will encourage economic growth and the independence

of a region. The purpose of this study is to determine the extent to which the regional financial management of North Bengkulu Regency affects regional independence.

METHOD

The data used in this study are secondary, data that already exist and are available both in literature books and from the results of lecture material or other sources obtained from the Central Statistics Agency of Bengkulu province and the Budget Realization Report of North Bengkulu Regency, namely to 2012-2019 and other supporting data needed.

To obtain the required data and information, data and information is collected through data obtained from the Central Statistics Agency (BPS) and data or information obtained from reference books, journals, magazines, and newspapers related to this research.

The regional financial independence ratio Shows the ability of local governments to finance their government activities, development, and services to the community. (Widodo, 2001: 262). The higher the ratio of independence means that the level of regional dependence on external assistance is getting lower and vice versa. The formula used to calculate the Independence Ratio is:

Independence Ratio

$$= \frac{Locally - generated\ revenue}{Central\ or\ Provincial\ Government\ Assistance\ and\ Loans}\ x\ 100\%$$

(Sukirno, Sadono macroeconomics)

Ability Regional Finance	Ratio Independence	Relationship Pattern
Very Low	0,00%-25,00%	Instructive
Low	25,01%-50,00%	Consultative
Moderate	50,01%-75,00%	Participatory
High	75,01%-100%	Delegative

Fiscal decentralization can be calculated using the following formula:

$$Fiscal\ Decentralization\ = \frac{Locally - generated\ revenue}{Total\ Regional\ Revenue}\ x\ 100\%$$

Scale Interval Fiscal Independence Degree

Percentage	Degree of Fiscal Independence
0,00-10,00 %	Very less
10,01-20,00 %	Less
20,01-30,00 %	Is
30,01-40,00 %	Enough
40,01-50,99 %	Well
>50,00 %	Very good

Source: *Research and Development Department of the Ministry of Home Affairs-FISIPOL UGM*

Routine Capacity Index (IKR) is a measure that illustrates the extent of financial capacity in the potential of a local government to finance regional routine expenditure. The formula for calculating the Routine Capability Index (IKR) of a local government is as follows (Berti, 2006)

$$Routine\ Ability\ = \frac{Locally - generated\ revenue}{Total\ Regional\ Routine\ Expenditures}\ x\ 100\%$$

% Routine Capability Index	Financial Ability Area
0-20	Very less
20-40	Less
40-60	Enough
60-80	Well
80-100	

Growth ratio (Growth Ratio) measures how much the ability of local governments in maintaining and increasing the success that has been achieved from period to period next. By knowing the growth for each component of the source of income and expenditure, it can be used to evaluate which potentials need attention (Widodo, 2001: 270).

$$r = \frac{P_n - P_0}{P_0}$$

R   = Growth
Pn   =Data calculated in the nth year (PAD of the current year in Bengkulu Utara Regency)
Po   = Data calculated in nth year (PAD of the previous year in Bengkulu Utara Regency)

RESULTS AND DISCUSSION

Tabel 1.
Calculation of Independence North Bengkulu Regency 2012-2019
(Thousand Rupiahs)

Year	Locally-generated revenue	Government Assistance	Independence Ratio (%)	Financial Ability
2012	24.594.244	71.934.163	34,19	Low
2013	30.114.200	84.072.821	35,82	Low
2014	52.653.936	106.116.381	49,62	Low
2015	52.745.517	179.963.369	29,31	Low
2016	67.645.644	158.963.380	42,55	Low
2017	66.061.667	159.132.781	41,51	Low
2018	117.430.306	176.709.296	66,45	Moderate
2019	71.746.575	234.331.995	30,62	Low

Source: BPS Bengkulu Province In Figures From Various Editions of 2019, Data is processed

If you look at the table above, it can be said that the financial independence capacity of North Bengkulu Regency from year to year since the beginning of the research year is still low every year. In 2012 the regional financial independence ratio of North Bengkulu Regency was 34.19%, this result is because in the range of less than 50% it can be said that the level of independence is low. In the following year, there was an increase until 2014 the ratio of the regional financial independence of North Bengkulu Regency increased to 49.62% and this is still considered low. Then in 2015, the ratio decreased, namely by 29.31%, then the following year it began to increase gradually until in 2018 the ratio of regional financial independence became 66.45% and this level of independence was categorized as moderate, but in 2019 it again experienced a decrease, namely the ratio of financial independence to 30.62% and this is still categorized as low. This shows that even though North Bengkulu Regency has enormous resource potential, the North Bengkulu Regency government is not yet financially independent

and is still very dependent on external assistance from both the central government and from regional loans.

According to Halim (2004), the ratio of independence describes the dependence of regions on external sources of funds. The higher the self-reliance ratio, it means that the level of regional dependence on assistance from external parties, namely the central government, is getting lower. However, the results of the processed and analyzed data show that the North Bengkulu Regency Government still has a low ratio of regional financial independence, so it still relies on financial assistance from external parties.

Tabel 2.
Calculation of Fiscal Decentralization degree ratio North Bengkulu Regency 2012-2019
(Thousand Rupiahs)

Year	Locally-generated revenue	Total Regional Revenue	Level Decentralization Fiscal (%)	Financial Ability
2012	24.594.244	636.480.368	3,86	Very less
2013	30.114.200	698.468.927	4,31	Very less
2014	52.653.936	798.672.700	6,59	Very less
2015	52.745.517	1.010.873.824	5,23	Very less
2016	67.645.644	1.121.876.133	6,23	Very less
2017	66.061.667	1.086.002.627	6,08	Very less
2018	117.430.306	1.147.429.657	10,23	Less
2019	71.746.575	1.225.988.248	5,86	Very less

Source: BPS Bengkulu Province In Figures From Various Editions of 2019, Data is processed

Seeing the results shown in the table above, it can be seen the amount of Fiscal Decentralization Ratio owned by North Bengkulu Regency, in the initial year of the study, namely 2012 the ratio of the degree of fiscal decentralization was 3.86% and this means it is very lacking because it is below 10%. This illustrates that North Bengkulu Regency's ability to finance its household is still very limited, as well as what happened in the following year, although the percentage increased, the increase was very small and was still below 10%. It's just that in 2018 the ratio of the degree of fiscal decentralization showed 10.23%, but in 2019 the ratio of the degree of fiscal decentralization decreased again, namely by 6.08%, and was still categorized as low. This shows that the local government of North Bengkulu Regency is still very small in terms of revenue compared to the total revenue received by the North Bengkulu Regency government. Therefore, local governments are expected to continue to pay attention to potential economic sectors that can increase local income.

Tabel 3.
Calculation of Routine Capability Index Ratio North Bengkulu Regency 2012-2019
(Thousand Rupiahs)

Year	Locally-generated revenue	Routine Expenditures	IKR (%)	Financial Ability
2012	24.594.244	682.744.750	3,60	Very less
2013	30.114.200	691.488.741	4,35	Very less
2014	52.653.936	749.251.395	7,03	Very less
2015	52.745.517	989.747.832	5,33	Very less
2016	67.645.644	1.225.962.248	5,52	Very less
2017	66.061.667	1.082.587.926	6,10	Very less

Year	Locally-generated revenue	Routine Expenditures	IKR (%)	Financial Ability
2018	117.430.306	1.175.493.475	9,99	Very less
2019	71.746.575	1.247.736.193	5,75	Very less

Source: BPS Bengkulu Province In Figures From Various Editions of 2019, Data is processed

Based on the calculation results in the table above, the level of routine capability of the North Bengkulu Regency government is around the average value ratio of 5.96%. This illustrates that the level of routine capacity of the North Bengkulu Regency Government is classified as very inadequate in financing its regional government routine expenses. The value of the routine ability index for North Bengkulu Regency in 2012 was only 3.60% and this means that it is still lacking or the local government is very inadequate in financing its routine expenses. Then in the following year, the percentage increased very slightly until in 2019 the value of the routine ability index for North Bengkulu Regency was 5.75%, this illustrates that the North Bengkulu Regency Government does not yet have the financial capacity that can meet the financing needs to carry out tasks governance, development, and community social services.

Tabel 4.
Realization of Local Revenue North Bengkulu Regency 2012-2019 (Thousand Rupiahs)

Year	Locally-generated revenue	Growth (%)
2012	24.594.244	28,77
2013	30.114.200	22,44
2014	52.653.936	74,85
2015	52.745.517	0,17
2016	67.645.644	28,25
2017	66.061.667	(2,34)
2018	117.430.306	43,74
2019	71.746.575	(63,67)

Source: BPS Bengkulu Province In Figures From Various Editions of 2019, Data is processed

The growth of North Bengkulu Regency's Regional Original Revenue tends to increase even though the increase is not too large, in 2012 the growth rate was 28.77% than in 2013 North Bengkulu Regency's original revenue rose again by 22.44%. It's just that in 2017 the original revenue of the Bengkulu Utara district decreased by 2.34%. Then in 2018, the growth rate increased again by 43.74%, but in 2019 it again experienced a drastic decline of 63.67%. This illustrates that the North Bengkulu Regency government can manage the potentials contained in the region so that the revenue generated from the PAD post has increased growth, it's just that the management is not optimal so that the amount of local revenue that goes into the regional treasury is not too large.

CONCLUSION

Based on the Regional Financial Independence Ratio, North Bengkulu Regency is still not at the level of being able to finance its household, the level of independence of the North Bengkulu Regency during 2012-2019 is at a low level of independence. Based on the Fiscal Decentralization Degree Ratio, the level of PAD capacity of North Bengkulu Regency when compared to the Total Regional Revenue is still very small, if seen from the level of ability that still exists, it is at 3.86% at the beginning of the research year, namely 2012 and only reached

5.86. % at the end of the study, namely 2019, this shows that the level of government in the North Bengkulu Regency area is still very dependent on the Central government. And from the calculation of the routine ability index, the value was 3.60% in 2012, then in 2019, it became 5.75%, indicating that the North Bengkulu district government has not been able to finance its expenses.

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