The Influence Of Regional Taxes, Regional Levies, Profit Sharing Funds, And General Allocation Funds On Regional Spending (Case Study Of Regency And Municipality In Central Java)

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ABSTRACT

The study's underlying issue is that Semarang Regency's Regional Spending has reduced as a result of the realization of Regional Levies income, Profit Sharing Funds, and General Allocation Funds not matching budgeted amounts. The purpose of this study is to ascertain whether regional spending are impacted by regional taxes, levies, profit sharing funds, and general allocation funds. The study's population and sample consist of Central Java 's regencies and municipalities. In order to enhance public welfare and practice good governance, regional spending plays a crucial role in the operation of the government system. Multiple linear regression analysis is used in this work to analyze data from a summary of the quantitative Indonesia Statistics 2020 and 2021 Regional Budget (APBD) realization reports. There are 70 samples in this research. The study's conclusions demonstrate that while regional levies and profit sharing funds have no effect on regional spending, regional taxes and general allocation funds have a positive effect on regional spending.

ABSTRAK

Studi ini berfokus pada fakta bahwa Kabupaten Semarang telah menerima Retribusi Daerah, Dana Bagi Hasil, dan Dana Alokasi Umum kurang dari yang direncanakan, yang mengakibatkan penurunan belanja daerah. Tujuan dari penelitian ini adalah untuk menentukan apakah pajak daerah, retribusi daerah, dana bagi hasil, dan dana alokasi umum mempengaruhi belanja daerah. Sampel dan populasi penelitian ini adalah Kota dan Kabupaten di Jawa Tengah. Belanja daerah memainkan peran penting dalam menjalankan sistem pemerintahan dengan tujuan meningkatkan kesejahteraan publik dan menciptakan pemerintahan yang baik. Ringkasan laporan kuantitatif realisasi Anggaran Pendapatan dan Belanja Daerah (APBD) tahun 2020 dan 2021, yang dipublikasikan di situs Badan Pusat Statistik, digunakan dalam penelitian ini. Analisis regresi linier berganda digunakan. Jumlah sampel yang digunakan dalam penelitian ini adalah 70. Retribusi dan Dana Bagi Hasil tidak mempengaruhi Belanja Daerah namun, hasil penelitian secara parsial menunjukkan bahwa Pajak Daerah dan Dana Alokasi Umum mempengaruhi belanja daerah secara positif.

Kata kunci: pajak daerah ; retribusi daerah ; dana bagi hasil ; dana alokasi umum ; belanja daerah

1. INTRODUCTION

Law Number 23 Article 1 Paragraph 6, Regional Autonomy is the right, authority, and duties of the autonomous regions to set up and manage their own affairs and interests of local communities in the system of the Republic of Indonesia (Law Republic Indonesia, 2014). One type of power that local governments have is the ability to distribute regional resources based on the expenses that each region requires. This power is known as the implementation of government. The regional wealth available in each region must be managed by the regional government for the sustainability and progress of regional development by the principle of regional autonomy also called decentralization policy. In addition, it is expected that local governments can utilize existing resources through innovation, especially to meet regional needs through regional revenues.

Tax, according to Prof. Dr. Rochmat Soemitro, S.H. (Resmi, 2019), is a contribution made by the people to the state treasury, implemented based on the law so that it has a coercive nature, without getting reciprocity (counter-performance) directly and is used to pay public expenses. According to (Mardiasmo, 2019) regional levies is a levy used as a way of payment for particular services or permits that local governments have supplied and granted for the benefit of people or entities. Local government spending will be influenced by local revenues, especially taxes, this is by the tax spend hypothesis theory.

Each local government's initial potential sources of income were distinct, so were their financial capacities. Given this fact, fiscal inequality between regions is possible. This can be overcome by the existence of funds from the Central Government. Law Number 1 Article 1 Paragraph 71 states that the General Allocation Fund is part of the Transfer to Regions allocated to reduce inequality in financial capacity and public services between regions (Law of Republic Indonesia, 2022). According to the Ministry of Finance Directorate General of Treasury, the Profit Sharing Fund, which comes from the state budget and is given to regions based on a certain percentage, is used to meet regional needs to implement decentralization.

Regional expenditure is a term used to describe expenditures made by local governments. The allocation process is often clashed with the existence of group interests.

Table 1. Semarang Regency

2020	Budget	Realization
Regional Taxes	166.047.500.000	184.428.753.182
Regional Levies	32.610.749.000	30.448.038.637
Profit Sharing Funds	40.900.285.000	40.850.178.049
General Allocation Funds	917.605.364.000	909.555.622.000
Regional Spending	2.021.271.238.000	1.860.724.759.138

Source: Semarang Regency Website

In 2020, the Semarang Regency's realization of profit sharing funds, general allocation funds, and regional levies fell short of the allocated amount.

Table 2. Regency and Municipality in Central Java

Year	2019	2020
Regional Taxes	5.640.466.498.000	5.248.267.831.000
Regional Levies	852.007.078.000	694.712.305.000
Profit Sharing Funds	1.356.706.080.000	1.729.389.331.000
General Allocation Funds	35.056.556.848.000	31.885.271.991.000
Regional Spending	78.921.717.598.000	75.729.013.703.000

Source : Indonesia Statistics

Regional levies, regional taxes, and general allocation funds in Central Java regencies and municipalities have dropped from 2019 to 2020. The description above became the basis for conducting research entitled "The Influence of Regional Taxes, Regional Levies, Profit Sharing Funds, and General Allocation Funds on Regional Expenditures (Case Study of Regency and Municipality in Central Java)".

2.   REVIEW OF THE LITERATURE
AGENCY THEORY
The concept of agency centers on the contractual relationship between agents (people who hold the mandate) and the principal (person who gives the mandate) (Jensen and Meckling in Irwansyah et al., 2020). For regional taxes and regional levies, the regional head functions as a principal, and BAPENDA functions as an agent. When it comes to distribution, profit sharing and general allocation, the local government acts as an agent and the central government as the principal.

REGIONAL SPENDING
Regional Spending is regulated in Article 1 of the constitution, all regional obligations are recognized as a reduction in the value of net assets in the period of the relevant fiscal year (Law, 2022). Data is collected in rupiah during one year of government budget implementation area.

REGIONAL TAXES
Tax is a mandatory contribution to the Region owed by a person or business entity that is coercive based on the law, without getting direct advantage and used for regional needs for the greatest prosperity of the people (Law, 2022). In the Budget Realization Report, the regional tax value is stated in rupiah based on the reporting period.

H1 Regional Taxes has a positive effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020-2021

REGIONAL LEVIES
Regional levies by the regional government in exchange for particular services or privileges granted to private citizens or commercial entities. The Budget Realization Report for the year of the present period includes revenue from regional levies for each regency and municipality in the province of Central Java, expressed in rupiah.

H2 Regional Levies has a positive effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020 – 2021

PROFIT SHARING FUNDS or REVENUE SHARING FUND
Funds included in the State Budget designed to fulfill regional needs are known as Profit Sharing Funds (Srinadi, 2023). Profit sharing funds obtained from the central government are expressed in rupiah in the balancing funds section of the Budget Realization Report of each region or municipality.

H3 Profit Sharing Funds has a positive effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020-2021

GENERAL ALLOCATION FUNDS
In order to lessen the disparities between capability and regional demands, general allocation funds are transfer money given to all Indonesian regencies and municipalities. Nominal allocation funds is generally stated in rupiah in the balancing fund section in the Budget Realization Report per period.

H4 General Allocation Funds has a positive effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020-2021

3.   METHODOLOGY
POPULATION
According to Sugiyono (2019) a population is a generalization domain made up of items or people selected by researches for analysis and inference. The population of this study is made up of all 29 regencies and 6 municipalities, or all 35, in the province of Central Java.

SAMPLE
Saturation sampling is a sampling method where each member of the population can be sampled. This research has 70 sampling.

DATA SOURCE
Secondary data is a source of data provided indirectly during the data collection process. Data is accessed via the Central Statistics Agency website.

4.   RESULT AND DISCUSSION
DESCRIPTIVE STATISTICS

In descriptive statistics, the mean, standard deviation, minimum and maximum values of each variable are displayed to give a summary or explanation of the data.

Table 3. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Pajak Daerah	70	32557000000	2,E+12	1,60E+11	2,772E+11
Retribusi Daerah	70	4913993000	1,E+11	2,30E+10	1,887E+10
Dana Bagi Hasil	70	22946224000	4,E+11	5,94E+10	6,355E+10
Dana Alokasi Umum	70	4,E+11	1,E+12	9,20E+11	2,330E+11
Belanja Daerah	70	8,E+11	5,E+12	2,25E+12	7,221E+11
Valid N (listwise)	70				

Source : Researcher, 2024

NORMALITY TEST

A regression model's dependent and independent variable distribution can be examined using a normality test to see if it is normal. The data in this study were tested using Kolmogorov Smirnov (KS) with a criteria of $\alpha > 0.05$.

Table 4. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		70
Normal Parameters[a,b]	Mean	,0005824
	Std. Deviation	1,55962E+11
Most Extreme Differences	Absolute	,084
	Positive	,054
	Negative	-,084
Test Statistic		,084
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source : Researcher, 2024

A significant value (sig 0.200 > 0.05) indicates that the data between the dependent variable and its independent variable have a normal distribution or relationship or satisfy the normality assumption test.

MULTICOLLINEARITY TEST

Determining if a correlation exists between the independent variables in the regression model is the goal of the multicollinearity test.

Table 5. Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	Collinearity Statistics Tolerance	VIF
1	(Constant)	-1,553E+11	1,306E+10			
	Pajak Daerah	1,212	,144	,495	,236	4,231
	Retribusi Daerah	-,160	2,091	-,014	,240	4,163
	Dana Bagi Hasil	-,019	,314	-,002	,942	1,061
	Dana Alokasi Umum	2,406	,065	,776	,951	1,052

a. Dependent Variable: Belanja Daerah

Source : Researcher, 2024

The tolerance values of the four independent variables are above 0.10 and the VIF is below 10, as shown in the above table, indicating that there is no

multicollinearity issue in the regression model. Thus, such regression models are worth using.

HETEROSCEDASTICITY TEST

The Glejser test determines whether variance and residual inequalities exist between two observations by moving between absolute residuals and each independent variable.

Table 6. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-3178262391	5,051E+10		-,063	,950
	Pajak Daerah	-,010	,087	-,027	-,112	,911
	Retribusi Daerah	1,516	1,274	,279	1,190	,239
	Dana Bagi Hasil	,185	,191	,114	,966	,338
	Dana Alokasi Umum	,082	,052	,184	1,584	,118

a. Dependent Variable: AbsUT

Source : Researcher, 2024

According to the heteroscedasticity test result, the Sig. values of each independent variable are greater than 0.05. Consequently, it was determined that the regression model does not contain heteroscedasticity.

AUTOCORRELATION TEST

In the linear regression model, autocorrelation is used to see if confounding errors in the t period and confounding mistakes in the prior period are correlated.

Table 7. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,976[a]	,953	,950	1,607E+11	1,966

a. Predictors: (Constant), Dana Alokasi Umum, Dana Bagi Hasil, Retribusi Daerah, Pajak Daerah

b. Dependent Variable: Belanja Daerah

Source : Researcher, 2024

The result of the Durbin-Watson test is 1.966. Du = 1.735 (k=4 and n=70). With Durbin-Watson values being between du and 4-du, 1.735 < 1.966 < 2.265, it can be concluded that there is no autocorrelation.

COEFFICIENT OF DETERMINATION TEST

The degree to which the independent variable may explain the dependent variable is ascertained by analyzing the coefficient of determination.

Table 8. Coefficient of Determination Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,976[a]	,953	,950	1,607E+11

a. Predictors: (Constant), Dana Alokasi Umum, Dana Bagi Hasil, Retribusi Daerah, Pajak Daerah

Source : Researcher, 2024

Regional spending has an Adjusted R Square value of 0.95 or 95% and can be impacted by regional taxes, levies, profit sharing funds, and general allocation funds. Other variables can affect the remaining share by 0.05 or 5%.

F TEST

To find out if the independent variable concurrently has a significant impact on the dependent variable, simultaneous significant testing (F) is used.

Table 9. F Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3,430E+25	4	8,575E+24	332.085	,000[b]
	Residual	1,678E+24	65	2,582E+22		
	Total	3,598E+25	69			

a. Dependent Variable: Belanja Daerah

b. Predictors: (Constant), Dana Alokasi Umum, Dana Bagi Hasil, Retribusi Daerah, Pajak Daerah

Source : Researcher, 2024

The table above indicates that the profit sharing funds, general allocation funds, regional taxes, and regional levies all simultaneously have a significant impact on the dependent variable, which is regional spending (Y), at a significance level of 0.000 (below 0.05).

T TEST

The statistical test t displays the degree to which one independent or explanatory variable affects the variance of the dependent variable.

Table 10. T Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,552E+11	8,306E+10		-1,869	,066
	Pajak Daerah	1,212	,144	,485	8,439	,000
	Retribusi Daerah	-,160	2,081	-,004	-,077	,939
	Dana Bagi Hasil	-,018	,314	-,002	-,059	,954
	Dana Alokasi Umum	2,406	,085	,776	28,259	,000

a. Dependent Variable: Belanja Daerah

Source : Researcher, 2024

- Regional taxes have a positive effect on regional spending in the regencies and municipalities in Central Java Province, results of the first hypothesis test show a significant result of 0.000 with a value of less than 0.05. This is in line with hypothesis 1 (H1) which states that Regional Taxes have a positive effect on regional spending. The amount of the tax increase experienced a positive with an increase in regional spending. The higher the regional tax, the greater the regional spending. Local taxes, one of a very large local original income, influencing spending area.

- Regional levies do not have a positive effect on regional spending in regencies and municipalities in Central Java, results from the second hypothesis test show a significant value of 0.939, much greater than 0.05. This means that increases or decreases in regional spending are not influenced by an increase or decrease in regional levies. This research does not prove hypothesis 2 (H2) that Regional Levies have a positive effect on regional spending. It could be said that the subject of regional levies is less than the subject for regional taxes.

- Funds received by local governments and originating from the central government are known as profit sharing funds. Variable profit sharing funds did not affect regional spending,

according to the results of the third test, which showed a significant result of 0.954, greater than 0.05. These results cannot validate hypothesis 3 (H3) that said Profit Sharing Funds have a positive effect on regional spending. This means regional spending is not affected by increases or decreases in profit sharing funds.

- General allocation funds have a positive effect on regional expenditure regencies and municipalities in Central Java Province. Test results on this variable show a significant result of 0.000, smaller than 0.05. The results of this test are in line with hypothesis 4 (H4) that Dana General Allocations have a positive effect on Regional Expenditures. This shows that the increase in general allocation funds has a positive impact for increasing regional spending.

5. CLOSING
5.1. Inference

- Regional Taxes have a positive effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020-2021

- Regional Levies have no effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020-2021

- Profit Sharing Funds have no positive effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020-2021

- General Allocation Funds have a positive effect on Regional Spending in Regencies and Municipalities in Central Java Province in 2020-2021

5.2. Suggestions

This research only uses 4 variables that are expected to affect the nominal of regional spending. So, the future researchers can add variables that are expected to influence regional spending, and hope we can know other variables that can affect the nominal of regional spending.

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