

Financial Capability Analysis of South Buru Regency in the Era of Regional Autonomy

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Abstract

In accordance with the provisions of the Regional Autonomy Law, the regional authority is to have the responsibility of providing various services to the community with the principle of openness, participation and accountability to the community. The ability of local governments to manage finances as outlined in the APBD does not directly reflect local capability in financing the implementation of government tasks, development and social services. Regional financial independence is expected to finance economic development implemented through the role of government in optimizing the financial resources of their respective regions. Measuring the success of regional autonomy is the ability to manage the potential of the region that will be created regional financial independence. One tool to analyze the performance of local governments in managing their regional finances is by the analysis of financial ratios to APBD that has been established and implemented.

Keywords: *financial capacity analysis and regional autonomy.*

1. Introduction

In accordance with the provisions of the Regional Autonomy Law, the regional authority is to have the responsibility of providing various services to the community with the principle of openness, participation and accountability to the community. The basic principle of autonomy is based on regional considerations that better know the needs and service standards for the people in the region (Hehamahua, 2.2015).

The ability of local governments to manage finances as outlined in the APBD does not directly reflect local capability in financing the implementation of government tasks, development and public social services. The regional financial independence is expected to finance the economic development that has been reformed through the role of the government in optimizing the financial resources of their respective regions. One of the benchmarks of the success of regional autonomy is the ability to manage the potential of the region that will be created regional financial independence.

This is certainly in accordance with the concept of regional autonomy is the right, authority and obligation of the autonomous regions to regulate and manage the affairs of the government and the interests of the local community in accordance with the legislation of the law (Law No. 32 of 2004. Pasal 1: 5).

In this context Regional autonomy is seen as a process that provides professional capacity to local governments to provide fulfillment of public needs on a local scale. Therefore there are some transfers of power among others, authority is submitted to the region, and the implementation of the centralized system which is then replaced by a decentralized system which means the authority is fully given to the region.

In the implementation of Regional Autonomy, there are four important elements that are submitted by the Central Government to the Regional Government. The four elements according to Cheema and Rondinelli (in Anita Wulandari, 2001: 17), are Decentralization of Politics, Fiscal Decentralization, Decentralization of Administration and Economic Decentralization. These four elements become the regional obligation to manage efficiently and effectively. In the implementation of regional development as a subsystem of the Indonesian government, so far development financing for most regions still rely heavily on the source of development financing coming from the central government.

This is reflected in the Regional Budget (APBD), where about two thirds of total local government expenditures are financed from donations and donations from the central government (Shah and others 1997). One of the elements that the central government handed over to local governments was fiscal decentralization.

Fiscal decentralization is a major component of the decentralization of the implementation of regional autonomy and marks the start of a new chapter in regional development as well as its people in managing resources and (or) the full potential of the region to realize the welfare of the people and the progress of the region.

One of the elements that the central government handed over to local governments was fiscal decentralization. Fiscal decentralization is a major component of the decentralization of the implementation of regional autonomy and marks the start of a new chapter in regional development as well as its people in managing resources and (or) the full potential of the region to realize the welfare of the people and the progress of the region.

South Buru district is a new autonomous region since it broke away from Buru district in 2008. Entering the 17th year after the expansion, the local government is always trying to do various things by digging the sources of income to support the implementation of government wheels, but not optimal in exploring its resources..

The low role of Local Revenue indicates that the regional dependence on central government is still very large, it is certainly a challenge for regions in implementing autonomy, in which regions are required to be independent to manage their local economies, both in financial management and efforts in increasing regional revenues.

Each region must be able to explore sources of income through the availability of natural resources, as is the principle of regional autonomy (Hehamahua 99, -100.2015.). To be independent in managing its finances for the benefit of the people in the region.

Thus the local government as the party entrusted with the task of running the wheels of government, development and service to the community must submit a report on the accountability of local finances to assess whether the local government successfully performs their duties properly or not. One tool for analyzing local government performance in managing local finances is by analyzing the financial ratio of APBD that has been established and implemented (Hehamahua, 3.2014).

2. Literature Review

a. Review of Regional Autonomy

According to Law no. 32 of 2004 Article 1 paragraph 5. Regional Autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own governmental affairs and the interests of local communities in accordance with the laws and regulations. While Suparmoko (2002: 61) means regional autonomy is the authority of autonomous regions to organize and manage the interests of local communities according to their own initiative based on community aspirations.

In accordance with the explanation of Law no. 32 of 2004, that the granting of regional autonomy and districts / municipal authorities is based on decentralization in the form of broad, real and responsible autonomy. One of the main characteristics of the region capable of implementing regional autonomy according to Yuliati (2001: 22), is located on the financial capacity of the region to finance the implementation of local government with the level of dependence on the central government, has a smaller proportion and it is expected that PAD should be the largest part in mobilizing funds for local government administration.

Implementation of regional autonomy is essentially an effort to improve the welfare of the community by carrying out development activities in accordance with the will and interests of the community. With regard to the delegation of policy decision-making powers, the management of public funds and the regulation of activities in the administration of government and public services, the role of local financial data is urgently needed to identify local financing sources as well as the type and amount of expenditures to be spent for effective financial planning and efficient.

So the objectives of regional autonomy will be answered through the improvement of public services. This is clarified by Mardiasmo's statement that the objective of Regional Autonomy is 'to improve public services and promote the regional economy. Basically, there are three main missions of the implementation of regional autonomy and fiscal decentralization, namely:

- a. Improve the quality and quantity of public services and community welfare.
- b. Creating efficiency and effectiveness of local resource management.
- C. Empower and create space for the public (public) to participate in the development process..

b. Review of Regional Finance

In Government Regulation no. 105 year 2000, states that the regional finance is all the rights and obligations of the region in the framework of the implementation of local government that can be assessed with money including all other forms of wealth related to the rights and obligations of the region within the framework of APBD.

Thus, according to Kiflimansyah (2001: 319), the APBD can be a reflection of the performance and capacity of local governments in financing and managing the implementation of government and development implementation in their respective regions in one budget year.

Conceptually, the pattern of relations between the central and local governments should be done in accordance with the financial capacity of the regions in financing the implementation of governance and development, although the measurement of financial capacity of this region will cause a difference.

So Hersey at all (in Nataluddin, 2001: 168-169) introduces "Situational Relations" in the implementation of regional autonomy as follows: (a). The pattern of Instructive Relation, the role of the government is more dominant than the autonomy of local governments (regions that are unable to implement regional autonomy). (b). The pattern of Consular Relations, the interference of the central government has begun to decline, as the region is considered a little more capable of implementing autonomy. c). The pattern of Participatory Relationships, the role of the central government is diminishing, since the regions concerned have a degree of independence close to being able to carry out autonomy affairs.(d). Pattern Relationship Delegatif, central government intervention is not there because the region has really capable and independent in carrying out the affairs of regional autonomy.

Starting from the above statement, it can be sure the potential of natural resources and human resources are different then there will be differences in relationship patterns and the level of independence between regions. As a guide in looking at the pattern of relationships with local capacity (from the financial side) can be shown in the Table below:

Table 2.1 Pattern Relationship Level Ability Area

Financial Capability	Independence (%)	Pattern relationship
Very low	0%-25%	Instructive
Low	25%-50%	Consultative
Medium	50%-75%	participative
High	75%-100%	Delegative

Source: Halim (2002: 169)

Table 2.1 above shows what Hersey at all describes (in Nataluddin), then the position or financial position (ability) of the district of BuruSelatan is at a low ability level (0% -25%), which is a pattern of instructif relationships.

- *Independence Ratio*

The ratio of self-reliance is indicated by the amount of local revenue compared to the regional income derived from other sources (external parties), among others: Profit sharing, Non-Tax Revenues, General Allocation Funds and Special Allocation Funds, Emergency Funds and Loan Funds (Widodo, 2001: 262).

The higher this ratio means the higher the participation of the community in paying the local taxes and levies which are the main components of local revenue. The independence ratio can be formulated as follows:

$$\text{Independence Ratio} = \frac{\text{Locally-generated revenue}}{\text{Central / Provincial Government Assistance and Loans}}$$

3. Methodology

- *Types of research.*

This type of research includes descriptive research. According to Nazir (2003: 54) descriptive research is a method that describes a condition or events that occur at this time. Meanwhile, Sukmadinata (2006 in Hehamahua 2014), stated that descriptive research method is a method that tries to describe, interpret something, such as existing condition or relationship, opinion developing, ongoing process, effect or effect take place.

- *Data collection technique*

The method used in data collection in this research is literature study method or library research. Thus data derived from books, documents, articles and others related to this writing.

- *Data Processing Technique*

Data that have been obtained at the time of data collection is processed by using descriptive analysis method. That is data derived from the APBD and then analyzed by using several ratios such as the independence ratio, the effectiveness ratio and efficiency.

4. Results

South Buru District Overview

South Buru Regency was originally part of Buru Regency, which in bloom became autonomous region in the year 2008 ago. Being an autonomous region is part of the people's desire in order to improve services in the field of governance, development and provide the ability to manage the potential of natural resources of the region.

- *Analysis of APBD of Buru District*

Independence Ratio

Table 4.1 Development of APBD Buru Regency Years 2011- 2013 (in Million Rp)

No	Income	Year 2012	Year 2013	Year 2014	Year 2015
1	PAD	2.250.333.827.233	245.406.084.104	110.799.522.404	1.287.829.035.405
2	Local taxes / levies	858.154.077	926.542.335	110.837.142.440	1.616.167.392
3	Other Legal PAD	135.160.546.876	1.458.952.861	857.140.725.929	1.126.212.296.205
4	Balancing fund	319.662.116.549	378.942.398.809	467.218.168.688	536.142.858.589
5	Tax/ non-tax revenue sharing	28.463.585.169	23.441.736.621	2.772.238.876	25.926.567.589
6	DAU / DAK assistance	294.162.633.000	355.819.479	442.858.262.670	51.021.6291.000
7	Other Legal Income	18.307.147.650.92	1.622.780.825.564	21266753619.27	4.778.666.019.896
8	Grant Income	5.000.000.000	5.000.000.000	4.774.402.834	0,00
9	Autonomous Regional Contribution	6.338.118.000	7.643.317.000	13.333.139.000	36.997.369.000
10	Loan	0,00	403664444	446878926.27	0,00
11	Others	3/904/928/031	0,00	0,00	1.078.929.119.896
Summary		340219200702.68	397623569235.93	499560860329.56	596807809142.01

Source: Finance Office of Buru Selatan Regency data in though.

Table 4.1 above shows the ratio of self-sufficiency to descent which means South Buru District Government tends to have a very high financial dependence to the central government. This can be seen from the contribution of PAD to the total APBD which is still relatively small and the main source of financing is still sourced from the Central Government Balance Fund.

Sharing the issues that participate in fiscal decentralization has made regional tendencies increasingly dependent on the central government. In fact, today the fiscal decentralization of the central government has given authority to the local government to be creative in exploring the financial resources contained in the region, both in the form of local taxes, user charges, and the results of the management of local wealth.

Thus the birth of the Regional Autonomy law by Nataluddin (2001: 167), bringing consequences for regions that will create differences between regions with one another, especially in terms of local financial capacity, among others as follows:

- Areas capable of implementing regional autonomy.
- The approaching region is capable of implementing regional autonomy
- A small area capable of implementing regional autonomy and
- Areas that are less able to carry out the affairs of regional autonomy

In accordance with the above statement, it can be ensured that South Buru Regency is located in an area that is slightly capable of implementing autonomy. It is reasonable to see from the above independence ratio. In terms of service ability in terms of shorten the range of control since the expansion, but from the ability to explore the potential sources of the region has not been maximized.

In fact, if able to explore the potential of regional resources to increase the PAD so it is expected to be a balancer between the central government funds and autonomous regions themselves. As has been previously mentioned that to analyze the performance of local governments in managing their regional finances is done by using some financial ratio analysis of independence ratios, effectiveness and efficiency ratio and Growth ratio.

But in this study the researchers only use the independence ratio, the reason is that if the autonomous regional governments are independent of financial ability, then certainly the efficiency ratio and others will be met. This

means that government assistance can be just as a stimulant, because local governments are able to explore the potential of these areas.

5. Conclusion

Based on the explanation described above, some conclusions are taken as follows

1. Based on the ratio of local financial independence which is indicated by the average ratio ratio is still low between 0% -25%.
2. Regional financial independence is classified as having an instructive relation pattern which means the ability of the Government of South Buru Regency to meet the funding needs for the implementation of Government Administration, Development and Social Service tasks is still relatively low although from year to year it is increasing.
3. The level of dependence on income sources from the central government is still quite high

6. Recommendation

The results of the conclusions that have been presented, then born some suggestions as follows:

1. South Buru District Government needs to optimize local revenue sources through local taxes and taxes.
2. South Buru District Government is expected to explore the potential sources of the region
3. The government is expected to improve the performance of all stakeholders in their respective fields in order to achieve maximum PAD target.

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Biographies

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