

RELATIONSHIP PATTERNS OF CENTRAL AND REGIONAL GOVERNMENTS IN THE FRAMEWORK OF REGIONAL AUTONOMY: A STUDY OF REGIONAL INDEPENDENCE AND FINANCIAL DEPENDENCE IN SIKKA DISTRICT



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Abstract

This research aims to conduct a study of the regional financial capacity of Sikka Regency within the framework of regional autonomy by referring to an analysis of regional financial independence and dependence. This research is a type of quantitative descriptive research that aims to analyze the regional financial capacity of Sikka Regency based on the concept of regional financial independence and dependence. This research was conducted at the Sikka Regency Regional Government with an observation period from Fiscal Year 2018 to Fiscal Year 2022. The data used in the research was secondary data obtained from the Regional Financial and Asset Management Agency (BPKAD) of Sikka Regency in the form of Budget Realization Report Data. The data analysis technique uses ratio analysis of regional financial independence and dependence. Based on the results of the analysis and discussion, the conclusion that can be outlined is that the financial capacity of the regional government of Sikka Regency is very low with an independence ratio of 11.66% and a regional financial dependency ratio of 78.21%, with an instructive relationship pattern. This provides an understanding that Sikka Regency's regional income comes from transfer funds provided by the central government which is greater than PAD.

Keywords: Regional Financial Capability, Independence, Financial Dependence, Relationship Patterns

INTRODUCTION

According to the law, Article 23 Paragraph 1 of 2014 (6) Regional Autonomy means the rights and authority of autonomous regions to regulate and manage government affairs and community interests in the unitary state system of the Republic of Indonesia (Afandi, 2016.). Autonomy gives district/city governments broader authority to manage their areas in a decentralization concept. The central government supports the implementation of decentralization through budget policies in the Regional Revenue and Expenditure Budget (APBD), which are allocated in the form of balancing funds, to finance regional interests. This policy is considered to provide room for movement for regions to make their regions into developed regions (Adi, 2012).

The establishment of the concept of regional autonomy is intended to ensure the implementation of improved public services that are reliable (Hendrico, 2021), speed up the pace of development, and overcome the development gaps between regions that the community has experienced so far. Therefore, the realization of autonomy cannot be separated from the financial strength of regional governments. (Sanga & Yulia Jaeng, 2023) argue that regional finance has a very important role in helping regional governments achieve fair and equitable national development in all aspects of regional life.

Halim (2004:187) in (Afandi., 2016) explains that the main characteristics of regions that can achieve autonomy are: Regional financial capacity. This means that regions have the authority and ability to maximize the potential of their regional financial revenues through Regional Original Income (PAD) which is used to finance every government activity and carry out their financial management. (2). Regional government dependence on central government transfers must be suppressed and reduced as much as possible, by increasing PAD revenues with the support of central and regional fiscal balance policies as the largest source of funding, where a greater role for regional governments is expected. Apart from that, (Kula et al., 2023) explain that the key factors that indicate a region is capable of carrying out its autonomous authority are based on: (1) Regional financial capacity, meaning that regions implementing the autonomous concept must have the authority and ability to explore their potential. have financial resources, manage and use their finances sufficiently to finance their governance. (2) Regional government financial dependence on budget

transfers from the central government must be minimized, therefore PAD must be the largest financial source apart from central and regional financial balance policies, so that the role of regional government is more dominant (Murtini and Susanto, 2015 in (Sanga et al., 2018)

However, in the implementation of fiscal decentralization, the provision of balancing funds on the one hand is interpreted positively for regional fiscal balance (Adi, 2012) However, on the other hand, this causes regional government dependence on central government assistance to be high, without being balanced by an increase in regional fiscal capacity through increasing PAD. This situation causes low regional independence and financial capacity, and a high level of regional dependence on central government assistance.

The problem of regional financial capacity is an important issue of regional autonomy and regional financial management. Regional financial capacity refers to the power of the government responsible for managing their revenues to finance development programs in their region. Regional financial independence is important so that regional governments can provide fulfillment to their residents without relying too much on financial support provided by the central government or other external sources.

In order for regional government administration to be implemented according to its function well, it is necessary to obtain support from certain sources of income to ensure the implementation and continuity of government activities in the region (Hidayat et al., 2016). Basically, regional financial sources consist of PAD, central government transfers, regional loans, and other legitimate income within the APBD framework, which supports regional development goals. This is the prerogative of local governments to achieve this.

The Sikka Regency Regional Government needs to pay attention to its regional fiscal capacity in the concept of an autonomous region based on regional fiscal independence and dependence. (Sanga et al., 2018) explained that with these regional capabilities, regions are required to carry out their financial management independently. This can be done well and optimally through the use of potential regional financial sources such as regional taxes and regional levies, as well as increasing and maintaining regional autonomy. Regional fiscal independence is an unavoidable requirement for regional governments. Regional financial independence refers to the ability of government managers to fund all government work program activities provided to their own communities who have fulfilled their obligations

(Sanga & Yulia Jaeng, 2023). This means that PAD is very dominant in determining regional development planning and implementation, which is manifested in the determination of the APBD (Susan et al., 2023).

The aim of this research is to conduct a study of the regional financial capacity of Sikka Regency within the framework of regional autonomy by referring to an analysis of regional financial independence and dependence. The contribution of this research is to provide an illustration to regional governments that regional financial capacity is very important in increasing regional financial independence so that regional development can be realized optimally towards economic growth and community welfare.

RESEARCH METHOD

Research Design

This research is a type of quantitative descriptive research which aims to analyze the regional financial capacity of Sikka Regency based on the concept of regional financial independence and dependence. This research was conducted at the Sikka Regency Regional Government with an observation period from Fiscal Year 2018 to Fiscal Year 2022. The data used in the research was secondary data obtained from the Regional Financial and Asset Management Agency (BPKAD) of Sikka Regency in the form of Budget Realization Report Data.

Analysis Techniques

This research uses regional financial ratio analysis, namely the Regional Financial Independence Ratio and the Regional Financial Dependency Ratio.

Formula:

1. Regional Independence Ratio: $(\text{Regional Original Income} / \text{Transferred Income}) \times 100\%$
2. Regional Financial Dependency Ratio: $(\text{Transfers from Central Government} / \text{Total Regional Income}) \times 100\%$

Tabel 1.
Relationship Patterns and Level of Regional Independence

Financial Capabilities	Independence	Relationship Patterns
Very Low	0 % - 25 %	Instructive
Low	25 % - 50 %	Consultative
Average	50 % - 75 %	Participative
High	75 % - 100 %	Delegative

Source: Depdagri, Kepmendagri No. 690.900.327

RESULTS AND DISCUSSION

Sikka Regency Regional Financial Independence Ratio

The regional financial independence ratio is the regional financial capability ratio which is assessed by comparing the PAD value with the income value from the central government, with the formula:

$$\text{Regional Independence Ratio} = \text{Regional Original Income} / \text{Transfer Income} \times 100\%$$

Based on this formula, the results of calculating the regional financial independence ratio are as follows:

Table 2.
Calculation of Regional Financial Independence

Year	Regional Original Income (Rp)	Balancing Fund (Rp)	Regional Financial Independence (%)
2018	100,868,194,503.01	815,667,524,215.00	12.37
2019	99,619,556,108.26	896,834,859,563.00	11.11
2020	119,601,046,361.49	765,074,025,024.00	15.63
2021	90,816,311,412.52	1,001,126,676,974.00	9.07
2022	96,656,644,905.07	952,943,640,966.53	10.14
Average Regional Financial Independence			11.66

Source: Independence Ratio Calculation, 2023

Based on these results, the Regional Financial Independence Ratio of Sikka Regency TA. 2018 to FY. 2022 will have an average ratio of 11.66%, between a ratio of 0% - 25%. This independence ratio has a very small ratio value with very low independence criteria.

A low level of financial independence indicates high dependence on external sources of income. In this context, financial independence refers to the ability of a region to fund its activities and programs without being too dependent on financial resources from the central government and other stakeholders. This illustrates that the regional government of Sikka Regency has not managed adequately the existing potential sources of regional revenue, both potential taxes, levies and management of other regional assets.

In this case, Sikka Regency may face challenges in generating sufficient PAD to support administrative activities. This can be a major concern for local governments in increasing the efficiency of resource management and building new sources of income.

Pattern of Relations between Central Government and Regional Government

Table 3.
Relationship Pattern

Year	Regional Financial Independence (%)	Relationship Patterns
2018	12.37	Instructive
2019	11.11	Instructive
2020	15.63	Instructive
2021	9.07	Instructive
2022	10.14	Instructive

Source: Calculation Results, 2023

Based on this table, it is known that the pattern of financial relations between the central government and the regional government of Sikka Regency is in an instructive relationship pattern. This relationship pattern provides an understanding that the central government has greater budget dominance through fund transfers than regional government financing from PAD. This means that the regional government of Sikka Regency has a large regional financial dependence on central government transfers. In the context of financial

and administrative independence, the pattern of relations between the central government and regional governments can have a significant impact on the level of regional independence. Regional fiscal independence refers to the extent to which regional governments have the resources and freedom to manage their finances without being too dependent on the central government or other external parties.

Sikka Regency Regional Financial Dependency Ratio

The regional financial dependency formula is a tool used to measure the extent to which a region expects funding sources from the central government or other external sources of income.

The formula used is:

$$\text{Regional Financial Dependency Ratio: (Transfers from Central Government / Total Regional Income) x 100\%}$$

Based on this formula, the results of calculating the regional financial dependency ratio are as follows:

Table 4.
Calculation of Regional Financial Dependency

Year	Balancing Fund (Rp)	Total Regional Income (Rp)	Regional Financial Dependency (%)
2018	815,667,524,215.00	1,119,895,487,976.01	72.83
2019	896,834,859,563.00	1,239,199,874,138.26	72.37
2020	765,074,025,024.00	1,102,491,657,749.49	69.39
2021	1,001,126,676,974.00	1,122,667,568,386.52	89.17
2022	952,943,640,966.53	1,091,876,321,999.69	87.28
Average Regional Financial Dependency			78.21

Source: Regional Financial Dependency Results, 2023

Based on the table above, it is known that the regional government of Sikka Regency has a very high source of financing originating from central government transfers with an average value of 78.21%. This provides an understanding that the regional government of

Sikka Regency has a very high dependence on transfer funding assistance from the central government. This is in line with the instructive relationship pattern.

Sikka Regency's regional income comes from transfer funds provided by the central government which are greater than PAD. This means that Sikka Regency relies on external sources of income to fund its activities and programs. The high dependence on transfer funds from the central government may indicate that regional governments have limitations in generating their own income through regional income sources such as taxes and levies. This can also show that the region has limitations in managing or developing regional economic potential.

CONCLUSION

Based on the results of the analysis and discussion, the conclusion that can be outlined is that the financial capacity of the regional government of Sikka Regency is very low with an independence ratio of 11.66% and a regional financial dependency ratio of 78.21%, with an instructive relationship pattern. This provides an understanding that Sikka Regency's regional income comes from transfer funds provided by the central government which is greater than PAD.

Based on these conclusions, the suggestions from this research are:

1. The regional government of Sikka Regency needs to optimize revenue from regional income sources so that Regional Original Income continues to increase.
2. Previous researchers were able to carry out qualitative analysis of regional financial independence and dependence in accordance with the concept of agency theory.

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