

Optimising Regional Financial Performance through Capital Expenditure and Regional Revenue in Bengkalis Regency 2017-2020



Optimalisasi Kinerja Keuangan Daerah melalui Belanja Modal dan Pendapatan Daerah Di Kabupaten Bengkalis Tahun 2017-2020

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ARTICLE INFORMATION	
<p>Keywords <i>Regional Financial Performance;</i> <i>Capital Expenditure;</i> <i>Regional Revenue;</i> <i>Local Original Revenue;</i></p>	<p>ABSTRACT Local Government Governance in Improving Regional Financial Performance on the Analysis of Capital Expenditure and Regional Revenue from 20017 to 2020 proves that the Quality and Allocation of Expenditure has not been seen due to the Pattern of Leadership Culture and Geopolitics of Bengkalis Regency. Capital Expenditure has not been prepared to build infrastructures related to the community's economic growth, which will ultimately impact increasing Regional Original Revenue (PAD). This research is a qualitative descriptive type, intending to know the work of regional finance; there are 5 (five) elements, namely: 1) Degree of Decentralisation; 2) Financial Dependence on the Central Government; 3) Financial Independence; 4) Effectiveness of local revenue; 5) Degree of BUMD Contribution. This paper proves that optimal and effective capital expenditure and the ability to develop an integrated revenue-raising program can improve regional financial performance.</p>
<p>Kata Kunci <i>Kinerja Keuangan Daerah;</i> <i>Belanja Modal;</i> <i>Pendapatan Daerah;</i> <i>Pendapatan Asli Daerah;</i></p>	<p>ABSTRAK Tata Kelola Pemerintah Daerah dalam meningkatkan Kinerja Keuangan Daerah atas Analisa Belanja Modal dan Pendapatan Daerah Tahun 20017 sampai dengan 2020 membuktikan belum terlihat Kualitas dan Alokasi Belanja yang disebabkan Pola Kultur Kepemimpinan dan Geopolitik Kabupaten Bengkalis. Belanja Modal belum disiapkan untuk membangun infra struktur yang terkait dengan pertumbuhan ekonomi masyarakat yang pada akhirnya akan berdampak terhadap meningkatnya Pendapatan Asli Daerah (PAD). Penelitian ini berjenis deskriptif kualitatif, dengan tujuan untuk mengetahui kinerja, keuangan daerah, terdapat 5 (lima) unsur, yaitu: 1) Derajat Desentralisasi; 2) Ketergantungan Keuangan kepada Pemerintah Pusat; 3) Kemandirian Keuangan; 4) Efektifitas pendapatan Asli Daerah; 5) Derajat Kontribusi BUMD. Tulisan ini, membuktikan bahwa Belanja Modal yang Optimal dan Efektif, serta Kemampuan menyusun Program Peningkatan PAD yang terintegrasi dapat meningkatkan Kinerja Keuangan Daerah.</p>
<p>Article History Send 23th Maret 2023 Review 15th May 2023 Accepted 2th July 2023</p>	<p>Copyright ©2023 Jurnal Aristo (Social, Politic, Humaniora) This is an open access article under the CC-BY-NC-SA license. Akses artikel terbuka dengan model CC-BY-NC-SA sebagai lisensinya.</p>



Introduction

Realizing *Good Governance* One way is to build good financial governance (Astuti & Yulianto, 2016) (Mudhofar, 2022) (Syairozi, Pambudy, & Yaskun, 2021) (Septariani, 2017), In the implementation of sound financial governance, there are points about the power of the government to carry out expenditures in specific periods by showing the financing tools needed to cover these expenditures, looking at state finances according to Bahrullah Akbar, we can see through several aspects, including 1) The right of the state to collect taxes, issue and circulate money, and make loans; 2) The obligation of the state to carry out the duties of the general service of the state government and pay the bills of third parties; 3) State Revenue and Expenditure Budget (APBN) and Regional Revenue and Expenditure Budget (APBD); and 4) As well as State/Regional/Other Party Assets controlled or granted by the Government (Mardiana, 2012).

Regulations on State Finance are also found in Law No. 17/2003 on State Finance, Law No. 1/2004 on State Treasury, Law No. 15/2004 on Audit of State Financial Management and Responsibility, and Law No. 15/2006 on the Supreme Audit Agency. The *Good Governance* practices described, when carried out at the local government level, aim to improve order in terms of good Regional Financial Governance; the definition of regional financial governance or management is the search for sources of financing of regional funds through systematic potential and capability mechanisms through structured planning by conducting orderly arrangement. Bahrul Akbar explained that the governance practices include: planning, implementing, and supervising all regional rights and obligations in the context of local government that can be assessed with money, including all forms of wealth related to restricted rights and responsibilities, within the framework of the APBD (Mardiana, 2012).

According to Halim, good financial governance can be measured through the extent to which the achievement of financial performance on economic indicators can be achieved, which indicators consist of the degree of decentralization, financial dependence, regional financial independence ratio, and the effectiveness of Regional Original Income (Supraja, 2019).

The results of BPK's financial audit in 2021 show that the financial performance indicators are still high in dependence on the central fiscal. In other words, the level of independence is still low, partly due to the inability of regional fiscal resources to manage and allocate spending in a quality manner. On the other hand, in time, provincial revenues sourced from central transfers will get smaller while the sources or potential of regional own-source

revenues (PAD) are still not managed optimally. Therefore, it is essential to improve financial performance.

Level of significance = 5% Regional characteristics represented by the contribution of the industrial sector to Gross Regional Domestic Product (GRDP), total assets, level of dependence, local government status, and audit opinion results have a significant effect on the degree of fiscal decentralization both partially and jointly (Surgawati, 2021) Simultaneously PAD, DAU, Capital Expenditure, Audit Findings, and Indonesian Democracy Index have a significant effect on local government performance (Wana & Juniartika, 2021).

One of the ways that can be used to improve Regional Financial Performance is through improvements in the management of regional fiscal *resources (fiscal resource management)* and allocating quality spending (*spending quality*). Quality spending is a common concern in supporting regional policies (Widayati & Abdurahim, 2022).

One aspect of the leading Local Government expenditure is Capital Expenditure. Based on Article 55 of Government Regulation Number 12 of 2019, Capital Expenditure is a budget expenditure for acquiring fixed and other assets that provide benefits for more than one accounting period. Capital Expenditure includes: 1) Land Expenditure, 2) Equipment and Machinery Expenditure, 3) Building and Building Expenditure, 4) Road, Irrigation, and Network Expenditure, 5) Other Fixed Assets Expenditure, 6) Other Assets Expenditure that can be identified, have a physical form, produce goods or services, can be controlled, and have future economic benefits. Thus, the quality of Capital Expenditure is an aspect of Local Government expenditure that must be part of the assessment of Regional Financial Performance.

Mardiasmo revealed that Regional Revenue is all regional rights recognized as net worth enhancers in the relevant fiscal year period. Local revenue consists of: 1) Regional Own-Source Revenue, 2) Transfer Revenues, and 3) other legitimate Regional Revenues. PAD is revenue obtained by the Region from sources within its territory which is levied based on Regional Regulations under the Laws and Regulations, which include the Regional Tax sector, Regional Levies from Regional Companies, Results of Management of Separated Regional Wealth, and other Regional Original Revenue (Juhji, Syarifudin, Shobri, & Hidayatullah, 2020). (Tarigan, Purba, & Sinaga, 2023). (Indriani, Nadirsyah, Fuadi, & Evayani, 2020).

Based on PP No.12/2019, Transfer Revenue includes Central Government Transfers and Inter-Regional Transfers. Central Government Transfers include 1) a Balance Fund consisting of a Revenue Sharing Fund (DBH), a General Allocation Fund (DAU), and a Special Allocation Fund (DAK), 2) Regional Incentive Funds (DID), 3) Special Autonomy Funds, and

Privilege Funds, 4) Village Funds. Inter-regional Transfers are inter-regional revenue sharing and inter-regional financial assistance. Furthermore, other legitimate regional revenues include Grants, Emergency Funds, and others. These various aspects of Regional Revenue are fundamental to increase to ensure that Regional Government resources are maintained for the continuity of public services and development.

Based on the Bengkalis Regency Government Financial Report, the average annual expenditure budget is Rp.3.58 trillion, and the revenue budget is Rp.3.68 trillion from 2017-2020, thus making Bengkalis Regency the area with the largest average APBD in Riau Province. The following is data on the average APBD in Riau Province:

Table 1 Income and Expenditure in Riau Province for the Period 2017 to 2020

Local Government	2017		2018		2019		2020		Average	
	Income	Shop								
Riau Province	9,06	10,40	9,24	10,33	9,43	9,49	8,74	8,82	9,12	9,76
Bengkalis	3,96	3,97	3,50	3,51	3,90	4,06	2,94	3,16	3,58	3,68
Dumai City	1,30	1,28	1,14	1,14	1,39	1,44	1,41	1,52	1,31	1,35
Indragiri Hilir	2,07	2,28	1,90	2,18	2,24	2,32	2,11	2,20	2,08	2,25
Indragiri Hulu	1,51	1,55	1,48	1,48	1,63	1,77	1,45	1,66	1,52	1,62
Kampar	2,36	2,42	2,26	2,32	2,70	2,91	2,45	2,68	2,44	2,58
Kuantan Singingi	1,45	1,48	1,41	1,43	1,46	1,46	1,53	1,54	1,46	1,48
Meranti Island	1,09	1,07	1,11	1,09	1,34	1,37	1,32	1,32	1,22	1,21
Pekanbaru City	2,63	2,63	2,64	2,64	2,71	2,73	2,82	2,83	2,70	2,71
Pelalawan	1,54	1,57	1,44	1,52	1,59	1,77	1,46	1,84	1,51	1,68
Rokan Hilir	1,89	1,90	1,77	1,78	2,26	2,41	2,05	2,27	1,99	2,09
Rokan Hulu	1,64	1,69	1,80	1,80	1,90	1,91	1,68	1,69	1,76	1,77
Siak	1,92	1,80	1,90	1,82	2,11	2,25	2,01	2,33	1,99	2,05

Source: Local Government Financial Report, BPK-RI

Furthermore, Bengkalis Regency is an oil-producing area in Riau Province. It causes the capital expenditure of Bengkalis Regency to be the largest in Riau Province, with an average of Rp. 873.55 billion from 2017-2020. Interestingly, Bengkalis Regency also has an average revenue from local revenue of 8.05%, transfer revenue of 90.25%, and other legal revenues of 1.70% from 2017-2020 (BPK Audit Report, 2020). The following is the Regional Revenue of Bengkalis Regency from 2017-2020:

Table 2 Regional Revenue Structure of Bengkalis Regency in 2017-2020

Keterangan	TAHUN									
	2017		2018		2019		2020		Amount (Trillion Rp)	
	Amount (Trillion Rp)	%								
BENGKALIS REGENCY										
Regional Revenue :	3,23		3,36		3,77		2,92		13,28	
Local Revenue	0,27	8,41	0,32	9,50	0,23	5,99	0,25	8,64	1,07	8,05
Transfer Revenue	2,91	90,06	3,04	90,50	3,46	91,75	2,57	88,22	11,99	90,25
Other Legitimate Income	0,05	1,53	0,00	0,00	0,09	2,25	0,09	3,15	0,23	1,70

Source: Local Government Financial Reports, BPK-RI

From the data described above, Bengkalis Regency still dramatically depends on Central Government Transfers to finance development. The fiscal capacity of the Region itself will determine the success of the provision of public services to the community and be part of the benchmark of financial performance assessment. This paper analyzes the Capital Expenditure Allocation and Local Revenue concerning the Financial Performance Indicators of Bengkalis Regency, Riau Province. Based on this framework, this study seeks to answer how Capital Expenditure Allocation and Regional Revenue improve regional financial performance in Bengkalis Regency.

Method

The data used in this study are documents belonging to Bengkalis Regency and BPK RI Audit Report (LHP) in Riau Province, the results of interviews with informants, and other data from various media and existing literature. Informants in this study include the Regent of Bengkalis and the Head of the Regional Financial and Asset Management Agency (BPKAD) of Bengkalis Regency. Data collection methods using interview techniques, documentation, observation, and literature study. The data analysis technique uses triangulation to test data reliability, followed by data processing techniques, including data reduction, data presentation, and conclusion drawing. This article uses descriptive qualitative research. The research analyzes the Capital Expenditure and Regional Revenue trend in improving Financial Performance in Bengkalis Regency. Based on the research focus, this study developed a conceptual framework, as shown in Table 3.

Table 3 Conceptual Framework

Concept	Dimension	Indicator
Capital Expenditure	Fixed Assets	a. usefulness b. Local Government Financial Capability in Long-term Asset Management (budget capability). c. Capital expenditure allocation $\frac{\text{Capital Expenditures}}{\text{Capital Expenditure Total}} \times 100\%$
	Other Fixed Assets	a. usefulness b. Local Government Financial Capability in Long-term Asset Management (budget capability).
Regional Revenue	PAD	a. Local Tax; b. Regional Retribution; c. Results of Segregated Regional Wealth Management; d. miscellaneous legitimate local native revenue
	Transfer Revenue	a. Central Government Transfer; b. Inter-regional transfers.
	Other Legitimate income	a. grant; b. Emergency Fund; c. miscellaneous income under the provisions of laws and regulations.
Regional Financial Performance	Degrees of Decentralization	$\frac{\text{PAD}}{\text{Total local revenue}} \times 100\%$
	Financial Dependence	$\frac{\text{Transfer Revenue}}{\text{Total local revenue}} \times 100\%$
	Financial Independence	$\frac{\text{PAD}}{\text{Centre + Province + Loan transfers}} \times 100\%$
	PAD Effectiveness	$\frac{\text{PAD realisation}}{\text{Targeted PAD}} \times 100\%$
	BUMD Contribution Degree	$\frac{\text{Receipt of BUMD's Profit Share}}{\text{PAD Receipt}} \times 100\%$

Source: processed author

Result and Discussion

Geopolitics

Bengkalis Regency fulfills the criteria as an area that gets revenue sharing based on natural resources and obtains high revenue sharing from all districts and cities in Riau Province. Geopolitically, Bengkalis Regency is divided into 2 (two) *egocentric geographical axes*: islands and land. It is problematic for leadership in the Bengkalis Regency government, who and where people come from, and who is the top leader or Regional Head, in this case, the Regent. If it comes from the mainland (Duri, Mandau, and surrounding areas), it will be seen in allocating the budget or with the term Duri Centric polar development, which can be seen from 2016 to 2020. The culture of the Islands community with the mainland is very different. The continent is very dynamic with very heterogeneous cultural assimilation, making the collectivity and complexity of problems, on the one hand, easy to classify but challenging to find solutions in areas that are the centers of economic growth such as Duri, sometimes the Budget Allocation of the Bengkalis Regency Government, although very large, does not seem to have a significant effect, because many private sectors with business facilitation needs and

business world networks grow faster and follow market tastes. The role of the government is more administrative. So it can be concluded that measuring the impact of budget allocations or capital expenditures for development in the mainland of Bengkalis is not very visible and significant in leveraging the community's economic growth. The opposite occurs in archipelagic areas such as Bengkalis Island and Rupert Island, which are less touched if the Regent comes from the mainland so that he gets a smaller portion. In addition, the geopolitics of Bengkalis has a coastal area, a long stretch of open coastline, and is directly opposite to international traffic facing the Strait of Malacca. It causes the authority of the Bengkalis Regency Government to be minimal vis-à-vis the central authority. Affecting the allocation of high-cost burdens on the construction of physical buildings are leading and supporting infrastructure as well as the land contours of coastal areas. For example, handling abrasion issues that directly affect the economy of farming and fishing communities in coastal areas. In the last 5 (five) years, the coastline of Bengkalis Island facing the Strait of Malacca collapsed almost 1 km. In comparison, the construction of coastal security, breakwater, squatting, and *breakwater* can only be made no more than 1 km per year. The Capital Expenditure unit cost calculation amount is so large that it reduces the quantity and maximum results.

Capital Expenditure

The achievement of the Capital Expenditure Target of the Bengkalis Regency Government for the period 2017 to 2020 can be described as follows:

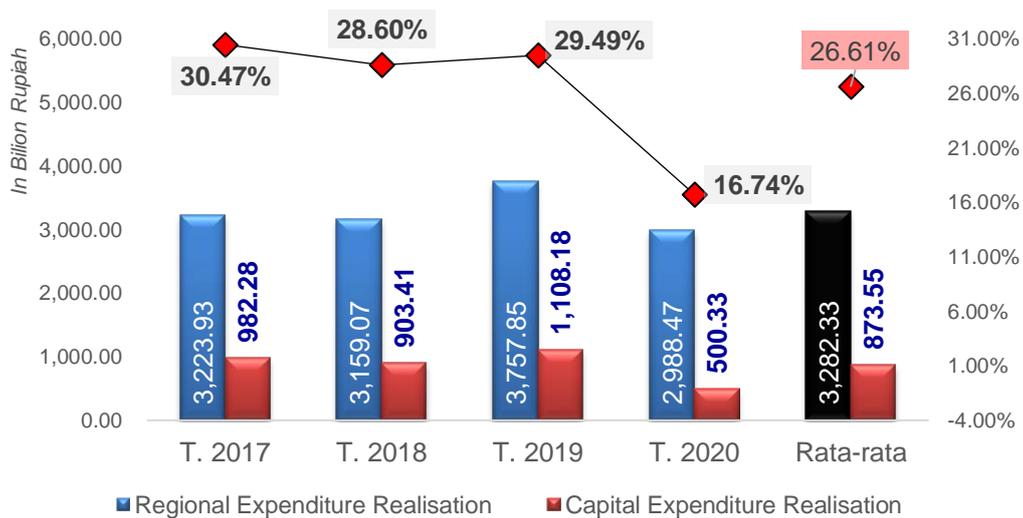


Figure 1 Realization of Regional Expenditure and Realization of Capital Expenditure of the Bengkalis Regency Government for the 2017-2020 Period

Source: LHP BPK-RI

The average achievement of Capital Expenditure of the Bengkalis Regency Government reached 26.61% of the total realization of regional expenditure. The highest achievement occurred in 2017, 30.47%, and the lowest in 2020, with an accomplishment of only 16.74%. It was due to the refusal and reallocation of the Capital Expenditure budget for handling the Covid-19 Pandemic under the direction of the Ministry of Home Affairs of the Republic of Indonesia. Judging from the comparison of the realization of Capital Expenditure to total Regional Expenditure in Bengkalis Regency, it has met the mandatory quota, which is above the national average; namely, in 2017, the standard was 24.42% while Bengkalis Regency reached 30.47%, in 2018 the average was 23%, the achievement was 28.60%, in 2019 the average was 20.28%, the achievement was 29.49% and specifically in 2020 due to the COVID-19 pandemic there was a refusing and reallocation of the Capital Expenditure budget for handling the Covid-19 Pandemic under the direction of the Ministry of Home Affairs of the Republic of Indonesia throughout Indonesia causing a decrease in capital expenditure to reach 16.74%.

The allocation and realization of Capital Expenditure of the Bengkalis Regency Government for the period 2017 to 2020 are described as follows:

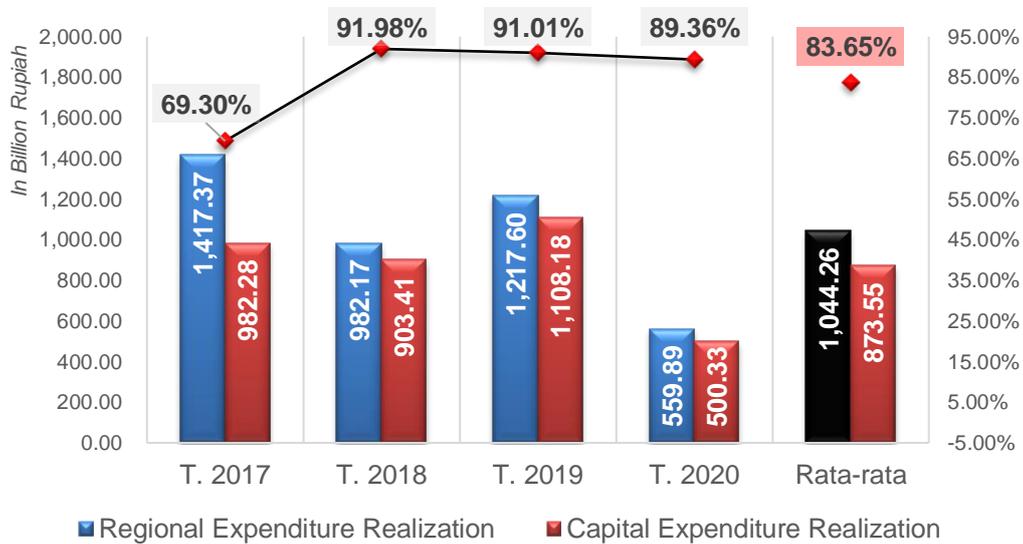


Figure 2 Capital Expenditure Allocation and Capital Expenditure Realization of Bengkalis Regency Government for the 2017-2020 Period

Source: LHP BPK-RI

The average achievement of Capital Expenditure against the allocation of Capital Expenditure of the Bengkalis Regency Government from 2017 to 2020 is 83.65%. 91.98% 2018 experienced a significant increase compared to 2017, which only reached 69.30%. Furthermore, 2019 experienced a decrease of 91.01%, and 2020 experienced a decline,

achieving 89.36%. In terms of the number of Capital Expenditure achievements, the period 2017 to 2020 experienced fluctuations, namely 2017 to 2018 experienced a decrease from Rp982.28 billion to Rp903.41 billion or a reduction of Rp78.87 billion. Furthermore, in 2019 it became Rp1,108.18 billion, an increase of Rp204.77 billion. However, in 2020 it decreased drastically to Rp500.33 billion, a decrease of Rp607.85 or almost 54.85% from 2019.

Realization of Capital Expenditure against the Allocation of Capital Expenditure Objects, Bengkalis Regency is still inconsistent. It shows the lack of good Regional Financial Performance in meeting the predetermined expenditure targets. Thus causing less than optimal infrastructure development in Bengkalis Regency. The realization of Capital Expenditure Objects of the Bengkalis Regency Government for the period 2017 to 2020 can be seen in the following figure:

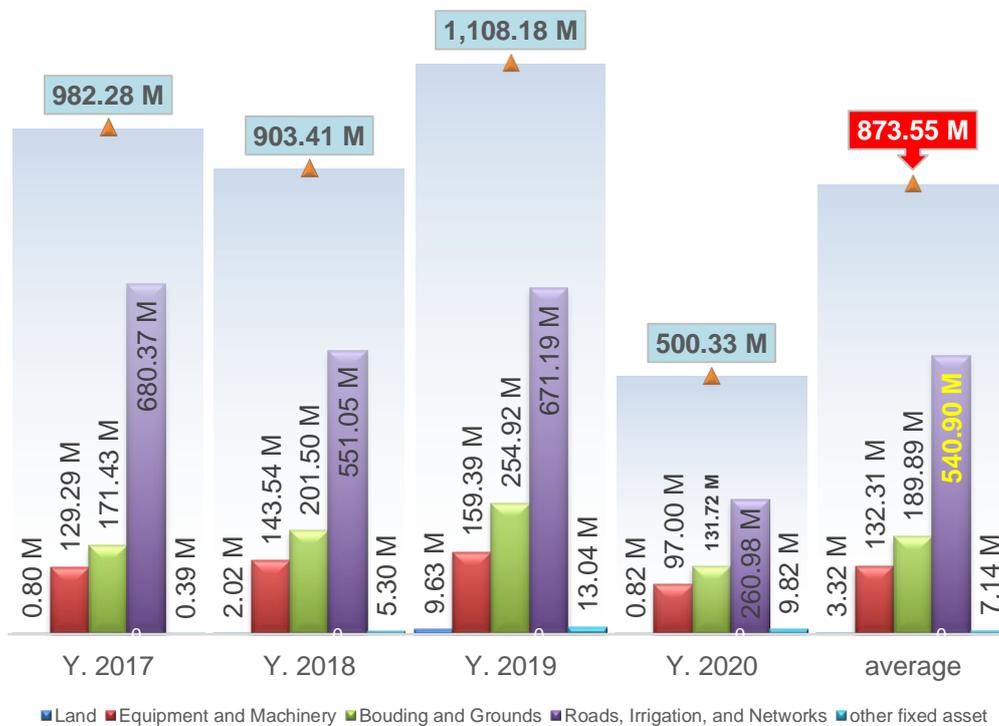


Figure 3 Realization of Capital Expenditure Objects of Bengkalis Regency for the 2017-2020 Period
 Source: LHP-BPK RI

The average achievement of Capital Expenditure of the Bengkalis Regency Government for the period 2017 to 2020 the enormous achievement of Capital Expenditure was Capital Expenditure on Roads, Irrigation, and Networks of Rp540.90 billion, followed by Capital Expenditure on Buildings and Structures of Rp189.89 billion, then Capital Expenditure on Equipment and Machinery of Rp132.31 billion, then Capital Expenditure on Other Fixed Assets of Rp7.14 billion and the minor achievement was Capital Expenditure on Land with an accomplishment of Rp3.32 billion.

Regarding realization per Capital Expenditure Object, Bengkalis Regency has prioritized the development of road, irrigation, and network infrastructure, showing the *highest trend* among Capital Expenditure Objects for 4 (four) years. Thus, Bengkalis Regency is committed to open access and evenly improving irrigation channels and networks for the community's needs. However, when viewed from the aspect of the number of assets with maintenance costs, it is very far from what is expected.

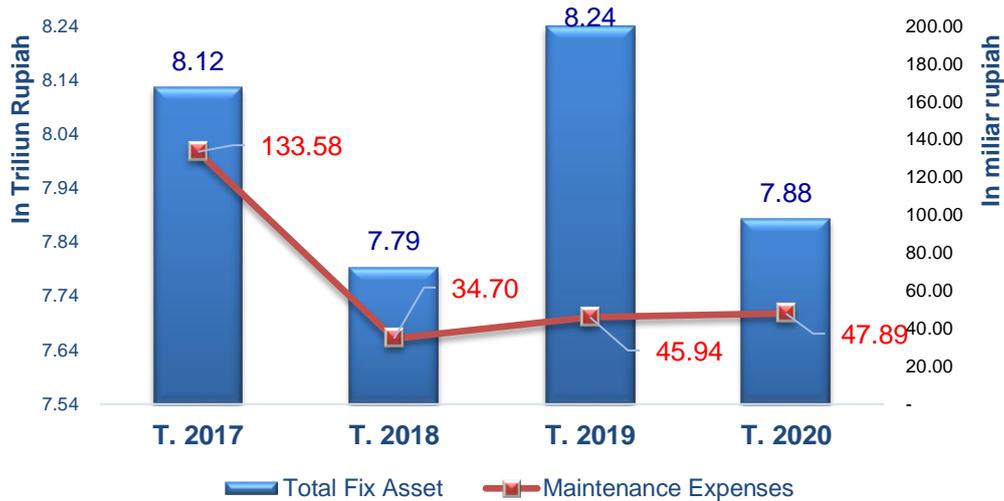


Figure 4 Total Fixed Assets and Maintenance Expenses of the Bengkalis Regency Government for the period 2017 -2020

Source: LHP BPK RI

Fixed Assets owned by the Bengkalis Regency Government with a tremendous amount, of course, must be accompanied by the sufficient *budget capability* to maintain the economic value of these assets. The achievement of maintenance costs 2017 was IDR133.58 billion or 1.64% of the total fixed assets owned of IDR8.12 trillion. In 2018, it decreased to Rp34.70 billion or 0.45% of the total fixed assets owned, namely Rp7.79 trillion. Furthermore, in 2019 it increased to IDR 45.94 billion or 0.56% of the total Fixed Assets owned, namely IDR 8.24 trillion, and in 2020 it increased again to IDR 47.89 billion or 0.61% of the total Fixed Assets owned. Judging from the comparison of the number of Fixed Assets and maintenance expenses, that should be directly proportional, but in reality, it is not comparable, resulting in many abandoned, poorly maintained assets. That is 2018, the value of Fixed Assets decreased compared to 2017, while maintenance costs were relatively high from 2017. It is due to poor planning. In 2019, the value of assets increased compared to 2018, but there was a decrease in 2020, and maintenance costs were always neglected. It shows that the Bengkalis Regency Government pays less attention to the planning aspect, especially to Asset maintenance costs which can result in less quality Capital Expenditure.

Income

The conditions of the Target and Realization of Regional Revenue of Bengkalis Regency for the period 2017 to 2020 can be described as follows:



Figure 5 Target and realization of Regional Revenue for the period 2017 to the Year 2020
 Source: LHP BPK-RI

The average achievement of the Regional Revenue Target of the Bengkalis Regency Government from 2017 to 2020 is 92.87%, and the percentage of achievement against the target set as a whole has increased from year to year. The accomplishment in 2017 was 81.54%, then experienced an increase in 2018 to 95.98%, then rose again in 2019 by 96.74%, and in 2020 the target achievement increased again to 99.32%.

The target and realization fluctuate from year to year. For 2018 there was a decrease in the target of Rp0.46 trillion, namely Rp3.50 trillion, from 2017 of Rp3.96 trillion, but for the realization, there was an increase of Rp0.13 trillion, namely Rp3.36 trillion from 2017 of Rp3.23 trillion. Furthermore, in 2019 both the target and completion increased from 2018. The 2019 target increased by Rp0.40 trillion to Rp3.90 trillion from Rp3.50 trillion in 2018, and the realization increased by Rp0.41 trillion to Rp3.77 trillion from Rp3.36 trillion in 2018. And for 2020, both the target and completion decreased from 2019. The 2020 target fell by Rp0.96 trillion to Rp2.94 trillion from Rp3.90 trillion in 2019, and the realization of 2020 decreased by Rp0.85 trillion to Rp2.92 trillion from Rp3.77 trillion in 2019.

Overall, the Regional Revenue in Bengkalis Regency from 2017 to 2020 only reached an average of 92.87%, and never during that period reached 100%. It indicates that the performance of Regional Revenue is not optimal due to setting targets that are not under regional potential or due to non-optimal efforts to achieve the Regional Revenue targets that have been set.

How to determine and set targets for Regional Taxes and Levies, the Head of the Riau Province Regional Revenue Agency stated, “In the management of Regional Taxes as stipulated in the Bengkalis Regency Regional Regulation Number 1 of 2018 concerning Amendments to Regional Regulation Number 11 of 2011 concerning Regional Taxes. Determining the target of Regional Taxes and Levies is based on the realization of the previous year, and the target is set for the coming year, using the average projection method.” The achievement of the types of Regional Revenue to the total realization of Regional Revenue of Bengkalis Regency for the period 2017 to 2020 can be drawn as follows:

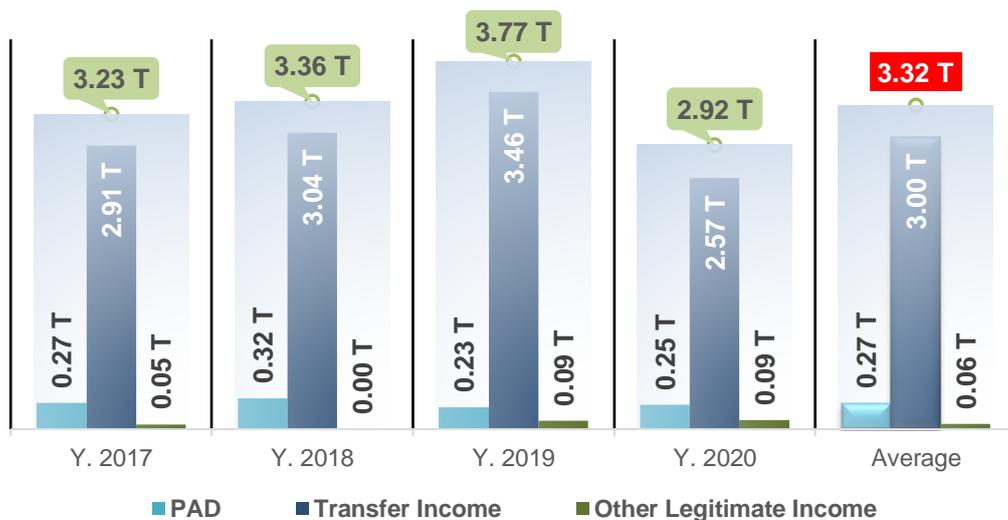


Figure 6 Types of Regional Revenue of Bengkalis Regency for the period 2017 to 2020

Source: LHP BPK-RI

The average achievement of Regional Revenue for 2017 to 2020 is dominated by the type of Transfer Revenue of IDR 3.00 trillion, then Regional Original Revenue of IDR 0.27 trillion, and other legal revenues of IDR 0.06 trillion. So Transfer Revenue dramatically affects the total Regional Revenue of the Bengkalis Regency Government. Based on data per type of Bengkalis Regency Regional Revenue for 2017 to 2020, the composition of Regional Revenue is dominated by Transfer Revenue. Regional Original Revenue tends to stagnate, while other legal revenues do not significantly contribute to Regional Revenue.

The average target achievement of the types of Regional Original Revenue of Bengkalis Regency for 2020 was IDR 267.33 billion. The highest achievement is another legal PAD of IDR 159.95 billion, followed by Regional Tax revenue of IDR 67.12 billion, then revenue from the management of separated Regional Wealth of IDR 28.14 billion, and the most negligible Regional Retribution revenue, which only reached IDR 12.11 billion.

The achievement of the target object of Regional Original Revenue of Bengkalis Regency for the period 2017 to 2020 can be described as follows:

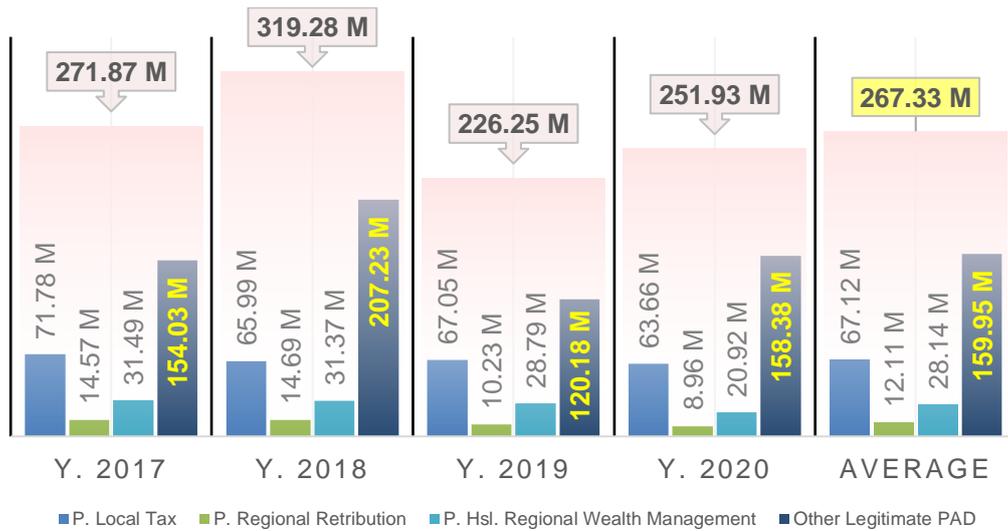


Figure 7 Realization of PAD of Bengkalis Regency for the period 2017 to 2020

Source: LHP BPK-RI

The realization of local revenue through the acceptance of local taxes and levies and the results of the management of separated local assets still show that it is not optimal. The Head of the Bengkalis Regency Regional Revenue Agency explained, “From several local tax and levy targets in Bengkalis Regency, it is known that the realization exceeds the target. However, from the object per type of tax, it still does not reach the predetermined target. It is due to tax officers not yet competent in taxation, inadequate facilities and infrastructure, and a far span of control consisting of several islands.”

Regarding the number of funds needed so that tax and levy revenues can be realized according to the target or even exceed it, he explained, “The funds needed to meet the needs of supporting infrastructure to increase PAD and UPT Regional Revenue in Bengkalis Regency are estimated at 75 billion.” The difficulties/obstacles other than funds faced in tax collection/realization of tax targets are:

“By the conditions in the field, the target-setting process for local taxes and levies is perceived to be less rational, due to: 1) Lack of data, the factor of lack of data causes the decision taken in setting tax and levy targets to seem less rational because the determination is based on last year’s realization and by using the average projection method, the target is set for the coming year; 2) Lack of human resources, the factor of lack of human resources, in this case, is related to the work of data collection of tax objects, tax collection, tax inspection in the field, so that what is needed in setting targets is not available, this is due to the lack of budget allocated to pay personnel who go to the field; 3). Lack of infrastructure relates to the problem of facilities when collecting data, billing, and inspection needed so that the implementation in the field is less than optimal (Bengkalis, 2021).”

Efforts have been made to increase Regional Tax and Retribution revenues, as follows:

“Measures to optimize the achievement of Regional Original Revenue (PAD) through intensification and extensification of tax revenues and Regional Levies are still being carried out, including by Recording tax potential through the door to door by involving all elements in the Regional Revenue Agency; Collecting and inspecting taxpayers and tax objects that have been determined; Improving systems and procedures that lead to systems that facilitate services and encourage effectiveness in supervision; Cooperating with cross-sectoral efforts to explore the potential of Regional Levies and other legal PAD; Conduct FGDs with relevant stakeholders to formulate appropriate policies to optimize local tax revenues; Improving online-based application systems to prevent leakage of local revenues; Maximising the use of data recording tools of taxpayer business transaction; Providing services to taxpayers/communities in terms of online reporting and payment (Bengkalis, 2021).”

Steps of BPKAD Bengkalis Regency, Regarding the renewal of the tax database (tax potential), he explained:

“Currently, Bapenda Bengkalis Regency continues to strive to increase the availability of tax base data by making breakthroughs through taxation applications in collaboration with various related parties, including implementing PBB P2 services to taxpayers/communities in every village in Bengkalis Regency, carrying out joint monitoring with KPP Pratama, Land Office. So it is hoped that with this renewal, the achievement of revenue from the Regional Tax sector can be optimized (Bengkalis, 2021).”

The media used to counsel taxpayers; he explained, “Several meetings with taxpayers through Forum *Group Discussion* (FGD) by bringing in speakers from Bapenda and Pratama Tax Office Representatives have been held. In addition, counseling and socialization conducted by Bapenda staff to sub-districts are also carried out to increase revenue from taxes and levies. And through print and electronic media.”

And he explained related to tax sanctions and the difficulties faced in enforcing tax sanctions, are: The enforcement of sanctions for taxpayers is regulated in Bengkalis Regency Regional Regulation Number 1 of 2018 concerning Amendments to Regional Regulation Number 11 of 2011 concerning Regional Taxes in which administrative sanctions in the form of fines for tax violations to civil and criminal sanctions determined through the court.”

The achievement of the target object of Transfer Revenue of Bengkalis Regency for the period 2017 to 2020 can be drawn as follows :

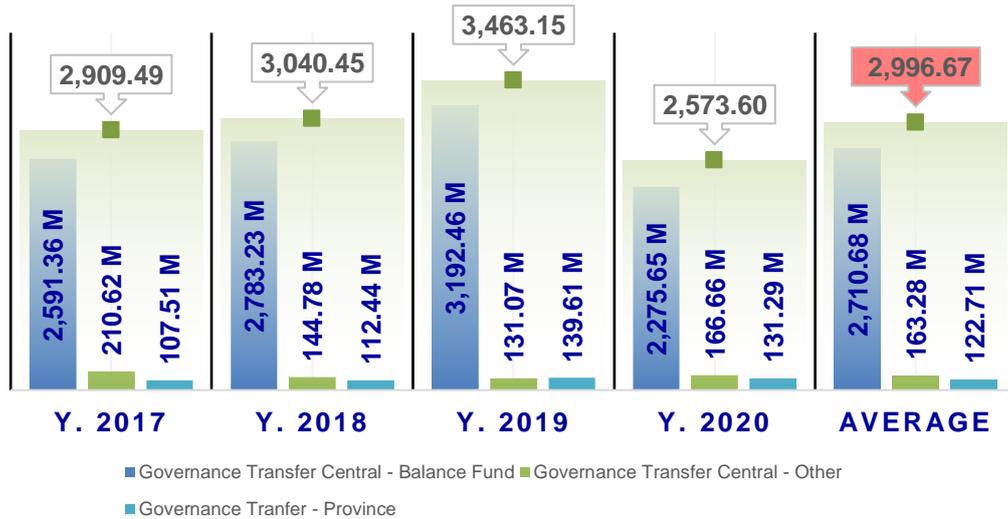


Figure 8 Realization of Transfer Revenue of Bengkulu Regency for the period 2017 to 2020
 Source: LHP BPK-RI

The achievement of the Bengkulu Regency Government Transfer Revenue target for 2017 to 2020, on average, reached Rp2,996.67 billion. On average, the highest achievement was Central Government Transfer Revenue in the form of Balance Funds of Rp2,710.68 billion, for other revenues, namely other central government transfers of Rp163.28 billion and transfers from the Provincial Government of Rp122.71 billion.

Generally, the Transfer Revenue of Bengkulu Regency is the primary source of Regional Revenue that supports the development costs of Bengkulu Regency. It is a geological advantage of Bengkulu Regency, which is rich in natural resources, especially from petroleum, explaining efforts to accelerate the receipt of distribution of transfer funds from the Provincial Government and the Central Government :

“Efforts that the Regional Government can make accelerating the distribution of Provincial Government and Central Government transfer funds are: coordinate and consolidate between the Local Government and the Ministry of Finance through the Regional Office of the Directorate General of Treasury of Riau Province; prepare and send the data needed in the context of monitoring and evaluation of the distribution of transfer funds to the regions; establish cooperation in the form of a memorandum of understanding between the Local Government and the Ministry of Finance through the Regional Office of the Directorate General of Treasury of Riau Province to increase support for the distribution of transfer funds based on regional fiscal conditions, regional conditions, and other regional problems (Bengkalis K. B., 2021).”

Financial Performance

Regional financial performance based on the degree of fiscal decentralization can be seen in the figure below:

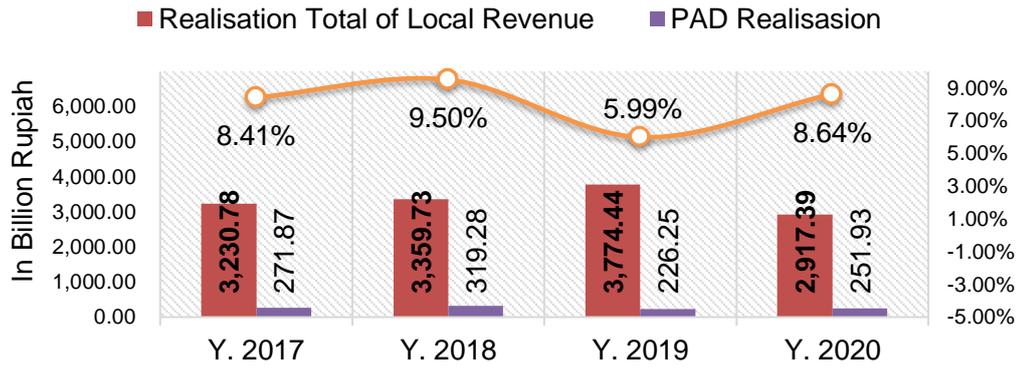


Figure 9 Degree of Decentralization of the Bengkalis Regency Government for the period 2017 to 2020
Source: LHP BPK-RI

The degree of fiscal decentralization in 2017 was 8.41%; in 2018, it increased by 1.09% to 9.50%. In 2019 it decreased significantly by 3.51% to 5.99% and increased again by 2.65% to 8.64% in 2020. The degree of decentralization of the Bengkalis Regency Government for the Bengkalis Regency’s regional financial capacity in financing its activities based on fiscal decentralization from 2017 to 2020 fluctuates with an average percentage below 10%. Thus the category of the degree of budgetary decentralization of Bengkalis Regency is significantly less.

The Regional Financial Performance of Bengkalis Regency based on the degree of dependence is presented in the figure below :

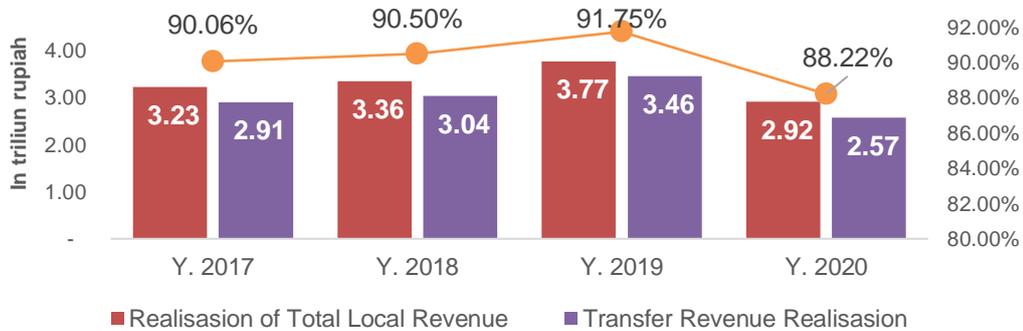


Figure 10 Financial Dependence of the Bengkalis Regency Government for the period 2017 to 2020
Source: LHP BPK-RI

From 2017 to 2019, the degree of financial dependence increased by 2017 by 90.06%, 2018 by 90.50 and in 2019 by 91.75%. The decline occurred in 2020 at 88.22%. The degree of regional financial dependence of Bengkalis Regency from 2017 to 2020 experienced fluctuations with an average percentage above 50%, which means that the category of economic support of the Bengkalis Regency Government is very high.

The regional financial performance of Bengkalis Regency based on the degree of financial independence is presented in the following figure :

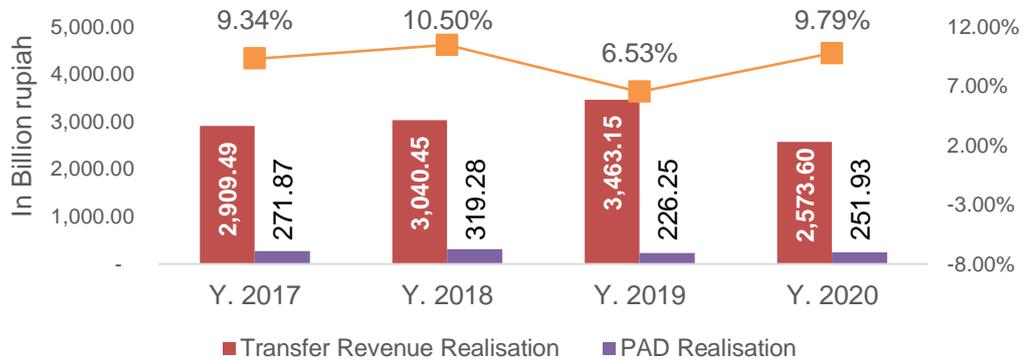


Figure 11 Financial Independence of the Bengkalis Regency Government for the period 2017 to 2020
Source: LHP BPK-RI

Fiscal independence for the period 2017 to 2020 has fluctuated. 2018 experienced an increase from 2017 9.34% to 10.50% in 2018. In 2019 it decreased to 6.53%, and in 2020 it increased to 9.79%. The fiscal independence of Bengkalis Regency from 2017 to 2020 experienced fluctuations with an average percentage below 25%, which means that the degree of financial autonomy of the Bengkalis Regency Government is deficient and has an instructive relationship pattern.

The financial performance of the Bengkalis Regency Government based on the degree of effectiveness of PAD can be described as follows::

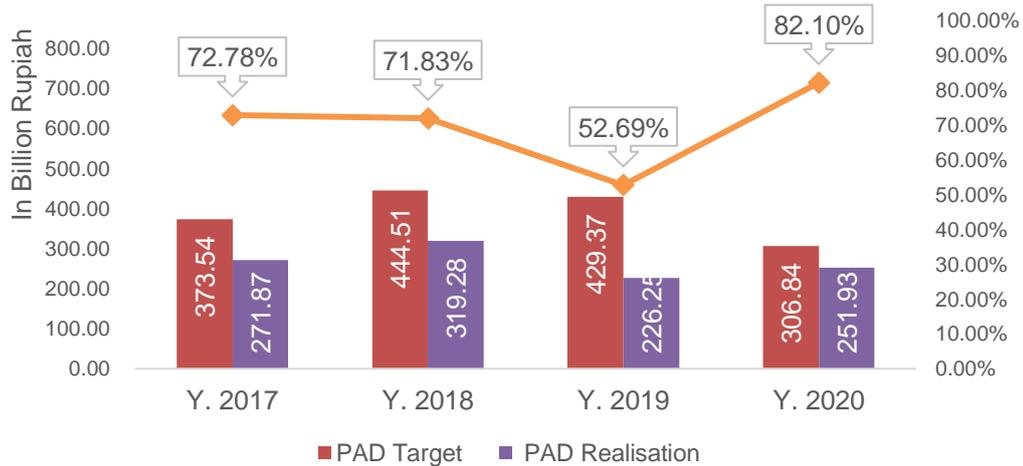


Figure 12 Effectiveness of Local Original Revenue of Bengkalis Regency Government for the period 2017 to 2020

Source: LHP BPK-RI

Based on Figure 12, it can be seen that the degree of effectiveness of the Bengkalis Regency Regional Original Revenue in the 2017-2020 period fluctuated. In 2017 and 2018, the

percentage of financial performance was 72.78% and 71.83%, then in 2019, it decreased to 52.69%, and on the other hand, in 2020, the percentage of financial performance increased significantly to 82.10%. The effectiveness of the Regional Original Revenue of Bengkalis Regency from 2017 to 2020 has fluctuated. In 2017 and 2018, the percentage of financial performance was 72.78% and 71.83%. It was said that the Regional Original Revenue was less effective. In 2019, it decreased to 52.69%, which was in the ineffective category, and on the other hand, in 2020, the percentage of financial performance increased significantly to 82.10% in the variety of quite effective.

The Financial Performance of the Bengkalis Regency Government based on the Degree of BUMD Contribution can be described as follows:

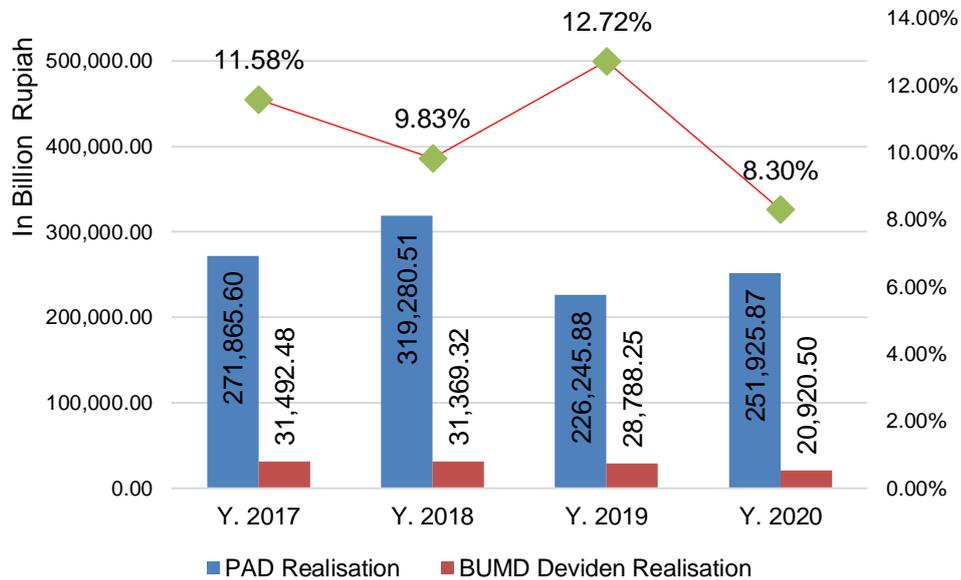


Figure 13 Degree of Contribution of Regional-Owned Enterprises of the Bengkalis Regency Government for the period 2017 to 2020

Source: LHP BPK-RI

Based on Figure 13, it can be seen that the degree of contribution of Regional-Owned Enterprises of Bengkalis Regency in the 2017-2020 period fluctuated with an average percentage above 0%, which means that the contribution category of Regional-Owned Enterprises of Bengkalis Regency Government has a contribution. The contribution of BUMD in 2018 decreased by 9.83% from 2017 to 11.58%. In 2019 it increased to 12.72%, and in 2020 it fell back to 8.30%. The degree of contribution of Regional-Owned Enterprises of Bengkalis Regency in the period 2017 to 2020 experienced fluctuations with an average percentage above 0%, which means that the contribution category of Regional-Owned Enterprises of the Bengkalis Regency Government is considered insignificant to Regional Original Income.

Conclusion

Capital Expenditure is a trigger in increasing Regional Revenue where the tendency of decreasing and increasing Capital Expenditure in Bengkalis Regency tends to be without a pattern to stimulate the economic growth of the community, which ultimately has an impact on improving Regional Revenue or Retribution; Capital Expenditure must be accompanied by an element of preparing Maintenance Costs so that the quality of Capital Expenditure for the long term for the resulting Assets becomes durable. The smaller the maintenance cost, the faster the value of the Asset declines, so the budget capability that will be charged is more excellent. The greater the Capital Expenditure, the greater the value of Assets and the greater the budget capability; Capital Expenditure Planning is not influenced by the Leadership Culture of Mainlanders or Islanders, so the effectiveness of Capital Expenditure becomes more optimal toward the target of community economic growth; Regional Revenue, especially Regional Original Taxes and Regional Retributions, will increase, if the Bengkalis Regency Government in preparing Capital Expenditure planning prepares an integrated One-Stop Tax service infrastructure, including building facilities with all the equipment so that it makes it easier and provides comfort for taxpayers.

Segmentation of Local Original Taxes is still potential, so Bengkalis Regency does not rely on the APBD only on Transfer Funds. For this reason, the local government needs to study and analyze the potential of PAD through the intensification and extensification of PAD; Bengkalis Regency in the preparation of planning to create a database and prepare Human Resources so that the program of intensification and extensification of Local Original Taxes can achieve the desired target so that the gap between Transfer Funds and Local Original Revenue is getting smaller.

Capital Expenditure and Regional Original Revenue, which are of high quality and directed to increase the community's economic growth, will encourage an increase in Regional Financial Performance so that the Degree of Financial Decentralisation between Transfer Funds and Total Revenue is reduced. Financial dependence on the Central Government is not getting higher. It means that the effectiveness of Regional Original Income is increasingly optimal. Furthermore, in measuring Regional Financial Performance on the contribution of BUMD, it can also be influenced by the increasing economic growth of the community caused by the Quality of Capital Expenditure and the optimization of Regional Original Revenue.

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