



## Analysis of Regional Original Revenues and Routine Expenditures on Regional Financial Performance in East Java Regencies and Cities

Muhammad Yasin

Fakultas Ekonomi

Universitas Teknologi Surabaya, Jl. Balongsari Praja V No.1, Balongsari, Kec. Tandes, Kota SBY, Jawa Timur 60188

Email:Muhammadyasin261092@gmail.com<sup>1</sup>

### ARTICLE INFO

#### Article history:

Received: 11/01/2020

Revised: 12/01/2020

Accepted: 01/02/2020

#### Keywords:

PAD, Routine Expenditure, Financial Performance

### ABSTRACT

*Economic growth is the process of change in a country's economy sustainably towards a better state for a certain period. Economic growth can be defined as well as the increase in production capacity of an economy that is realized in the form of increase in national income. Variables PAD (X1) is measured using: (1) taxes, (2) Non tax, recurrent (X2) is measured using: (1) Direct, (2) Not immediately. The financial performance of the independent variable region (Y) is measured using: (1) The efficiency ratio, (2) Ratio Effectiveness, (3) Ratio of independence, (4) The ratio of the economic activities. This means that if the local revenue, it will cause an increase in Similarly to the achievement of economic growth. highly flexible in terms of utilization, an area of more flexibility in planning the budget allocation for development activities in accordance with its economic agenda which include the construction of basic facilities and infrastructure that play a role in supporting the optimal economic growth.*

Copyright © 2019 Journal Mantik.  
All rights reserved,

## 1. Introduction

Economic growth is the process of change in a country's economy sustainably towards a better state for a certain period. Economic growth can be defined as well as the increase in production capacity of an economy that is realized in the form of increase in national income. According to Priyo Adi Day (2006) economic growth during this occurs are determined by factors of regional development spending. Development of infrastructure and public facilities to improve the quality of service to the public and can be an attraction for investors.

In today's era of fiscal decentralization, it is expected the peningkatan pelayanan in various sectors, especially the public sector, with an increase dalam layanan in the public sector can increase the attractiveness for investors to untuk menanamkan investment in the area. Karena by the shift in the composition belanja merupakan logical Pemda efforts in order to improve public tingkat kepercayaan to do with the increase in capital investment dalam bentuk fixed assets, namely equipment, buildings, infrastructure and other fixed assets (Maharani, 2010).

Financial ratio analysis on the budget can be made by comparing the results achieved from one period compared to the previous period so that it can be seen how the trend is going, or can be done by comparing the financial ratios are owned by a particular local governments with financial ratios other areas nearby or relatively the same potential of the area to see how the position of the local government's financial ratios to other local governments (Widodo in Halim, 2012).

With the revenue (PAD) can know the financial of the county or city therefore financial performance can be enhanced through improved services from any county or city and supported by Good infrastructure in order to revenue (PAD) increases and public services can be maximized.





## 2. Literature review

### 2.1. The area of financial management

In managing the finances required a science which studies the financial pengelolaan is good and right. Science is often called the financial management. Financial management is often used and necessary in the financial pengelolaan all fields, not least the financial pengelolaan area. Government Regulation No. 105 In 2000, the area of financial states: All rights and obligations in respect of the area of local government that can be valued in money includes all forms of property-related rights and obligations of the area, in terms of income and expenditure budget (APBD). From the above definition also invited several experts to define the regional finance them, as follows:

- 1) Drs. Tjahja Supriatna, it defines the local finance as a local government's ability to oversee pengelolaan the area of planning, implementation, pengawasi, control and evaluation in a variety of financial resources in accordance with the authority in the framework of the implementation of the principles of decentralization, deconcentration and co-administration in the area are realized in forms of income and expenditure budget (PBD).
- 2) Jaya, found the financial area of the entire structure, institutional devices, and the wisdom of local budget includes revenues and state expenditures.
- 3) Mamesah, finance area represent all the rights and obligations that can dinilai with nominal or money, so everything is in the form of money or goods that may be used as the wealth of the area all have not owned / controlled by the state or the higher regions, as well as other parties in accordance with the provisions of applicable regulation.

The area of financial management is the process of planning, organizing, leadership and control of all the rights and obligations of existing local government organization that everything valued in money, and entered in the wealth associated with the rights and obligations of the area in order to budget revenues and expenditures.

### 2.2. Regions financial

According to Drs. Tjahja Supriatna, the definition of local finances is the ability of local governments to monitor the area to manage the start of planning, implementing, supervising, controlling, and evaluating various financial resources in accordance with the authority in the framework of the implementation of the principles of decentralization, deconcentration and co-administration in the area are realized in the form of budget revenue and expenditure (PBD). Meanwhile, according to Government Regulation No. 105 In 2000, local finance is "All the rights and obligations of the regions in the framework of the implementation of local government that can be valued in money includes all forms of property-related rights and obligations of those areas, within the framework of budget revenues and expenditures (budget)".

In the Act governing State Finance, there is the affirmation in the field of financial management implications for the regulation of financial management, namely that the head region (governor / regent / mayor) is the holder of power of financial management and is responsible for financial management as part of the local government authority. In exercising his powers, the regional head delegate some or all of the area of financial powers to officials of local devices. Thus the financial management and accountability arrangements attached to the area and become one with the local government setting, namely the Law on Local Government.

### 2.3. Locally-generated revenue

According Mardiasmo in Fisanti (2013), the local revenue is the revenue from the tax sector, retribution, the results of companies owned by regional, wealth hasilpengeloalaan separated areas, and other legitimate local revenue. Optimizing the reception PAD should be supported by local government efforts to improve the quality of public services. Excessive exploitation PAD will further burden the people, become a disincentive to the area and threaten the macro economy.

According to Lewis in Ahyani (2010) Not efficacy of various regulations that the government may show lack of positive relationship between the new levies by local government seriousness in improving the quality of public services. It needs a proper policy of local regulations to charge any fees which will be conducted by the local government. PAD as a major source of income for the region. PAD is divided into three categories: local taxes, fines and levies, as well as local company earnings. Third tersebut categories listed in the Law No.33 of 2004 Article 6, paragraph 1 which states that the source of revenue consists of tax, retribution, the results of which are separated regional wealth management, and other





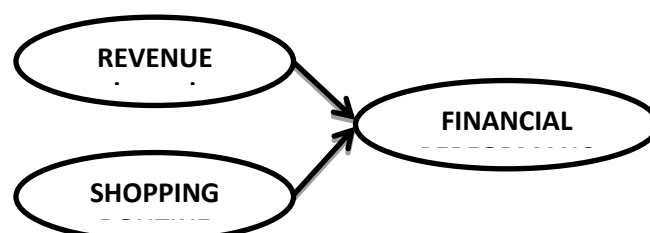
legitimate PAD. Local taxes into the public spotlight which is seen as the main type of income earned area. In general, the central government will determine the tax that can be levied by local governments. The second category of revenue is the levy fees, fines, and license. This income source attached to someone to pay for certain services that uses. Government levies and license fees for services already provided. Revenue from income areas of utilities and local firms. The local company to earn revenue through charges on goods or services that it offers. In principle, the imposition of this region plays the role of regulation in the form of fiscal and revenue collection and organize demand for services with meminimalisasi violations that often occur in public service free of charge. So revenue is the local government through its efforts to meet the obligations of its goal area one perekonomian expected increase will directly impact to improve the quality of life in society. In order to meet these objectives the government is expected to have its own financial system both in terms of revenue and expenditure sehingga tidak dependent on the central government. So revenue is the local government through its efforts to meet the obligations of its goal area one perekonomian expected increase will directly impact to improve the quality of life in society. In order to meet these objectives the government is expected to have its own financial system both in terms of revenue and expenditure sehingga tidak dependent on the central government.

#### 2.4. routine expenditure

According to Mardiasmo (2009: 66) argues that government spending be used both central and local government includes two types of recurrent and capital expenditure. Routine expenditures are expenditures for maintenance or penyelenggaraan everyday government activities expenditure for the maintenance or daily governance. Included in the routine expenditure is personnel expenditure, expenditure items, the autonomous regional subsidies, interest payments and other debt. Regular government spending plays an important role to support the mechanism of the government system and efforts to increase efficiency and productivity, which in turn will support the achievement of the goals and objectives of each stage of development. Routine expenditure savings and efficiency needs to be done to increase the size of government savings necessary to finance national development. The savings and efficiency among others, can be pursued through loans, routine expenditure allocation and control of coordinating the implementation of the purchase of goods and services the needs of the department or non-departmental state institutions. And the reduction of various kinds of subsidies gradually (Susanti, 2000: 69). In the routine expenditure there is division or classification of expenditure, then the routine expenditure included or equal to the cost of administration and the public. So routine expenditures are costs incurred companies for office environments include members of Aceh expenditure, spending on goods and maintenance, and the other relating to the administration office.

#### 2.5. conceptual framework

In this chapter will explain the conceptual framework of research, the research hypothesis and operational definitions. The conceptual framework of research will help researchers in linking the findings with the theory. Thus the conceptual framework necessary as a basis to think in carrying out an investigation that was developed from a review theory so easily understood. A description of the variables of the study can be obtained through the framework of the concept, which is categorized into groups of independent, dependent, and confounding. The research hypothesis is a statement while researchers to test the truth expressed in the alternative hypothesis, as a guide in identifying and interpreting the result. The operational definition is a definition based on the observed characteristics of the variables examined to clarify the intent of the research undertaken. This research is described in the conceptual framework of research on the scheme Figure 1 below:





**Fig. 1.** framework research concept

## 2.6. hypothesis

PAD significant effect on the financial performance area in the district / city in East Java  
There is a significant influence on the financial performance of routine shopping area in the district / city in East Java

## 3. Research methods

### 3.1. Research design

This approach uses qualitative and quantitative approaches. A qualitative approach is about a research study that is descriptive and tends to use the analysis. The process and the meaning (a subject perspective) is highlighted in qualitative research. The theoretical basis used as a guide in order to focus research in accordance with the facts on the ground.

### 3.2. Limitations of the study

The research sample was determined by random sampling is purposive sampling method based on specific criteria in order to qualify a good sample. Those criteria are:

- 1) Samples are 29 districts and 9 Cities in East Java Province
- 2) County and City Budgets

### 3.3. assumptions Research

Assumptions research using data gathered from Bapeda information across eastern Java.

### 3.4. Retrieval and Data Collection Procedures

Most of the population whose characteristics are about to be investigated and considered representative of the overall population. Limit tolerated error for each population is not the same, because performance in each East Java Provincial is 29 different counties and 9 cities, where the entire population that is filtered based on the financial data that has been determined, because to understand how the structure affects the financial performance of the budget and economic growth. This research data collection techniques through some procedures as follows:

- a) Library studies, the study of literature, especially regarding PAD and Routine Expenditure on financial performance area so that they can discuss or solve what has been said previously.
- b) Field studies, This is done through Bapeda East Java province, a field study aims to determine the economic growth East Java Provincial corresponding to the variables studied,

When seen from the data source, the data retrieval can use primary sources and secondary sources. The primary source is a data source that directly provides data to data collectors, and the secondary source is a source that does not directly provide data to data collectors, for example through others or through documents. Data obtained from the regional budget BAPEDA East Java province is an efficient data collection technique if researchers know for certain variables to be measured and know what to expect from budget data. In addition, in quantitative research, researchers will use the instrument for data collection, whereas in qualitative research-naturalistic researchers will more be an instrument, because in qualitative research the researcher is Key instruments. Because the research instruments will be used to perform measurements with the objective of producing quantitative and qualitative data that are accurate, then any budget structure must have accurate data. The assortment of the budget structure in which various structural budget analysis that can be used for research.

### 3.5. Quantitative analysis

Analysis of the data in this study using the application program PLS (Partial Least Square) version 3.0 M3 PLS (Partial Least Square) was first developed by Wold as a general method for estimating path models using latent constructs with multiple indicators. PLS (Partial Least Square) is the factor indeterminacy powerful analytical methods because it does not assume the data must be with a certain scale measurement, the sample size is small. PLS (Partial Least Square) may also be used to confirm the theory.

**Table 1**  
*Average Variance Extracted*

	Average Variance Extracted (AVE)
--	----------------------------------



<b>PAD</b>	<b>1,000</b>
<b>shopping Routine</b>	<b>1,000</b>
<b>Financial performance</b>	<b>1,000</b>

The above table can disimpulkan that the roots AVE PAD construct 1,000 ( $\sqrt{1.000}$ ), AVE construct Routine Expenditure 1,000 ( $\sqrt{1.000}$ ), AVE constructs Financial Performance for 1000 ( $\sqrt{1.000}$ ) and AVE constructs Economic Growth. So all constructs in the model were estimated meets the criteria Discriminant Validity.

### 3.6. Statistic test

To prove the hypothesis by looking at the significance of the influence between variables by looking at the coefficient parameters and the significance value of t statistic. In PLS this is done by looking at the Algorithm Bootstrapping report, the following results:

Table 2  
*path Coefficients (Mean, STDEV, T-Values, P-Values)*

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics (  O / STDEV  )</b>	<b>P Values</b>	<b>hypothesis</b>
<b>PAD -&gt; Financial Performance</b>	-0392	-0394	0225	1,747	0081	Tdk.Sig
<b>Shopping Routine -&gt; Financial Performance</b>	0008	0026	0187	2,663	0050	Sig

*Processed by researchers*

*path Coefficient* indicates the level of significance and the relationship between variables. Thus giving the following results:

### 3.7. PAD significant effect on the financial performance areas in the county and the City of East Java

PAD to Financial Performance area of the district and municipalities in East Java is not significant by t-statistic of 1.747(<1.96). The original value estimate is a negative sample that is equal to -0.392 yang indicate that the direction of the relationship between the PAD to the negative daerah adalah Financial Performance.

Variables can be interpreted Local Revenue has no significant relationship and negative. This shows that the amount of local revenue that diteima oleh some City District in East Java gave a negative influence on economic growth. Local Revenue by Mardiasmo in Fisanti (2013) explains that the original income obtained from the sector Local Taxes, Levies, Regional Owned Company Results, Results of Regional Wealth Management were separated and other legitimate income areas. Of sources shows that the withdrawal of taxes and levies, it results in the output area is reflected in the GDP is generated various income sectors in the District Municipality is not running optimally. According to Lewis in Ahyani (2010) Not efficacy of various regulations that the government may show lack of positive relationship between the new levies by local governments dalam meningkatkan seriousness of quality public service. Besides charging for goods and services offered are to be borne by local companies participated reduce the resulting output. With maximal GDP is generated in a region will certainly affect the rate of economic growth in the area. because the rate of economic growth can not be separated from the rate of increase in the GDP of the area. So it is very important for the local government sector to maximize their income in order to get the maximum output in every sector.

### 3.8. There is a significant influence on the financial performance of routine shopping areas in the county and the City of East Java

Routine expenditures against Keuangan adalah performance significantly with a t-statistic of 2.663(>1.96). The original value estimate is a positive sample that is equal to 0008 which indicates that the direction of association between recurrent expenditure on financial performance is positive.

Based on the calculation results show that in partial recurrent positive effect on the financial performance of district and town in the province of East Java. These results indicate that the reality of Local Government by increasing the allocation of expenditure, the higher the financial performance of district and town in the province of East Java. The capital expenditure is the expenditure of local governments in order to provide pelayanan to the people who benefit either directly or indirectly, may be





perceived by the public. With the availability of good infrastructure can create efficiency and productivity in various sectors of society becomes higher and in turn can increase the growth of welfare.

## 5. Conclusion

This study examined the "Analysis of the structure of the budget to the financial performance and economic growth areas in the county and Kotase East Java". Based on the results of the study found that:

1. PAD to Financial Performance area of the district and municipalities in East Java is not significant by t-statistic of 1.747(<1.96). The original value estimate is a negative sample that is equal to -0.392 yang indicate that the direction of the relationship between the PAD to the negative daerah adalah Financial Performance.
2. Routine expenditures against Keuangan adalah performance significantly with a t-statistic of 2.663(> 1.96). The original value estimate is a positive sample that is equal to 0.0008 which indicates that the direction of association between recurrent expenditure on financial performance is positive.

## 4. Reference

- [1] Adi Priyo Hari, 2006. "Hubungan Antara Pertumbuhan Ekonomi Daerah, Belanja Pembangunan dan Pendapatan Asli Daerah, Studi pada Kabupaten dan Kota se Jawa-Bali", Simposium Nasional Akuntansi IX. Padang.
- [2] Adi, Priyo Hari. 2007. "Kemampuan Keuangan Daerah dan Relevansinya dengan Pertumbuhan Ekonomi". The 1st National Accounting Conference. Departemen Akuntansi, Fakultas Ekonomi Universitas Indonesia. Jakarta.
- [3] Ahyani, Wahid. 2010. Analisis Pengaruh Pendapatan Asli Daerah Dan Belanja Daerah Terhadap Pertumbuhan Ekonomi Daerah, Dan Pengganguran Pasca Pelaksanaan Otonomi Daerah (Studi Kasus Pada Kabupaten Dan Kota Provinsi Jawa Tengah). Skripsi, Tidak Dipublikasikan. Universitas Brawijaya
- [4] Jaya, W.K., 1996, "Analisis Keuangan Daerah; Pendekatan Makro", Model Program PMSES, Kerjasama Ditjrn PUOD Depdagri dengan Pusat Penelitian dan Pengkajian Ekonomi dan Bisnis, UGM, Yogyakarta
- [5] Maharani, Astri Dhiyah, Analisis Pengaruh Kepercayaan dan Kepuasan Terhadap Loyalitas Nasabah Tabungan Bank Mega Syariah Cabang Semarang, Semarang: Universitas Diponegoro Semarang, 2010
- [6] Mamesah DJ Sistem Administrasi Keuangan Daerah Gramedia Pustaka Utama Jakarta 1995
- [7] Mardiasmo, 2002. "Otonomi Daerah Sebagai Upaya Memperkokoh Basis Perekonomian Daerah". Makalah. Seminar Pendalaman Ekonomi Rakyat.
- [8] Mardiasmo, 2004. Otonomi dan Manajemen Keuangan Daerah. Andi. Yogyakarta.
- [9] Supriatna Tjahja. 2000. Strategi Pembangunan dan Kemiskinan. Rineke Cipta. Jakarta.
- [10] BPS, Statistik Jawa Timur dalam Angka, Surabaya: Jawa Timur, Badan Pusat Statistik.
- [11] \_\_\_\_\_, Statistik Propinsi Jawa Timur dalam Angka, Surabaya: Jawa Timur, Badan Pusat Statistik.

