



Strategy for Optimizing Regional Original Income (PAD): Analysis Study of Banyuwangi District

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ABSTRACT: This study aims to simulate alternative strategies in optimizing Regional Original Revenue in Banyuwangi Regency which are known to have good potential in increasing regional income. Based on these objectives, this study uses the SWOT analysis method by weighting the four main criteria (Strength, Weakness, Opportunity and Threats) to formulate a strategy for optimizing PAD in Banyuwangi. Data used in the form of secondary and primary data sourced from BPKAD and *Bappenda Banyuwangi* Regency. The results of the analysis show that the strategies that need to be carried out by Banyuwangi Regency in an effort to increase PAD include increasing the quality of government services both efficiently and effectively, increasing government service infrastructure, optimizing the tourism sector accompanied by other sector improvements and equitable distribution of government services in each region. Advice that can be a policy recommendation for the government is that there is a need to improve service infrastructure so that it can have an impact on regional income. In addition, increasing the excavation of regional potential such as the tourism sector must also be balanced with the details of the regional revenue structure.

KEY WORDS: Decentralization, PAD, SWOT

I.INTRODUCTION

Based on Law No. 23 of 2014 concerning regional government stated in article 285 that the source of regional income consists of regional original income (PAD), transfer income and other legitimate regional income. Regional revenue includes regional taxes, regional levies, the results of management of regional assets that are separated; and other legitimate local revenues. A decentralized fiscal system encourages local governments to manage regional finances by relying on local tax collection to provide basic services such as basic education and health care (Dollar, 2007). Therefore, the existence of fiscal decentralization will prevent the central government from playing a redistributive role and can further increase regional inequality.

Various economists from the Classical, Keynes, New Classical, New Keynes, to the development of Modern economics, have much reviewed the role of government in the economy of a country and many contradictions from various studies. One economist who discussed the role of the government, Peacock and Wiseman, revealed that to improve the economy the government must increase its expenditure, but the amount of government expenditure depends only on the size of the government's opinion in the form of taxes (Henrekson, 1990; Peacock & Wiseman, 1979). In addition, the public does not want a tax increase because it reduces the real opinion, so that the community has a certain tolerance in increasing taxes. This contradicts the theory put forward by Barro and Bhon which says that government tax revenues have no certainty in the future so that the government needs other sources of funding such as government debt (Marinheiro, 2008; Synthesis & Kim, 2003).

Increasingly integrated economic conditions between countries have triggered macro and political economic instability, so that they have a considerable role in the configuration of the tax system, this encourages central and regional governments to build institutions to regulate revenue distribution with redistributive and stable criteria (Tommasi et al. 2001). Territorial inequality and income have consequences on tax collection and expenditure allocations that can play a role in the mechanism by which the central government influences the province's gross regional products in the long and short term. Inequality / inequality also comes from differences in population, income, development, production and consumption between regions which encourage a region for the existence of a regional autonomy policy.

The results of the empirical study conducted by Song (2013) show that fiscal decentralization in China is classified into 3 decentralization, namely decentralization of income and autonomy which has an influence on the disparity in each autonomous region in China. But research conducted by (Cont, *et al.* 2017) shows the opposite results. The results of the study indicate that central government spending and transfers made by the central government to the regions can reduce the level of disparity between regions. Regional disparities in growth and income levels present important challenges for policy makers in less developed countries, particularly in the context of increasing globalization (Worldbank, 2006). Globalization heightens regional income inequality because richer regions usually have infrastructure and skills advantages which, above differences in wages and less stringent environmental regulations, allow them to attract more domestic and foreign investment.

The granting of authority in the field of taxation and levies is intended to encourage regional governments to continue to strive to optimize revenues, especially from local taxes and levies. By implementing this, it is expected that each local government will easily obtain more budgetary resources to increase Regional Income (PAD). However, regional taxes and levies, as a source of regional income, are still not effectively endowed as the main sector in the Regional Budget (Regional Expenditures Expenditure Budget). The revenue area is still fully supported by central government subsidies for autonomous regions, called DAU (General Allocation Funds / General Allocation Funds) and DAK (Special Allocation Funds). This happens because the difference between varies based on tax and distribution in each district. Demographics and geographical features are also the main problems faced by regional autonomy, along with the population's economic background, resulting in a variety of services provided.

Banyuwangi has become one of the regions that has a large potential PAD component to be optimized accompanied by financial management and roles in all sectors that can be run well.

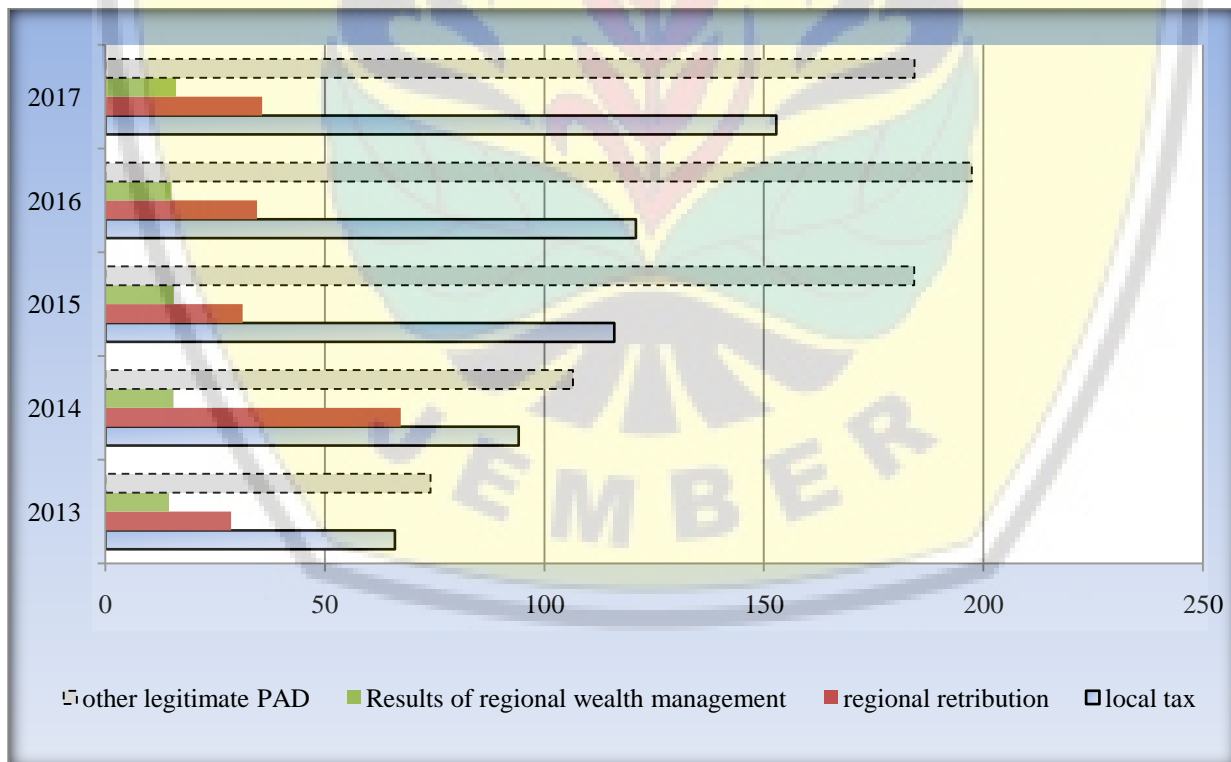


Figure 1.2 Development of Local Revenue in Banyuwangi Regency
Source: Central Bureau of Statistics, 2018

This study focuses more on regional financial management, especially related to factors that have a large contribution to the growth of regional income in Banyuwangi Regency, especially related to taxes and levies. Banyuwangi is a district that has good regional financial governance. This is based on information obtained from the exposure of the finance ministry in the regional government Public Waiters Lounge. The Ministry of Finance appreciates the Banyuwangi government regarding the performance of financial management that is not only based on



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legal administration, but also its programs that have an impact on improving the economy of the community (Fanani, 2018). Based on these conditions Banyuwangi Regency received the highest predicate in Indonesia related to the Government Agency Performance Accountability System (SAKIP). Based on Figure 1.2, Banyuwangi Regency's regional income is dominated by income from regional taxes. This is also supported by the expansion of the tax management and retribution sector carried out by the Banyuwangi government.

The PAD structure in Banyuwangi is dominated by other legitimate PAD and regional taxes. Other highest legitimate PADs were contributed by the revenue component of public service agencies and regional health service funds. Meanwhile in local taxes, which have a dominance of tax revenues in the tourism sector which is supported by hotel and lodging tax revenues, entertainment, restaurants and restaurants. In addition, street lighting tax and advertisement tax also dominate local tax revenues in Banyuwangi Regency. Based on this phenomenon, this study aims to find the right strategy in optimizing the potential of the region in order to encourage sustainable economic growth.

II. LITERATURE REVIEW

The government acceptance theory proposed by Peacock and wiseman is based on the concept of analysts of government revenues and expenditures. Basically, the government always wants to enlarge its pengeluaran which is financed by tax revenues, so that this has an impact on the increase in tax rates. On the other hand, people do not like the increase in tax rates because tax returns will have an impact on decreasing the amount of real income received by society (Henrekson, 1990; Peacock & Wiseman, 1979). Increasing tax revenues will then have an impact on increasing government spending, while under normal conditions an increase in GNP will also have an impact on increasing government spending. Therefore Peacock and Wiseman suggested that the community has certain limits in tolerating the increase in the tax rate set by the government (Mankiw, 2012). In other words, the community has certain limitations in understanding and agreeing to the increase in tax rates set by the government to finance increased government spending. This means that the community has an understanding that the government needs funding to increase expenditure, so that the community has certain compliance limits in paying taxes. On the other hand, it also has an impact on the obstacles faced by the government to raise prices or tax rates according to government expenditure needs.

In the theory put forward by Peacock and Wiseman there is a displacement effect, which is a social disturbance that has an impact on the transfer of activities initially carried out by the private sector must be carried out by the government. In order to overcome this disruption, the government requires considerable costs and there is a possibility that it is insufficient if it is paid with taxes, thus requiring the government to carry out foreign debt. On the other hand, foreign debt also imposes additional burdens on future government expenditures to pay off the debt and pay the interest, so that it again has an impact on the increase in tax rates determined by the government because of the high level of government funding needs. Therefore, tax rates will continue to increase even though the social problems that have occurred have been overcome. In addition to the displacement effect, there are also two other effects that can affect the amount of government expenditure, namely inspection effects that occur because of the many new government activities that have emerged after the war. Then another effect is the concentration effect that occurs due to the loss of activities from the private sector to the government due to the existence of social problems resulting in a concentration of activities in the government. These three effects will have an impact on increasing the expenditure that must be done by the government.

In addition, another supporting theory is the theory of fiscal decentralization. This theory is generally divided into three, namely fiscal decentralization, political decentralization and administrative decentralization. The three parts of decentralization have different aspects but the three aspects are interrelated with each other. Fikal decentralization has three principles, namely (House of Representatives of the Republic, 2018):

1. Affairs and central government activities in the region in the framework of deconcentration will be financed from and at the expense of the State Budget
2. Affairs and local government activities in the framework of decentralization will be financed and at the expense of the State Budget and Expenditure
3. Affairs and activities of the central government or upper level regional government carried out within the framework of the central government's or top-level regional government duties will be financed and at the expense of the State Budget or at the expense of the APBD .

Decentralized government is a mandate of the 1945 Constitution of the Republic of Indonesia (Republic of Indonesia Constitution 1945) stated in Article 18 of the 1945 Constitution which states that:



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1. The Unitary State of the Republic of Indonesia is divided into provinces and provinces divided into districts and cities, each province, district and city has a regional government that is regulated by law.
2. The provincial, regency and city governments govern and administer government affairs according to the principle of autonomy and the task of development.

Broadly speaking, the implementation of fiscal decentralization is one form of solution carried out by the government to improve and equalize the welfare of the community by transferring power from the central government to local governments through authorities in the government financial sector. The implementation of decentralization is considered to be able to describe a greater level of prosperity to the community with the idea that local governments better understand and know the needs of the people in each region because the social and cultural characteristics of each region are different so that they cannot be implemented homogeneously (Wibowo, 2008). In addition to these reasons, the implementation of decentralization in Indonesia is also based on the following reasons (Indonesian House of Representatives, 2018):

1. The vast and archipelagic territory of Indonesia is impossible if the government is carried out by centralization.
2. Centralized governance will have an impact on the gap and inequality among the people.
3. Each region knows their needs better.
4. In terms of financing, the implementation of fiscal decentralization and regional autonomy is more efficient.

In essence regional autonomy is the full right or authority of an area to take care of and carry out its own authority which has been imposed by the central government, so that ideal regional autonomy is autonomy which has freedom in all matters. One of them is freedom in managing and managing regional finance. Delegation of financial authority from the central government to regional governments in the form of taxes and regional levies and balancing funds is a consequence of the implementation of the government system that is fiscal decentralization or regional autonomy. In terms of income, the regional government has the authority to determine and manage assets and allocate resources owned by local governments to finance and carry out public services. Then from the expenditure side, regional governments are given the authority to regulate and allocate their expenditures based on the principle of regional autonomy, namely the regions better understand their respective needs so that the allocation of existing resources is more efficient and effective.

III. METHODOLOGY

This research is a descriptive qualitative study to simulate the strategies used to optimize contributions to the sectors that have been identified as having a large contribution to the original blood income of Banyuwangi Regency. Data used in the form of secondary data and primary data where secondary data sourced from BPKAD Banyuwangi Regency while primary data was obtained from respondents Bappeda and BPKAD Banyuwangi. The data used began in 2012-2018 as long as it was under the leadership of Regent Abudullah Azwar Annas who seemed to have a positive change in the development of the Banyuwangi region.

The analytical method used is the method of SWOT analysis which is a method for analyzing an organization that will be used to formulate a strategy. The analysis carried out is an internal analysis by conducting various assessments including aspects of strength (*strength*), weakness (*weakness*) and also conducting analysis from the external side to assess the aspects of opportunity (*Opportunity*) and challenges (*Threats*). The SWOT analysis method in this study was used with qualitative matrix analysis which was first developed by Kearns. The development of this analysis is carried out by constructing a matrix consisting of 8 columns consisting of external sides where the top two columns consist of *Opportunity* and *Treats*, while the two leftmost columns contain internal sides namely *Strength* and *Weakness* as shown in Table 3.1 SWOT Kearns Matrix.

SWOT Kearns Matrix Table.

	External	Opportunity	Treatments
Internal			
Strength		I	II
Weaknes		III	IV

In the SWOT analysis, the components of Strength (S) and Weakness (W) are used to formulate strategies from the internal side of the organization. While the components of Opportunity (O) and Treats (T) are for formulating strategies sourced from the external environment. From this, the future strategy can be captured in dealing with a problem. In addition, SWOT analysis can also be carried out quantitatively by weighting the criteria. This weighted SWOT analysis



was first introduced by Pearce and Robinson (1998) so that the actual position of the organization is known so that strategies can be formulated correctly to improve performance and maintain its existence.

IV. RESULTS AND DISCUSSION

Determination of strategies for optimizing Regional Original Income (PAD) in Banyuwangi District through SWOT analysis tools (*Strength, Weakness, Opportunity and Treats*). Characteristic SWOT analysis tools that look at the internal analysis by berbagai assessment includes aspects of power(*strength*), weakness(*weakness*) and also conducted an analysis of the external side aspects of assessing the opportunities(*Opportunity*) and challenges(*Threats*) makes profitability in strategy formation.

Table 4.1. Election Results faktor Internal Strength on Optimizing PAD In the district Banyuwangi

Strength	Weight	Score	Value
Compliance Community in paying taxes and levies	0105	3900	0:41
Improvement Services provided by the government	0105	3900	12:41
Quality of Service provided by the government	0105	3900	12:41
Public Satisfaction on Services provided by Government	0.105	3,900	0.41
Efficiency of government service procedures	0.103	3,800	0.39
Government service effectiveness	0.103	3,800	0.39
Total	0.73	27.00	2.82

In Table 4.1. is the result of the selection of internal factors in terms of strength that can improve the optimization of PAD in Banyuwangi Regency. The smallest value of the power of PAD autonomy is the efficiency of government service procedures and the effectiveness of government services which show 0.39. Thus explaining that the efficiency of government service procedures and the effectiveness of government services in Banyuwangi Regency is still weak.

Table 4.2. Election Results of Internal Weaknesses in Optimizing PAD in Banyuwangi District

Weakness	Weight	Score	Value
Limited number of service facilities provided by the government	0.089	3.30	0.29
Limited service infrastructure provided by the government	0.095	3.50	0.33
There is no type of licensing services provided online.	0.086	3.20	0.28
Total	0.27	10.00	0.90
Difference in strengths and weaknesses			1.91

Mapping internal factors on the weakness side in an effort to optimize PAD in Banyuwangi Regency can be seen in table 4.2. In Table 4.2. It is seen that the main weakness in internal factors as an effort to optimize PAD in Banyuwangi Regency is the limited service infrastructure provided by the government. This can be seen from the indicated value of 0.33. Thus, the Banyuwangi Regency government needs to improve the provision of service infrastructure. The results on the difference in strength and weakness components in internal factors amounted to 1.91. This condition implies that a good strategy in optimizing PAD in Banyuwangi Regency on the internal side is through increasing community compliance in paying taxes and levies, improving services, quality of service and community satisfaction on services provided by fiber governments to increase the efficiency and effectiveness of government services. Thus, the government needs to implement an efficient and effective service system.

Table 4.3. are several components that explain the opportunities for external factors to optimize PAD in Banyuwangi Regency. A good opportunity strategy to increase PAD in Banyuwangi Regency through the development of tourism in Banyuwangi Regency. This can be seen from the value of 0.54. This condition shows that the increase in the tourism sector in Banyuwangi Regency can be a driver of increased PAD in Banyuwangi Regency.



Table 4.3. Election Results of External Factors Opportunities in Optimizing PAD in Banyuwangi District

Opportunity	Weight	Score	Value The
number of objects of service and wealth of the government of Banyuwangi that have not been subject to tax rates and retribution	0.13	3.29	0.44
Government Regulation which gives freedom to regions to develop regions according to regional potential	0.13	3.29	0.44
Potential Geographical in Banyuwangi Regency	0.13	3.14	0.40
Development of Kabuwten Banyuwangi regency	0.13	3.29	0.44
Development of Tourism in	0.15	3.71	0.54
Total	0.67	16.71	2.26

However, the low opportunities in optimizing PAD in Banyuwangi Regency are the geographical potential in Banyuwangi Regency. The low geographic potential in Banyuwangi Regency becomes an opportunity for external factors, as seen from the value of 0.40. Thus, this shows that the Banyuwangi Regency government still has not optimized the geographical potential of Banyuwangi Regency. It can be seen from the value of 0.54. This condition shows that the increase in the tourism sector in Banyuwangi Regency can be a driver of increased PAD in Banyuwangi Regency.

Table 4.4. Election Results for External Obstacles to Optimizing PAD in Banyuwangi District

Obstacles	Weight	Score	Value
High maintenance costs of government service facilities	0.11	2.80	0.31
Uneven services provided by the government	0.12	3.00	0.35
The high level of competition with services provided by the private sector (Retribution Services)	0.10	2.50	0.25
Total	0.33	8.30	0.91
Difference in strengths and weaknesses			1.35

Table 4.4. explain the component of obstacles on the external side in optimizing PAD in Banyuwangi Regency. The highest value in the component of obstacles on the external side is 0.35 which is the uneven distribution of services provided by the government. Services that are provided by the Banyuwangi Regency government that are uneven in each region are obstacles in efforts to optimize PAD in Banyuwangi Regency. Thus, it explains that there are still inequalities in services provided by the government in each region in Banyuwangi Regency.

On the potential that can be increased on the external side through the difference in opportunities and obstacles is positive. This condition indicates an effort in optimizing PAD in Banyuwangi Regency on the external side through the many objects of service and wealth of the Banyuwangi government that have not been subject to tax and retribution rates, Government Regulations that give freedom to regions to develop regions in accordance with regional potential, Geographical Potential in the District Banyuwangi, the development of the Banyuwangi regency's economy and the development of tourism in the Banyuwangi regency.

The next analysis in the use of SWOT is the accuracy of the loading position. Awareness of the SWOT analysis tool consists of four divided quadrants. In the first and second quarters, it is aggressive and conservative. On the other hand, in the third and fourth quadrants are competitive and defensive. Thus it can be seen the progress in the strategy carried out by the Banyuwangi Regency government in optimizing PAD.

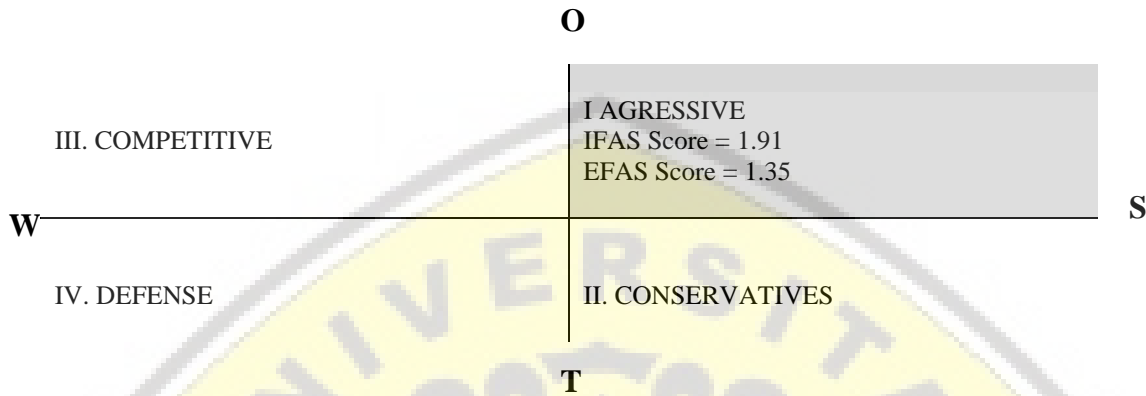


Figure 4.1 Position of PAD Optimization Strategy in Banyuwangi District

In Figure 4.1 shows the position of the strategy carried out by the Banyuwangi regency government in an effort to optimize PAD through SWOT. The results of the SWOT analysis through SWOT matrix mapping show the position of strategy in quadrant I. The position of the strategy in quadrant I is seen from the value of internal invoice is 1.91 and the external factor is 1.35. The position in quadrant I is a good position for the Banyuwangi government to increase Banyuwangi Regency PAD. This is because quadrant I has the power that can take full advantage of opportunities.

Based on the results of analysis using SWOT, the strategies that need to be carried out by Banyuwangi Regency in an effort to increase PAD in Banyuwangi Regency are as follows.

1. Increasing the quality of government services both efficiently and effectively
2. Improving government service infrastructure
3. Optimizing the tourism sector along with other sector improvements
4. Equitable government services in each region

This study is empirically supported by the study Cont, et al., (2017) which shows that the existence of fiscal decentralization has opportunities large for a region in managing its area's wealth and potential through regional original income consisting of collection of regional taxes, regional retribution, other legitimate local original revenues and regional wealth management revenues. So that in this case, regional revenues or revenues can be optimized through improvements from the tax and non-tax sides that have the potential to be realized. In addition, this study is also supported by an empirical study conducted by Wibowo, (2008), which in his research found advantages with the existence of fiscal de-centralization so that the optimization of regional income can be optimized especially on the tax and non-tax side because of the balanced funds and special allocation funds from local governments have not been able to contribute to meeting regional needs. This condition implies that there must be an effort to optimize local revenue by exploring the potential that exists in each region.

V. CONCLUSION

Based on the results of analysis using SWOT, the strategy that needs to be carried out by Banyuwangi Regency in an effort to increase PAD in Banyuwangi Regency is to improve the quality of government services both efficiently and effectively, Increase government service infrastructure, Optimize the tourism sector along with other sector improvements and Equitable government services in each region. Advice that can be a policy recommendation for the government is that there is a need to improve service infrastructure so that it can have an impact on regional income. In addition, increasing the excavation of regional potential such as the tourism sector must also be balanced with the details of the regional revenue structure..



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