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ANALYSIS OF LOCAL ORIGINAL INCOME COMPONENTS IN GORONTALO PROVINCE

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Abstract.

This Study aims to analyze the Effect of Local Taxes, Local revenues, and Results of Regional Asset Management on Local Revenue in Gorontalo Province. The data used in this study are secondary data sourced from the Directorate General of Balance, Ministry of Finance of the Republic of Indonesia, obtained from 6 Regencies/Cities in Gorontalo Province. This study uses Multiple Linier Regression Analysis of Panel Data using the Fixed Effect Model (FEM). The results showed that 1. Local Taxes have a Positive and significant effect on Local Revenue. This means that every increase in Local Taxes will increase the value of Local Revenue in Gorontalo Province. 2) Local Retributions have a Positive and significant effect on Local Revenue. This means that every increase in Regional Retribution will increase the value of Regional Original Income in Gorontalo Province. 3) The results of Regional Asset Management do not have a significant effect on Regional Original Income. This means that every increase in Regional Retribution cannot increase the value of Regional Original Income in Gorontalo Province.

Keywords: PAD, Regional Tax, Regional Retribution, and Results of Regional Asset Management

1. Introduction

Gorontalo Provincial Government is one of the provinces that is given the freedom to regulate its own region with regional autonomy. Regional autonomy means that regions have greater authority in managing their government affairs. Rights in regional finance empower all regional economic potentials that can be used as regional income. Regional income is the right of the regional government, which is recognized as an increase in net wealth value (Law Number 33 of 2004 concerning financial balance between the central government and regional governments). Regional income includes several financial sources, one of which is Regional Original Income (PAD), which includes regional taxes, results of regional tax collection, results of managing regional wealth itself, and other sources.

All Regencies and Cities in Gorontalo Province are regions that have regional potential that can be developed. The regional potential is expected to be a source of income that can be converted into revenue in the Regional Original Income component. In this case, Gorontalo Province is trying to increase Regional Original Income (PAD) through regional taxes, regional levies, and the results of regional wealth management. Regional Original Income (PAD) is all regional revenue originating from regional original economic sources. Regional Original Income is part of the source of regional income as regulated in Law No. 33 of 2004, as one of the sources of income in relation to the implementation of regional autonomy.

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2. Materials and Methods

2.1 Theory Study

2.1.1 Regional Original Income (PAD)

Regional Original Income is all income and receipts that enter the regional treasury, obtained from sources within its own region, collected based on Regional Regulations in accordance with applicable laws and regulations, and used for regional needs. Regional original income comes from Regional Taxes, Regional Levies, management of regional assets, and others (Beatty, 2018), so that the provision of financing from regional original income is maximized through intensification and extensification programs.

2.1.2 Regional Taxes

Regional taxes are mandatory payments to debtor regions by individuals or institutions that are legally binding without direct costs and are used for regional needs in order to achieve the greatest possible welfare. Regional tax is a type of tax collected by regional governments (both provincial and district/city levels) to fund various needs and development programs in their regions. This tax is regulated by regional laws and regulations, and is used to finance public services and regional infrastructure.

2.1.3 Retribution

According to Law No. 18 of 1997 concerning Regional Taxes and Retributions as amended by Law No. 34 of 2000 and last amended by Law No. 28 of 2009, Regional Retribution is a regional levy as payment for services or granting of certain permits that are specifically provided and/or by the Regional Government for the benefit of individuals or bodies.

2.1.4 Results of Regional Wealth Management

Income from this regional business must be deposited into the regional treasury and regulated in regional regulations. This revenue includes regional house rent, building rental, and regionally owned land, current account services, proceeds from the sale of second-hand goods owned by the region, income from execution and guarantees, tax fines, and other legitimate revenues according to the law.

3. Results

3.1 Classical Assumption Test

The Classic Assumption test is performed to test whether the regression model used meets *the BLUE* criteria and the data is not biased.

3.1.1 Residual Normality Test

This test aims to identify whether the data used in this study are normally distributed from disturbing variables or residual values. This can be found by comparing the alpha level of (1%, 5%, 10%) with the *Jarque-Bera value* obtained from the regression results.

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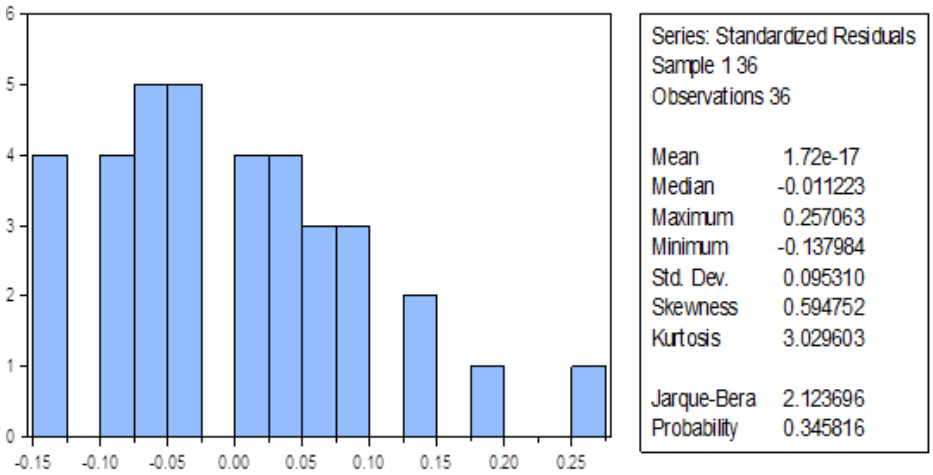

Figure 1: Residual Normality Test Results
Source: Eviews Output, (Processed), 2024

From Figure 1, it can be seen that the *Jarque-Bera* value obtained is 2.123696 with a ρ value (Prob) of 0.345816, which is a greater value when compared to the level (α=5%), so that it can be stated that the data in this study is distributed normally.

3.1.2 Multicolorariaritas Test

Some linear relationships (Multicollinearity Detection) can be manifested statistically (VIF) as well as mathematically (Matrix). And in this test, only one of them is used, namely in the form of statistics (VIF), while in mathematical form, it is not suitable for panel data. The *Vector Inflation Factor* (VIF) is calculated by regressing each of the independent variables. Where the R2 value is used as the basis for measuring the correlation, the VIF value is as follows:

Table 1. Multicolorarity Test Results

Variance Inflation Factors
Date: 07/23/24 Time: 22:49
Sample: 1 36
Included observations: 36

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	5.254948	12902.75	NA
LOG(PD)	0.009289	12606.60	1.342909
LOG(RD)	0.003194	4017.852	1.345488
LOG(PKD)	0.013818	16290.79	1.738591

Source: Eviews Output, (Processed), 2024

The results of the Test Table 1 show that the value of the VIF of the Three Independent Variables is less than 10 (VIF<10), so, in this research model, there is no multicollinearity between the Independent variables.

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3.1.3 Heteroscedasticity Test

Regression models with heteroscedasticity have serious consequences for the estimators of the OLS method because they are no longer *BLUE*. Therefore, it is very important for us to know whether a model contains elements of heteroscedasticity or not. *The Glacier Test* is used in this testing stage, which only compares the values of *the absolute residual estimate* (RESABS) with the independent variables. The following are the results of the heteroscedasticity test in Table 2 below:

Table 2. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.110231	0.057746	1.908879	0.0670
PD	-1.09E-12	3.17E-12	-0.343813	0.7337
RD	3.13E-12	3.56E-12	0.878003	0.3877
PKD	-1.08E-11	1.66E-11	-0.648611	0.5221

Source: Eviews Output, (Processed), 2024

Based on the results of the Heteroscedasticity test in Table 4.9, it shows that the probability value of the variables of Regional Tax, Regional Levy, and Regional Wealth Management Results in this study gives a value greater than alpha or the confidence level used in this study of 0.05. This means that it can be explained that the estimation of this research model does not contain heteroscedasticity problems.

3.1.4 Multiple Linear Regression Analysis Results

The results of the regression analysis that have been estimated and the selection of the panel data model are carried out, the results of the panel data regression analysis use *the Fixed Effect Model* (FEM). The following are the results of the estimation using *the Fixed Effect Model* presented in the following table:

Table 3. Multiple Linear Regression Analysis Results

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	10.50041	2.292.367	4.580.596	0.0001***
LOG(PD?)	0.486629	0.096381	5.049.001	0.0000***
LOG(RD?)	0.195033	0.056513	3.451.150	0.0019***
LOG(PKD?)	0.195033	0.117550	-0.471099	0.6414NS
Adjusted R-squared	0.9471421			
F-statistic	149.7071			
Prob(F-statistic)	0.000000			

Remarks: ***) significant at 1%, **) significant at 5% and *) significant at 10%, NS) Not significant
Source: Eviews Output, (Processed), 2024

$$\mathbf{LOG(PAD) = 10.50041_{it} + 0.486629_{it} (LOG\_PD) + 0.195033_{it} (LOG\_RD) - 0.195033_{it}}$$

$$\mathbf{LOG(PKD?) + \varepsilon_{it}}$$

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The inference model in the above equation can be interpreted in the following sentence: The Regional Original Revenue, without being affected by any independent variable in this research model, is worth **10.50041** rupiah.

Regional Taxes have a positive effect on Regional Original Revenue. This means that every increase in Regional Tax of 1 Rupiah will increase Regional Original Revenue by **0.486629** Rupiah.

Regional Levies have a positive effect on Regional Original Revenue. This means that every increase in the Regional Levy of 1 Rupiah will increase the Regional Original Revenue by **0.195033** Rupiah.

The results of Regional Wealth Management have a negative effect on Regional Original Income. This means that every increase in Regional Wealth Management Results of 1 Rupiah will reduce Regional Original Revenue by **-0.055378** Rupiah.

3.2 Testing Statistical Hypotheses

Hypothesis Testing can use statistical techniques in order to present the test results in a statistically significant way. However, related to the testing of statistical hypotheses are the determination coefficient of classification R, the Statistical Significance Test F, and the Partial Test (t-statistic).

3.2.1 Coefficient of Determination (R2)

This test is intended to show the percentage change of the independent variable in explaining the dependent variable. The *R-squared value is used as a benchmark to see the determination coefficient if the perturbing variable is only one, while for the perturbing variable that is more than one, namely Adjusted R-squared (adjusted R-squared*). Therefore, in this study, the Adjusted R-Squared is used as a benchmark to see the determination coefficient. It is known that the *Adjusted R-squared* value in Table 4.6 is **0.971421** or **97.14** percent, so the decision taken is that **97.14** percent of the variables of Regional Tax, Regional Levy, and Regional Wealth Management Results can explain the variables of Regional Financial Performance. While the remaining **5.83** percent was explained by other variables outside the conclusion of the study.

3.2.2 Partial Test (t-Test)

The last test in this study is designed to find out the influence exerted by the independent variable on the dependent variable and how much influence the variable has. Table 4.6 can explain that:

1. **The Effect of Regional Taxes on Regional Original Revenue**
   From the results of the analysis that has been carried out, it is known that the Regional Tax Coefficient Value is **0.486629** and the ρ *value (Prob)* for the variable is **0.0000.** If the p-value is compared with the significance level, the p-value obtained is still smaller than the significance level (1%), so that H0 is rejected. Thus, the decision is that Regional Taxes have a positive and statistically significant effect on the Original Regional Revenue of Gorontalo Province during the period 2019-2023.

2. **The Effect of Regional Levy on Regional Original Revenue**
   From the results of the analysis that has been carried out, it is known that the Regional Levy Coefficient value is **0.195033** and the ρ *value (Prob)* for the variable is **0.0019.**

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If the p-value is compared with the significance level, the p-value obtained is still smaller than the significance level (1%), so that H0 is rejected. Thus, the decision is that the Regional Levy has a positive and statistically significant effect on the Regional Original Revenue of Gorontalo Province during the period 2019-2023.

3. **The Effect of Regional Wealth Management Results on Regional Original Revenue**

From the results of the analysis that has been carried out, it is known that the Regional Levy Coefficient value is **0.195033** and the ρ *value (Prob)* for the variable is **0.0019.** If the p-value is compared with the significance level, the p-value obtained is still smaller than the significance level (1%), so that H0 is rejected. Thus, the decision is that the Regional Levy has a positive and statistically significant effect on the Regional Original Revenue of Gorontalo Province during the period 2019-2023.

4. Discussion

4.1 The Influence of Regional Taxes on Regional Original Income

Based on the results of the analysis that Regional Tax has a positive and significant effect on Regional Original Income in Gorontalo Province. This finding can be interpreted that every increase in Regional Tax can provide a positive contribution in increasing Regional Original Income in Gorontalo Province. This is because Regional Tax has a significant effect on Regional Original Income. This can be seen from the results of the T Test which shows a significance value of 0.001, which is smaller than the significance level of 0.05, so the first hypothesis of this study (H1) is accepted. This significant effect shows that an increase in regional tax will increase regional original income, because regional tax is the largest source of income for a region.

Regional taxes are one of the most important sources of local revenue (PAD) for the province of Gorontalo. From 2019 to 2023, the influence of regional taxes on PAD has shown a significant and positive increase. This can be seen from the data showing an increase in revenue from various types of taxes, such as hotel, restaurant, entertainment, advertising, and land and building taxes (PBB).

One of the main factors driving this increase is the regional government's policy in improving the tax administration system. Efforts to digitize and modernize the tax payment system have made it easier for taxpayers to fulfill their obligations, so that the level of tax compliance has increased. In addition, educating the public about the importance of taxes for regional development also plays an important role in increasing public awareness and participation in paying taxes.

The Gorontalo provincial government also actively collects and supervises regional taxes. By increasing the intensity of collection and tightening supervision, the government is able to minimize the level of tax leakage that often occurs due to a lack of supervision. This has proven effective in increasing revenue from the regional tax sector.

In addition, stable economic growth in the province of Gorontalo also contributes to increasing regional tax revenues. Economic sectors such as tourism, trade, and industry have experienced quite rapid development, so that the regional tax base is also increasingly broad. Increased economic activity automatically has an impact on increasing tax revenues from various sectors.

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In the period 2019 to 2023, the Gorontalo provincial government has also succeeded in diversifying tax revenue sources. Not only relying on certain types of taxes, but also developing the potential of other taxes that were previously not optimally utilized. This diversification is important to maintain the stability of PAD and reduce the risk of dependence on only one or two types of taxes. Comprehensively, various efforts that have been made by the Gorontalo provincial government in increasing revenue from regional taxes have shown positive and significant results. This increase in PAD is certainly very important to support the development and welfare of the Gorontalo community. Increasingly optimal regional taxes are expected to continue to provide significant contributions to regional development, both in the short and long term.

4.2 The Influence of Regional Retributions on Regional Original Income

Based on the results of the analysis, Regional Retribution has a positive and significant effect on Regional Original Income in Gorontalo Province. This finding can be interpreted that every increase in Regional Retribution can provide a positive contribution to increasing Regional Original Income in Gorontalo Province. This is because Regional Retribution has a positive and significant effect on regional original income (PAD). The increase in revenue from regional retribution directly contributes to the increase in PAD, and vice versa; if revenue from regional retribution decreases, then PAD will also decrease. This shows that regional retribution is an important component in the PAD structure, in addition to regional taxes, the results of managing separated regional assets, and other legitimate regional original income. The significant influence of regional levies on PAD in Gorontalo Province is in line with the findings of previous studies conducted by several researchers, such as Rostiani (2018), Kencana et al. (2022), and Rizalni (2023). All of these studies show that regional levies consistently contribute positively to increasing PAD. The increase in PAD caused by the increase in regional levies also supports local economic development. With higher revenues, local governments have more resources to reinvest in various development projects and public services, which in turn can improve the welfare of local communities.

In addition, the results of this study also reflect the importance of economic strategies and policies in financial activities, as expressed by Basmar (2021). National economic development based on effective financial policies can support increased regional income by optimizing revenues from various sources, including regional levies. This shows that good financial management and appropriate policies are essential to ensure that regions can maximize their revenue potential and support sustainable economic development. Regional levies themselves are levies imposed by the regional government in return for certain services or services provided directly to the community. The collection of these levies is based on applicable regulations and is intended for the benefit of individuals or organizations that receive direct benefits from services or permits granted by the regional government.

4.3 The Influence of Regional Asset Management Results on Regional Original Income

Based on the results of the analysis, the Results of Regional Asset Management do not have a significant effect on Regional Original Income in Gorontalo Province. This finding can be interpreted that any increase in the Results of Regional Asset Management may not be able to contribute to increasing Regional Original Income in Gorontalo Province. This is because the results of regional wealth management are often expected to provide a significant contribution to regional gross domestic product (GDP) in various provinces, including

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Gorontalo Province. However, based on data and analysis during the 2019-2023 period, it turns out that regional wealth management in Gorontalo Province does not show a significant effect on PAD. Several factors that can explain this phenomenon include the lack of optimization in the utilization of regional assets, ineffective management, and administrative and regulatory constraints that may hinder increased income.

During this period, Gorontalo Province may face challenges in maximizing the potential of its regional wealth, both in terms of natural resources and other assets. For example, the potential of the large tourism and agricultural sectors in this region may not have been optimally developed, or the results of these sectors have not been properly integrated into PAD. In addition, there is a possibility that investment and cooperation with the private sector or other institutions have not been carried out optimally, which could result in missed income opportunities that could have been obtained. In addition, the capacity and capability of human resources involved in managing regional wealth can also be a determining factor. If local government officials do not have adequate skills and knowledge in managing regional assets and resources, then optimal management results are difficult to achieve. Continuous training and capacity building are urgent needs to ensure that regional wealth management can make a significant contribution to PAD.

5. Conclusion

Based on the results of the study and discussion on the Influence of Regional Taxes, Regional Levies and Results of Regional Asset Management on Regional Original Income in Gorontalo Province, which have been described in the previous chapter, the researcher draws the following conclusions:

1. Regional Taxes have a positive and significant effect on Regional Original Income. This means that every increase in Regional Taxes will increase the value of Original Income in Gorontalo Province.
2. Regional Levies have a positive and significant effect on Regional Original Income. This means that every increase in Regional Levies will increase the value of Regional Original Income in Gorontalo Province.
3. Results of Regional Asset Management do not have a significant effect on Regional Original Income. This means that every increase in the Results of Regional Asset Management cannot increase the value of Regional Original Income in Gorontalo Province.

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