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Optimizing Regional Original Income: A Comprehensive Analysis and Assessment of Revenue Management Practices in Pangkajene Regency and Islands

Nur Sandi Marsuni
Hasanuddin University
Email: nursandimarsuni@gmail.com
Nur Asmi Ainun kamal
Universitas Almarisah Madani
Email : nurasmiainun@univeral.ac.id

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Abstract

This research delves into the optimization of regional original income and scrutinizes its recording practices in Pangkajene Regency and Islands for the years 2021-2022. Employing a descriptive qualitative research method, data was collected through observation, interviews, and documentation. The findings reveal that the regional original income in Pangkajene and Islands comprises various taxes including hotel tax, restaurant tax, entertainment tax, advertising tax, street lighting tax, parking tax, underground water tax, class C mineral tax, land and building tax, and BPHTB tax. Despite an increase in tax realization from IDR 90,323,492,905.46 in 2021 to IDR 90,906,902,478.70 in 2022, both years failed to meet the set targets. The Covid-19 pandemic has profoundly impacted both national and regional economies, leading to a decline in state revenues and consequently affecting regional revenues. Amidst reduced transfer funds and relaxations in revenue targets, local governments face challenges in achieving local original income targets. Fiscal decentralization grants regions autonomy in managing their own affairs, with local original income serving as a crucial revenue source. However, fluctuating economic conditions, exacerbated by the pandemic, influence the realization of regional income targets. Analyzing the data, it becomes evident that certain types of taxes exhibited varying performance between 2021 and 2022, emphasizing the need for dynamic strategies in regional revenue management. The study underscores the importance of enhancing supervision and control mechanisms to stabilize revenue fluctuations and improve contributions to regional development. Additionally, optimizing local revenue sources is recommended to mitigate large annual fluctuations. This research contributes to understanding revenue management practices and informs policymakers on strategies to bolster regional income amid economic uncertainties.

1. INTRODUCTION

The Covid-19 pandemic has not only had profound health implications worldwide but has also significantly impacted national economies, including Indonesia's. The resultant downturn in business activity has led to a sharp decline in state revenues, thereby affecting regional revenues as well. This decline, coupled with reductions in transfer funds and relaxed revenue targets, poses challenges to achieving local original income targets. Many local governments have responded by lowering their PAD target figures during the pandemic. Consequently, there is a growing interest among local governments in exploring the potential of their new regions.

Law Number 33 of 2004 regarding regional government grants regions the autonomy to manage their own affairs. Fiscal decentralization, a consequence of this autonomy, emphasizes independent fiscal management, with local original income (PAD) serving as the main source of regional government revenue. PAD encompasses various revenue streams, including regional taxes, regional levies, agricultural products, and other forms of wealth management income.

The process of recording regional financial accounting involves documenting

economic events within the framework of regional government. This research focuses solely on PAD and its recording at regional revenue bodies, evaluating the alignment of recording systems and procedures with regional financial management guidelines and government regulations. Additionally, it advocates for the implementation of good government accounting standards to enhance operational activities for regional revenue receipts.

The study conducted by Natalia Rawung in 2016, titled "Analysis of local original income and recording at the Manado City Revenue Service," highlighted an increase in tax and levy revenues at the Manado City Revenue Service between 2013-2014. Similarly, Mujahidin's 2018 research on the Analysis of Original Regional Income and its Recording at the Gowa Regency Regional Revenue Agency provided valuable insights into revenue management practices. Building upon these previous studies, the current research endeavors to analyze regional original income and its recording at the Pangkajene Regency Regional Revenue Agency and Islands, thus contributing to the understanding of revenue management practices amidst evolving economic landscapes.

2 RESEARCH METHODOLOGY

The research methodology employed in this study is qualitative, aiming to generate descriptive data from observed behaviors and interactions, both verbal and written. Qualitative research seeks to comprehend phenomena holistically by collecting data from natural settings, utilizing research as a means to conceptualize observed symptoms. Key characteristics of qualitative research include an inductive analysis process and a focus on the subject's perspective.

This research specifically focuses on local original income and its recording at the Pangkajene and Islands Regency Revenue Service. The study was conducted at the Regional Revenue Agency located at Jalan Sultan Hasanuddin, Padoang Doangen, Pangkajene District, Pangkajene and Islands Regency, South Sulawesi 90614, with an estimated duration of 2 months.

Descriptive qualitative data analysis was conducted at the Regional Revenue Agency, utilizing numerical data and graphs extracted from the Budget Realization Record Report. Data were categorized into primary data, gathered through field surveys involving direct observation of employee activities at local income tax offices, and secondary data sourced from research locations or company files containing primary regional income data.

Data collection techniques included interviews with key stakeholders such as the head of the financial service and employees of the Pangkajene and Islands Regency financial services, observation of research subjects based on prior knowledge and phenomena, and documentation of written data such as Budget Realization Note Reports.

Subsequently, the received data underwent analysis employing techniques of data reduction, data display, interpretation, and conclusion drawing. This analysis aimed to impart meaning to the gathered information by employing various analytical methods, presenting conclusions in a clear and concise manner to ensure reader comprehension.

4. RESULTS AND DISCUSSION

4.1 Result Research

Regional original income (PAD) constitutes a vital revenue stream derived from the inherent potential of a specific area, managed and utilized by the local government. In the Pangkajene and Islands Regency, PAD is sourced from a diverse range of regional taxes, including hotel tax, restaurant tax, entertainment tax, advertising tax, street lighting tax, parking tax, underground water tax, class C mineral tax, land and building tax, and Land and Building Rights Acquisition Tax (BPHTB). Subsequently, data on local original income are aggregated into the regional income report.

Analysis of budget realization data reveals trends in revenue generation across various tax categories during 2021 and 2022. Notably, there was an uptick in revenue from

hotel taxes and restaurant taxes during these years, indicating increased economic activity in these sectors. Similarly, entertainment tax witnessed a rise in revenue, whereas advertising tax experienced a decline. Street lighting taxes demonstrated a substantial increase, contrasting with a decline in parking tax revenue. Although underground water tax and tax on class C minerals showed an increase in revenue, the latter experienced a decrease overall. Conversely, revenue from land and building taxes and BPHTB taxes exhibited an upward trajectory.

This analysis underscores the dynamic nature of local original revenue, with fluctuations observed in revenue performance across different tax categories between 2021 and 2022. While certain taxes experienced growth, others saw a decline. Consequently, it is imperative for regional revenue management to consider these dynamics to enhance contributions to regional development.

4.2 Discussion Of Research

The Regional Revenue Agency (BAPENDA) of Pangkajene and Islands Regency relies on manual recording methods without utilizing applications. Research findings highlight that regional taxes serve as the primary source of Regional Original Income (PAD) in the Regency. Various local taxes contribute to this income, spanning multiple sectors. These include hotel tax, restaurant tax, entertainment tax, advertising tax, street lighting tax, parking tax, groundwater tax, Group C mineral tax, land and building tax, and BPHTB tax. However, despite efforts, total tax realization in 2021 fell short of the target, amounting to IDR 90,323,492,905.46, while in 2022, it increased to IDR 90,906,902,478.70 but still did not meet the target. Fluctuations in income realization are observed annually, influenced by unstable national economic conditions exacerbated by the COVID-19 pandemic. Notably, Class C mineral taxes and street lighting taxes emerge as the primary contributors to regional income. Similar trends were identified in research conducted in Gowa Regency between 2016 and 2017, which recorded an uptick in budget and realized income.

5. CLOSING

Based on the results of research conducted by Pangkajene and Islands Regional Original Income and the recording process includes hotel tax, restaurant tax, entertainment tax, advertising tax, street lighting tax, parking tax, underground water tax, class C mineral tax, land and building tax , and BPHTB tax. In the Pangkajene and Islands regional original income, the total tax realization in 2021 was IDR 90,323,492,905.46 with a target of IDR 97,932,828,029.00 with the target not yet met, then in 2022 the tax realization increased, namely IDR 90,906,902,478.70 with a target to be achieved of IDR 103,695,829,300.0 0, still not meeting the target.

The advice that can be given is that sources of local revenue can be paid more attention to so that there are no very large increases or decreases each year. Increased supervision and control both technically and administratively.

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