



Portrait of the Development of Fiscal Autonomy in Supporting Economic Growth of the Kediri City Government

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Abstract

The research aims to analyze the development of fiscal autonomy in supporting the economic growth of the Kediri City Government. Fiscal autonomy shows a region's ability to finance its finances independently, so that dependence on the central government is increasingly minimal. With increasingly strong fiscal autonomy, it will of course support regional economic growth. This research is quantitative research, with descriptive methods. Research data is in the form of secondary data, collected using documentation techniques. The research results show that the degree of fiscal decentralization of the Kediri City Government from 2017 to 2020 is very low with a value of less than 25%. In 2017 it was 24%, in 2018 it was 19%, in 2019 and 2020 it was 20%. Meanwhile, in 2021 the condition was better with low criteria, namely reaching 29%, but in 2022 it fell back to very low criteria with a value of 22%. There is an increase in the level of fiscal decentralization which is also balanced with economic growth in 2021. The increase in the degree of fiscal decentralization is influenced by PAD revenues and their main components, namely regional taxes and levies. The Kediri City Government must continue to strive to increase its fiscal decentralization. Efforts that may be made by the Kediri City Government to increase its fiscal autonomy, namely by exploring and increasing the potential for PAD revenue, for example developing a regional tax and levy revenue system, continuing to be active in coaching and auditing taxpayers to increase tax compliance, increasing taxpayer data collection, giving appreciation or rewards to compliant taxpayers, as well as providing support to the real sector to produce goods and services.

Keywords : economic growth, fiscal decentralization, PAD, regional levies, regional taxes

Introduction

In regional government governance in Indonesia, decentralization has been implemented in the form of regional autonomy. It is hoped that regional autonomy will support equitable national development throughout Indonesia. Regional autonomy is carried out, so that development in regional government can be in line with development in the central government (Ndaparoka et al., 2018). Regional autonomy requires sufficient resources, such as human resources and financial resources (Cesarie & Suhartini, 2022). A region is an autonomous region if the regional government has the ability to manage regional finances independently. Regional governments have the ability to explore

the potential of their regional revenue sources, and strive to have very little dependence on the central government. Regional independence can be expressed in fiscal decentralization. The level of regional fiscal independence can be seen from the extent of regional fiscal decentralization by measuring the degree of fiscal decentralization (Sistiana & Makmur, 2014).

With fiscal decentralization, local governments at the city or district level have the authority and responsibility to provide public services to the community. Fiscal decentralization will give regional governments the power and authority to make decisions and policies in the aspects of fiscal revenues and expenditures. Fiscal decentralization will demonstrate the independence

of regional governments in implementing regional autonomy. The higher the degree of fiscal decentralization, the more it shows the ability of regional independence.

The criteria for determining regional fiscal decentralization are by looking at regional financial performance. Regional financial performance can be seen from the aspect of regional revenue. Furthermore, the regional revenue aspect is measured by looking at the growth of regional revenue sources. The main regional income comes from Original Regional Income (PAD). PAD is the first source of regional revenue that comes from the potential of the region. PAD is the main source for measuring regional financial performance (Zukhri, 2020). PAD comes from regional tax revenues, regional levies, regional wealth management results, and other legitimate PAD. A portrait of regional capacity can be seen from the regional ability to increase PAD, which is shown by the regional ability to collect taxes (Sistiana & Makmur, 2014). It was further explained that if regional taxes are large, the regional government will also have large development funds.

The greater the amount of regional revenue, especially PAD, can provide a signal of increasing economic growth (Linawati & Solikah, 2019). This will be offset by expenditure made by the region. Regional expenditure is used for regional shopping activities. One of the regional expenditures enjoyed by the wider community in general is capital expenditure. Capital expenditure is intended for improving public facilities and infrastructure. Increasing public facilities and infrastructure can support economic growth. Economic growth describes the development of economic activities, with the large number of goods and services produced by the community, and this encourages community prosperity (Linawati & Suhardi, 2017).

The Kediri City Government is one of the regions in East Java Province with good economic growth, with a score of 5.7 in 2019, before the Covid-19 pandemic compared to other regions in the southern part of East Java Province. This does not guarantee that the Kediri City Government is completely independent. There is still income from balancing funds, so the source of government expenditure is still partly from the central government. In implementing regional autonomy, the Kediri City Government must also make efforts to explore its regional potential as optimally as possible.

The field of public sector research studies regarding regional financial performance has been carried out by many previous researchers using various approaches. Based on data from BPPKAD Kediri City, in 2019 the regional independence ratio was only 19,20%. This shows an instructive relationship pattern, namely that the role of the central government is more dominant. Meanwhile, economic growth from 2017 to 2019 continues to increase (BPPKAD Kota Kediri, 2019). Research related to fiscal decentralization as a form of implementing regional autonomy is still an interesting study and has not been eroded by time. Research by Ndaparoka et al., (2018) on measuring regional independence to increase transparency and accountability of the West Sumba Regency Government APBD. Research by Anas et al., (2022) on the Impact of the Covid-19 Pandemic on the Performance of the Kediri City Government APBD. Another research by Syam & Zulfikar, (2022) on Regional Financial Independence in Improving Community Welfare in Kaimana Regency. This research is different from previous research, the research uses a quantitative approach, with descriptive methods. The research specifically examines the aspect of fiscal autonomy which emphasizes regional financial revenues. The aim of this study analyze the development of the Kediri City Government's fiscal autonomy in supporting economic growth, with an analysis of fiscal decentralization, PAD growth, regional tax growth, and regional levy growth. By Carrying out an analysis of the fiscal autonomy of the Kediri city Government, we can find out the pattern of the relationship between the capabilities and financial independence of the Kediri City region, which can later be used in efforts to increase income growth to support the economic growth of the City of Kediri.

Materials and Method

This research is quantitative research, with descriptive methods. The research provides a portrait and analysis according to the factual conditions that can support the phenomena occurring in the Kediri City Government. The Kediri City Government is the research subject, while the research object is the LRA APBD of the Kediri City Government from 2017 to 2022. The research data is secondary data in the form of LRA APBD data obtained from the website of the Directorate General of Financial Balance <https://djpk.kemenkeu.go.id/> and economic growth data obtained from BPS East Java at <https://>

jatim.bps.go.id/. Data analysis was carried out by analyzing financial ratios in regional governments, including fiscal decentralization ratios, growth in PAD revenues, growth in regional taxes, and growth in regional levies. The following is the formula for calculating the ratio and growth follow:

$$\text{Fiscal decentralization} = \frac{\text{PAD}}{\text{TPD}} \times 100\%$$

$$\text{PAD Growth} = \frac{\text{PAD year t} - \text{PAD year t-1}}{\text{PAD year t-1}} \times 100\%$$

$$\text{Tax Growth} = \frac{\text{Tax year t} - \text{Tax year t-1}}{\text{Tax year t-1}} \times 100\%$$

$$\text{Levy Growth} = \frac{\text{Levy year t} - \text{Levy year t-1}}{\text{Levy year t-1}} \times 100\%$$

The measurement of the level of fiscal decentralization is used in Table 1:

Table 1. Criteria for fiscal decentralization of region finance

Decentralization criteria	Decentralization ratio (%)
Very low	0-25
low	>25-50
Medium	>50-75
high	>75-100

Table 2. The degree of fiscal decentralization of the Kediri City Government 2017-2022

Years	PAD	TPD	Ratio (%)	Criteria
2017	293.065.134.148	1.239.131.382.633	24%	very low
2018	249.093.229.531	1.278.488.601.891	19%	very low
2019	266.745.042.378	1.339.405.675.037	20%	very low
2020	262.886.289.228	1.283.093.769.234	20%	very low
2021	439.896.279.120	1.508.822.569.049	29%	low
2022	319.296.000.000	1.453.000.000.000	22%	very low

Results and Discussion

The Kediri City Government is one of the regional governments in East Java Province which has quite potential in receiving regional income. With sufficient potential sources of income to be explored and developed, starting from culture, tourist attractions, culinary delights and others. The research aims to analyze the development of the fiscal autonomy of the Kediri City Government in supporting economic growth from 2017 to 2022. The analysis carried out includes analysis of fiscal decentralization, PAD growth, regional taxes and regional levies, which are linked to economic growth. The research results are presented in the following tables and figures.

Referring to table 2, the degree of fiscal decentralization of the Kediri City Government from 2017 to 2022, the highest value was achieved in 2021 at 29%, with low criteria. The lowest value of the degree of fiscal decentralization was in 2018, namely 19%. During 2017 to 2020, the criteria for achieving the degree of decentralization were at a very low level, because it was still below 25%.

The degree of fiscal decentralization of the Kediri City Government has fluctuated. Meanwhile, from 2017 to 2020, and in 2022, the degree of fiscal decentralization is still in very low criteria, namely with a value below 25%.

This indicates that the Kediri City government still has minimal contribution to regional finances, which means that regional finances are still dominated by the central government. Meanwhile, in 2021, there will be an increase in fiscal decentralization, namely at 29%, which is included in the low criteria. Meanwhile, this shows an increase in the ability of regional governments to independently finance community service activities, development activities and government activities from PAD revenues, especially those originating from regional taxes and levies. After the Covid-19 pandemic, during the new normal era, the Kediri City Government was able to rise and grow, especially in its PAD revenues, so that PAD made a greater contribution to total regional revenues, which came from other revenues such as balancing funds. The greater the value of the degree of fiscal decentralization shows that the Kediri City Government is more independent in running autonomous regional government. A region deserves to be said to be autonomous if its financing capacity comes from its own potential (Sistiana & Makmur, 2014). High fiscal decentralization can also encourage high economic growth. This supports the opinion of Syam & Zulfikar, (2022) which states that the higher the level of fiscal autonomy, the higher the PAD, which reflects the higher the welfare of society.

On the Figure 1, there is a fluctuating degree of fiscal decentralization, this is of course

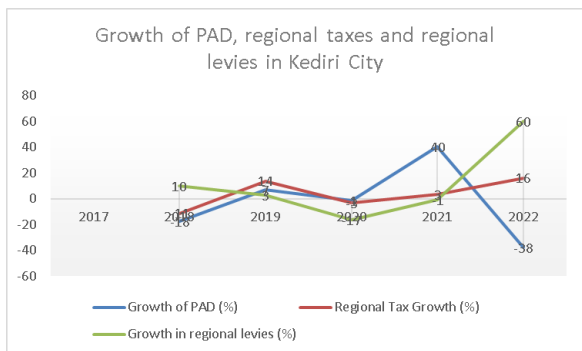


Figure 1. PAD growth, regional taxes, regional levies

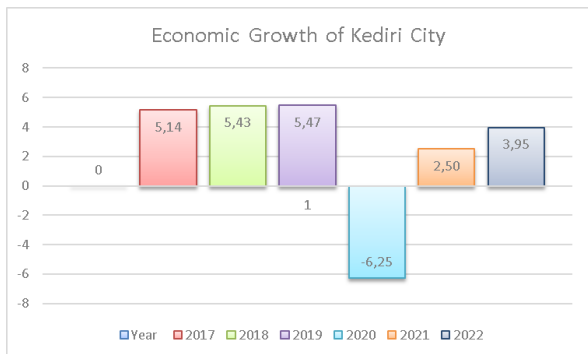


Figure 2. economic growth of the city of Kediri

influenced by PAD revenues, as well as the components of PAD. Kediri City Government's PAD revenue has increased and decreased. PAD growth fluctuated from 2018 to 2021. In 2018 PAD revenue decreased, in 2019 it increased, while in 2020 it experienced a decrease, and in 2021 it experienced a fairly high increase. In 2020, the decline in PAD revenues can be indicated due to the Covid-19 pandemic. After the new normal era, PAD revenues increased sharply, namely in 2021, although there was a decline in 2022, PAD revenues increased more compared to 2020 and back.

The first component in PAD is local taxes. Kediri City Government's tax growth over the last 6 years has fluctuated. In 2018 there was a decrease in regional tax revenue of up to -11%, while in 2019 the growth in regional tax revenue reached 14%. This indicates that the addition of tax revenue is very high, because in 2018 there was a decrease from 2017. As for 2020, the impact of the Covid-19 pandemic also affected regional tax revenue. Tax revenues did not grow and even decreased by 3%. The existence of Large-Scale Social Restrictions (PSBB) and the Implementation of Community Activity Restrictions (PPKM) has resulted in reduced tax revenues, such as regional tax revenues from

restaurant taxes, hotel taxes, entertainment taxes which of course have been greatly impacted by the Covid-19 pandemic. Realization data for entertainment tax in 2019 was Rp. 2.797.668.145, in 2020 experienced a drastic decline, with a gain of only Rp. 931.753.734, in 2021 it will decrease again with a gain of Rp. 543.288.719. Meanwhile, In 2021, as we enter the beginning of the new normal, economic activity will begin to recover, which will also have an impact on regional tax revenue. Overall regional tax revenues grew by 3%. In 2022, tax revenues will increase quite significantly, reaching growth of 15.8%. This is of course in accordance with the efforts made by the Kediri City Government to optimize its revenue collection. Efforts that have been made include tax socialization, coaching and auditing, eliminating administrative sanctions, providing easy facilities for tax payments and reporting (Mashudi, 2023).

The second component in PAD is regional levies. Kediri City Government's regional levy revenue also experienced different growth from 2018-2021. Slightly different from regional tax revenue, the growth in regional levy revenue in 2018 and 2019 experienced growth, although growth in 2018 was more than in 2019. In 2020, regional levy revenue did not grow, in fact it decreased by 17%. The impact of the Covid-19 pandemic has been felt strongly in regional levy revenues. The closure of tourist attractions, reduced opening hours for supermarkets, closures or take aways for restaurants, has a big impact on the receipt of fees, for example parking fees, entrance tickets, accommodation fees, etc. In 2021, levy revenues have not yet grown, and have decreased. Meanwhile, in 2022, the growth in levies will increase rapidly, reaching 60%. The new normal era in 2021 still has no impact on levy revenues, compared to tax revenues which have experienced growth. As community activities become more open in 2022, levy revenues will increase sharply. This is of course the impact of people's activities returning to normal, with visits to shopping centers, tourist attractions and entertainment.

Based on the Figure 2 Revenue from PAD and its components certainly has an impact on economic growth in the City of Kediri. The economic growth of the City of Kediri experienced an increase before the Covid-19 pandemic, namely from 2017 to 2019. Meanwhile in 2020, the economic growth of the City of Kediri experi-

enced a slowdown, namely -6.25%, but in 2021 it increased to 2.5 %, and in 2022, it will improve further with a achievement of 3.95%. This indicates that the Kediri City Government is able to recover from adversity due to the Covid-19 pandemic. This is of course related to the Kediri City Government's revenue capacity from PAD. The greater the PAD, the greater the source of income, so the expenditure is also greater. Regional expenditure that can increase economic growth lies in capital expenditure to improve public facilities and infrastructure. Increasing public facilities and infrastructure directly supports economic growth.

Conclusion

The fiscal autonomy of the Kediri City Government as measured by fiscal decentralization has fluctuated development and has a tendency to continue to increase. During 2017 to 2020 it was in very low criteria, while in 2021 it was in low criteria. There is an increase in the level of fiscal decentralization which is also balanced by economic growth in 2021. The Covid-19 pandemic has had an impact on fiscal decentralization and economic growth in Kediri City, both of which have decreased. The increase in the degree of fiscal decentralization in 2021 is influenced by PAD revenues and their main components, namely regional taxes and levies. The Kediri City Government must continue to strive to increase its fiscal decentralization. Efforts that may be made by the Kediri City Government to increase its fiscal autonomy, namely by exploring and increasing the potential for PAD revenue, for example by developing a regional tax and levy revenue system, continuing to be active in coaching and auditing taxpayers to increase tax compliance, increasing mandatory data collection. taxes, providing appreciation or rewards to compliant taxpayers, as well as support for the real sector to produce goods and services.

Suggestion

This research is limited to descriptive data analysis, further research can use causality research between variables that influence fiscal decentralization. Linking fiscal decentralization with the level of community welfare.

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