

Analysis of Regional Original Income and the Factors that Influence it with the Error Correction Model Approach in Enrekang Regency

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Abstract:- The purpose of this study was to analyze the effect of the Gross Regional Domestic Product (GRDP) on Regional Original Income in Enrekang Regency. The research approach used in this study is a quantitative approach. The quantitative approach emphasizes the existence of variables as research objects and these variables must be defined in the operational form of each variable. The purpose of research using a quantitative approach is to test theory, build facts, show relationships and influences and comparisons between variables, provide statistical descriptions, interpret and predict the results. The GRDP has a positive effect on increasing the Local Revenue of Enrekang Regency as seen from the results of the stationarity test on the GRDP at current prices (X1a) the probability value is more or less the same, namely 0.05, namely 0.0575 and the GRDP at constant prices (X1b) has a probability value smaller than 0.05, namely 0.0314. meaning that both indicate the data is stationary.

Keywords:- Regional Original Income; Gross Regional Domestic Product; Error Correction.

I. INTRODUCTION

Referring to Law Number 23 of 2014 concerning Regional Government which provides clear boundaries regarding the meaning of regional autonomy. In Article 1 of the General Provisions it is stated that regional autonomy is the right, authority and obligation of an autonomous region to regulate and administer government affairs and the interests of the local community in accordance with statutory regulations.

In fact, the basic consideration for the implementation of Regional Autonomy (Otodas) is the development of domestic conditions which indicate that the people want openness and independence (decentralization). Apart from that, the foreign situation also shows that the increasingly widespread globalization demands the competitiveness of each country, including the competitiveness of its regional governments. It is hoped that the competitiveness of local governments will be achieved through increasing the independence of local governments. Furthermore, it is hoped that the increase in the independence of the local government can be achieved through Otodas. The aim of regional autonomy is to accelerate economic

growth and regional development, reduce disparities between regions and improve the quality of public services so that they are more efficient and responsive to the needs, potentials and characteristics of their respective regions.

This is achieved through increasing the rights and responsibilities of local governments to manage their own household affairs [1]. The main mission of the regional autonomy policy and the implementation of Law Number 33 of 2004 concerning the Balancing of Central and Regional Finances, is not only the desire to transfer development authority from the central government and regional governments, but what is more important is the efficiency and effectiveness of financial management. For this reason, a transparent and good financial report is needed, which can also be trusted in order to be able to describe the regional financial resources, as well as an analysis of the achievements of the management of the regional financial resources themselves. This is in accordance with the important characteristics of an autonomous region that is able to carry out its regional autonomy which lies in the strategy of human resources (HR) and capabilities in the area of regional finance Soedjono in [2].

The implementation of regional autonomy is highly dependent on the Regional Revenue and Expenditure Budget (APBD), in which the APBD is a form of regional financial management in allocating resources in the region optimally, as well as a tool for evaluating government achievements in financing development in the region. Therefore, every government expenditure must be aimed at the public interest, and its use must be accounted for.

For the provision of services and public goods, adequate fiscal resources are needed. Apart from funds transfers from the central government, with decentralization, each region can better utilize the potential of each region as a source of funding in development. So that the regions are directed to be as careful as possible in the use of APBD funds, especially for areas that are not rich so that they can contribute to improving people's welfare [3].

Fiscal decentralization is the authority given by the central government to the regions which aims to increase the capacity of their services to be able to meet the needs of the

community from the provincial to village levels. The Indonesian government, which was originally centralized, was changed to a decentralized system because, in principle, it is the regional government that understands the conditions of the people in their area better.

Since the enactment of Law Number 32 of 2004, fiscal decentralization has increased efficiency and effectiveness. Oates in [4] says that local governments know more about people's preferences and needs, so that if the costs of providing public goods and services are the same for local governments (districts/cities) and higher levels of government, it will be more effective and efficient if the provision is left to the local government.

Regional Own Revenue is one of the important factors in the implementation of the wheels of government of a region based on the principle of real, broad and responsible autonomy. The role of regional original income in regional finance is one of the important benchmarks in the implementation of regional autonomy in the sense that the greater a region earns and collects own-source revenue (PAD), the greater the amount of regional finance available that can be used to finance the implementation of regional autonomy. PAD is all regional revenues originating from regional original economic sources as measured by regional taxes and levies. Regional taxes and levies are the largest component in contributing to the formation of PAD in several regions because taxes and levies are closely related to the industrial sector which provides added value to economic strength.

In connection with the implementation of regional autonomy, with the enactment of Law (UU) 28 of 2009, all authority in voting is handed over to the Regional Government. Law 28 of 2009 has been effective since 1 January 2010. The Regional Tax and Retribution Law (PDRD) has the following objectives: (1) to provide greater authority to the regions in taxation and retribution in line with the greater regional responsibilities in administering government and public service. (2) Increasing regional accountability in providing services and administering government and at the same time strengthening regional autonomy. (3) Providing certainty for the business community regarding the types of regional levies and at the same time strengthening the legal basis for collecting regional taxes and regional levies.

The existence of regional autonomy and fiscal decentralization in Indonesia is a strategy with a dual aim. First, the provision of regional autonomy and fiscal decentralization is a strategy to respond to the demands of the local community for three main issues, namely in the form of sharing of power, distribution of income and independence of the management system in the regions. Second, regional autonomy is intended as a strategy to strengthen the regional economy in order to strengthen the national economy to face the era of free trade [5].

Many people worry about extracting local original income, as stated by [6] that in the implementation of regional autonomy, it is feared that many districts/cities will not be able to finance their regional needs. This can be seen from the existing regional financial conditions where the portion between PAD and central assistance is very striking, that more than half of the total districts/cities in Indonesia have very minimal Regional Original Income (PAD) in financing their regional budget needs, namely under 15% of the total budget as a whole. One of the indicators is the Gross Regional Domestic Product (GRDP) to determine the economic condition of a region in a certain period.

PDRB data can also describe the ability of regions to manage their development resources, therefore the amount of GRDP for each region varies according to the potential and production factors of each region [7]. It is hoped that the existence of regional autonomy can provide benefits so that each region is able to finance the life of its region by obtaining regional results in the form of levies, income taxes, results of regionally owned companies and management of separated regional assets, and other income.

The economic growth of a region can be one of the benchmarks for the success of development in that area. In general, the economic development of a region can be identified through the development of GRDP and the contribution of each sector to the value of GRDP. Regional economic growth is closely related to the increase in the production of goods and services, which is measured by the amount in Gross Regional Domestic Product (GDP) and also as an indicator to determine the economic condition of a region in a certain period. GRDP can also describe the ability of regions to manage their development resources, therefore the amount of GRDP for each region varies according to the potential and production factors of each region [7]. An increase in GRDP can increase government revenue to finance development programs. Furthermore, it will improve local government services to the community which is expected to be productive.

The relationship between PAD and GRDP is a functional relationship, because GRDP is a function of PAD [8]. With an increase in GRDP, it will increase local government revenue to finance development programs. Furthermore, it will encourage the improvement of local government services to the community which is expected to be able to increase their productivity. High population growth will be able to increase output through increasing levels and market expansion, both domestic and foreign markets.

As the results of research by [9] that GRDP has a positive and significant effect at the 90 percent confidence level. The Tebing Tinggi GRDP from 2001-2012 experienced a significant increase. With an increase in GRDP, it will indicate that it will encourage an increase in Regional Original Income. The population is also an indicator that can affect Regional

Original Income. Population addition is something that is needed, and not a problem, but as an important element that can stimulate development and economic growth. The population is an important indicator in a country.

The main factors in economic growth in a country or society, namely population growth and matters related to an increase in the number of labor force have traditionally been considered positive in stimulating economic growth and prosperity [10].

Population addition is something that is needed and not a problem, but rather an important element that can spur development and economic growth. The amount of income can affect the population. As the results of research by [11] show that population size influences PAD in Tolikara Regency, Papua. Thus, the more the population increases, the regional original income will increase.

Government spending reflects government policies to improve people's welfare. Government spending by local

governments includes improving the education, health, transportation, infrastructure development and existing infrastructure in the regions so that it will have an impact on increasing regional original income as well as increasing regional economic growth. In addition, with the availability of adequate infrastructure from the local government, the community can carry out activities safely and comfortably which will affect the increase in productivity levels. The existence of adequate infrastructure will attract investors to open business fields in all GRDP sectors so that it will have an impact on increasing Regional Original Income [12].

Capital expenditure is regional government expenditure in the context of providing services to the community whose benefits, both directly and indirectly, can be felt by the community [13]. With the availability of good infrastructure, it can create efficiency in various sectors and people's productivity will be higher and in turn there can be an increase in welfare growth.

Table 1 Comparison of PAD, GRDP, Total Population and Government Expenditure of Enrekang Regency for the 2007-2021 Period

No	Years	Regional Own Revenue (Rupiah)	PDRB		Amount Population (Labor Force)	Government Spending (Rp)
			ADHB (Million Rupiah)	ADHK (Million Rupiah)		
1	2007	18.713.309.296,20	1.132.356,00	630.595,42	87.165	335.770.539.240,49
2	2008	30.588.438.640,50	1.347.211,00	671.543,20	88.275	460.054.884.757,07
3	2009	28.375.784.091,31	1.614.215,00	716.023,15	93.309	460.054.884.757,07
4	2010	19.489.989.556,92	1.921.408,85	751.806,72	91.171	351.729.564.170,00
5	2011	9.964.328.527,91	2.291.690,54	803.892,34	82.075	516.874.332.505,00
6	2012	17.920.619.304,26	2.680.809,01	861.339,60	93.577	527.100.625.244,75
7	2013	23.206.691.000,00	3.316.599,41	921.310,41	88.157	589.395.642.000,00
8	2014	32.455.808.000,00	4.631.503,26	3.389.145,66	89.710	699.197.659.000,00
9	2015	49.214.800.279,00	5.240.684,84	3.623.224,19	90.822	903.110.164.897,00
10	2016	56.383.446.988,95	5.890.898,31	3.899.586,30	Can not	1.091.335.511.816,00
11	2017	99.669.276.952,37	6.360.506,96	4.166.404,66	96.301	987.600.100.370,00
12	2018	66.043.333.304,23	6.719.799,76	4.302.051,17	93.071	1.006.485.625.085,00
13	2019	73.239.444.538,35	7.298.244,01	4.535.550,62	96.568	1.050.617.490.496,00
14	2020	80.164.619.187,96	7.528.640,00	4.592.230,06	105.989	1.101.347.120.796,00
15	2021	73.519.945.732,98	8.204.110,00	4.884.370,00	110.112	1.096.005.370.690,00

Source: Researcher Primary Data, 2022

Based on table 1 above, it shows that the realization of PAD in Enrekang Regency in 2020 is relatively fluctuating (up and down) each year along with the GRDP figures, population, and government spending. Enrekang Regency is one of the regencies in South Sulawesi Province. Administratively, it consists of 12 definitive sub-districts, there are 129 sub-districts/villages, namely 17 sub-districts and 112 villages with an area of 1,786.01 Km². The topography varies in the form of hills, mountains, valleys and rivers with an altitude of 47 – 3,293 m above sea level, about 84.96% of the area. When compared to the Regency (non-city) area, until 2010, the HDI rate in Enrekang Regency was at the top rank. The HDI ranking

of Enrekang Regency on a national scale in 2011 was ranked 19th out of 398 districts in Indonesia. As stated in the press conference Sri Mulyani Indrawati (Minister of Finance), explained that the realization of state revenue until 31 December 2021 was able to grow to Rp. 2,003.1 trillion Rupiah or 114.9 percent of the 2021 state budget target of Rp. 1,743.6 trillion. This achievement grew 21.6 percent higher than the 2020 State Budget which amounted to IDR 1,647.8 trillion (<https://chanelnusantara.com/realisasipendapat-negara-tahun-2021-reach-1149-persen-lampai-target-apbn2021/>).

Furthermore, it was reported by www.mediaindonesia.com that the South Sulawesi provincial government claimed that the realization of the South Sulawesi Province APBD finances had increased by 93.02 percent (10 Trillion Rupiah from the APBD target of 10.747 Trillion Rupiah). Compared to 2020, this figure has increased by 5 percent. The purpose of this study was to analyze the effect of the Gross Regional Domestic Product (GRDP) on Regional Original Income in Enrekang Regency.

II. METHODS

The research approach used in this study is a quantitative approach. The quantitative approach emphasizes the existence of variables as research objects and these variables must be defined in the operational form of each variable. The purpose of research using a quantitative approach is to test theory, build facts, show relationships and influences and comparisons between variables, provide statistical descriptions, interpret and predict the results. This type of research is associative research. Associative research is research that uses quantitative analysis methods. Associative research aims to determine the relationship between two or more variables.

The population in this study were the Regional Revenue Agency (BAPENDA) of Enrekang Regency, the Regional Financial and Asset Management Agency (BPKAD) of Enrekang Regency, the Regional Development Planning, Research and Development Agency (BAPPELITBANGDA) of Enrekang Regency, and the Central Bureau of Statistics (BPS) of Enrekang Regency. The samples in this study were data on budget realization reports at the Regional Revenue Agency (BAPENDA) of Enrekang Regency, the Regional Financial and Asset Management Agency (BPKAD) of Enrekang Regency, the Regional Development Planning, Research and Development Agency (BAPPELITBANGDA) of Enrekang Regency and population data at the Center for Statistics (BPS) of Enrekang Regency in 15 years starting from 2007-2021.

III. RESULTS AND DISCUSSION

A. GRDP Against Regional Original Income

Enrekang Regency has various sources of income which are summarized in Regional Original Revenue. The measure of economic growth is a picture of the results of local government work that is converted as Gross Regional Domestic Product, this right can be interpreted as a process of increasing one's income as a regional effort to prosper its people, therefore this study aims to prove the hypothesis of the effect of Gross Regional Domestic Product on Original Income Area in Enrekang Regency. Based on the results of the stationarity test on GRDP at current prices (X1a) which shows that GRDP at current prices has a probability value that is more or less the same as 0.05, namely 0.0575 which can also be seen from the graph which is around the average. Then the results of the stationarity test on PDRB at constant prices (X1b) which shows that the current price GRDP has a probability value smaller

than 0.05, namely 0.0314, meaning that both indicate the data is stationary. It can be seen from the graph that it is increasing (there is an increase every year, meaning that it has a significant positive relationship).

These results can explain that the GRDP does have a good influence on the Local Revenue of Enrekang Regency. As said by [14] that the higher the GRDP, the local taxes directly increase, so that PAD revenues also increase, so it can be said that GRDP is positively related to PAD. Likewise the opinion of [15] that in the macro concept it can be analogous that the greater the GRDP obtained, the greater the regional revenue potential. So with an increase in GRDP, this indicates that it will encourage an increase in local original income. This opinion, as well as regional original income is influenced by gross regional domestic product. This is what happened in Enrekang Regency as shown in the following table:

Table 2 Realization of GRDP and PAD

No	Years	Regional Own Revenue (Rupiah)	PDRB	
			ADHB (Million Rupiah)	ADHK (Million Rupiah)
1	2007	18.713.309.296,20	1.132.356,00	630.595,42
2	2008	30.588.438.640,50	1.347.211,00	671.543,20
3	2009	28.375.784.091,31	1.614.215,00	716.023,15
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5	2011	9.964.328.527,91	2.291.690,54	803.892,34
6	2012	17.920.619.304,26	2.680.809,01	861.339,60
7	2013	23.206.691.000,00	3.316.599,41	921.310,41
8	2014	32.455.808.000,00	4.631.503,26	3.389.145,66
9	2015	49.214.800.279,00	5.240.684,84	3.623.224,19
10	2016	56.383.446.988,95	5.890.898,31	3.899.586,30
11	2017	99.669.276.952,37	6.360.506,96	4.166.404,66
12	2018	66.043.333.304,23	6.719.799,76	4.302.051,17
13	2019	73.239.444.538,35	7.298.244,01	4.535.550,62
14	2020	80.164.619.187,96	7.528.640,00	4.592.230,06
15	2021	73.519.945.732,98	8.204.110,00	4.884.370,00

Source: Bapenda Enrekang Regency, 2022

Based on the table, it can be seen that the annual increase in the Gross Regional Domestic Product (GRDP) of Enrekang Regency is followed by an increase in Regional Original Income as well, meaning that it has a positive relationship, so it is said to have an influence. GRDP will have a real role in increasing the acquisition of PAD and at the same time being a stimulus for the regional economy if it is fully realized. Thus, GRDP should be able to become a component that plays a role in increasing community access to economic resources that are beneficial to the welfare of the people of Enrekang Regency. The role of the Gross Regional Domestic Product (GRDP) in increasing regional revenues derived from tax revenues used for regional development in the form of basic infrastructure development (for example the construction of roads, bridges, schools and other supporting infrastructure) as well as the provision of public facilities such as the health and education.

The increasing GRDP sector in the economy will automatically increase regional economic activity while at the same time increasing regional income. increase in consumption levels. An increase in public consumption will encourage an increase in production, and the impact of this multiple effect will increase and be sustainable, so the result can be seen later that unemployment can be overcome, poverty is reduced, and people's welfare increases.

B. GRDP Against Regional Original Income

Enrekang Regency has various sources of income which are summarized in Regional Original Revenue. The measure of economic growth is a picture of the results of local government work that is converted as Gross Regional Domestic Product, this right can be interpreted as a process of increasing one's income as a regional effort to prosper its people, therefore this study aims to prove the hypothesis of the effect of Gross Regional Domestic Product on Original Income Area in Enrekang Regency.

Based on the results of the stationarity test on GRDP at current prices (X1a) which shows that GRDP at current prices

has a probability value that is more or less the same as 0.05, namely 0.0575 which can also be seen from the graph which is around the average. Then the results of the stationarity test on PDRB at constant prices (X1b) which shows that the current price GRDP has a probability value smaller than 0.05, namely 0.0314, meaning that both indicate the data is stationary. It can be seen from the graph that it is increasing (there is an increase every year, meaning that it has a significant positive relationship).

These results can explain that the GRDP does have a good influence on the Local Revenue of Enrekang Regency. As stated by Prasedyawat that the higher the GRDP, the local taxes directly increase, so that PAD revenues also increase, so it can be said that GRDP is positively related to PAD. Likewise the opinion of [15] that in the macro concept it can be analogous that the greater the GRDP obtained, the greater the regional revenue potential. So with an increase in GRDP, this indicates that it will encourage an increase in local original income. In this opinion, regional original income is influenced by Gross Regional Domestic Product. This is what happened in Enrekang Regency as shown in the following table;

Table 3 Realization of GRDP and PAD

No	Years	Regional Own Revenue (Rupiah)	PDRB	
			ADHB (Million Rupiah)	ADHK (Million Rupiah)
1	2007	18.713.309.296,20	1.132.356,00	630.595,42
2	2008	30.588.438.640,50	1.347.211,00	671.543,20
3	2009	28.375.784.091,31	1.614.215,00	716.023,15
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6	2012	17.920.619.304,26	2.680.809,01	861.339,60
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9	2015	49.214.800.279,00	5.240.684,84	3.623.224,19
10	2016	56.383.446.988,95	5.890.898,31	3.899.586,30
11	2017	99.669.276.952,37	6.360.506,96	4.166.404,66
12	2018	66.043.333.304,23	6.719.799,76	4.302.051,17
13	2019	73.239.444.538,35	7.298.244,01	4.535.550,62
14	2020	80.164.619.187,96	7.528.640,00	4.592.230,06
15	2021	73.519.945.732,98	8.204.110,00	4.884.370,00

Source: Bapenda Enrekang Regency, 2022

Based on the table, it can be seen that the annual increase in the Gross Regional Domestic Product (GRDP) of Enrekang Regency is followed by an increase in Regional Original Income as well, meaning that it has a positive relationship, so it is said to have an influence. GRDP will have a real role in increasing the acquisition of PAD and at the same time being a stimulus for the regional economy if it is fully realized. Thus, GRDP should be able to become a component that plays a role in increasing community access to economic resources that are beneficial to the welfare of the people of Enrekang Regency.

The role of the Gross Regional Domestic Product (GRDP) in increasing regional revenues derived from tax

revenues used for regional development in the form of basic infrastructure development (for example the construction of roads, bridges, schools and other supporting infrastructure) as well as the provision of public facilities such as the health and education. The increasing GRDP sector in the economy will automatically increase regional economic activity while at the same time increasing regional income. increase in consumption levels. An increase in public consumption will encourage an increase in production, and the impact of this multiple effect will increase and be sustainable, so the result can be seen later that unemployment can be overcome, poverty is reduced, and people's welfare increases.

IV. CONCLUSION

The GRDP has a positive effect on increasing the Local Revenue of Enrekang Regency as seen from the results of the stationarity test on the GRDP at current prices (X1a) the probability value is more or less the same, namely 0.05, namely 0.0575 and the GRDP at constant prices (X1b) has a probability value smaller than 0.05, namely 0.0314. meaning that both indicate the data is stationary. This can be seen from the graph, the increase (there is an increase every year). Thus it can be seen that the economic movement in Enrekang Regency has increased annually, illustrating that economic development is getting better and the role of the community in paying regional income is also increasing, because local revenue has 4 elements, namely taxes , retribution, the results of separated regional wealth management and other legitimate regional income.

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