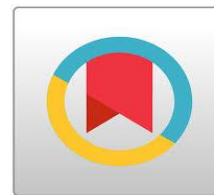


Optimizing Origin Local Income in Implementing Infrastructure Development in The City of Madiun

Optimalisasi Pendapatan Asli Daerah Dalam Pelaksanaan Pembangunan Infrastruktur di Kota Madiun




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ARTICLE INFORMATION	
<p>Keywords <i>Optimizing; Regional Original Income; Infrastructure;</i></p>	<p>ABSTRACT <i>This study aims to determine and analyze Regional Original Income in supporting regional development, especially in the field of infrastructure development in Madiun City in 2016-2020, as well as to identify and analyze the supporting and inhibiting factors for optimizing Regional Original Income in Madiun City. The method used is qualitative, using data analysis techniques, namely descriptive analysis with a qualitative approach. From the research results, it can be concluded that: 1) Another Legal PAD is a component of Regional Original Income that has the highest contribution compared to other components in Regional Original Revenue; 2) Personnel expenditures dominate the regional development realization budget; 3) Supporting factors in optimizing Madiun City's Original Regional Revenue include (a) the implementation of a ball pick-up system in which field officers collect taxes and levies, (b) collect data or inventory while the inhibiting factors are (a) awareness of mandatory taxpayers retribution in the importance of paying regional taxes and levies, (b) lack of Human Resources in collecting regional taxes and levies.</i></p>
<p>Kata Kunci <i>Optimalisasi; PAD; Infrastruktur;</i></p>	<p>ABSTRAK Penelitian ini bertujuan untuk mengetahui dan menganalisis PAD dalam menunjang pembangunan daerah khususnya dalam bidang pembangunan infrastruktur di Kota Madiun Tahun 2016-2020, serta untuk mengetahui faktor pendukung dan penghambat optimalisasi PAD di Kota Madiun. Metode yang digunakan adalah kualitatif dengan analisis deskriptif. Hasil penelitian menunjukkan bahwa: 1) PAD yang sah merupakan komponen PAD yang memiliki kontribusi tertinggi dibandingkan komponen lainnya dalam PAD Kota Madiun; 2) Anggaran realisasi pembangunan daerah didominasi oleh belanja pegawai; 3) Faktor pendukung dalam pengoptimalan PAD Kota Madiun diantaranya (a) pelaksanaan sistem jemput bola dalam artian petugas lapangan melakukan penagihan terhadap wajib pajak maupun wajib retribusi, (b) melakukan pendataan atau inventaris sedangkan untuk faktor penghambatnya adalah (a) kurangnya kesadaran wajib pajak maupun wajib retribusi dalam pentingnya membayar pajak dan retribusi daerah, (b) kurangnya SDM dalam sistem pemungutan pajak dan retribusi daerah.</p>
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Introduction

Regional autonomy is the right of an autonomous region to manage and regulate all matters related to the community according to the ideas and ideas put forward by the community and not contrary to the applicable laws and regulations. The degree of autonomy refers to the right to decide on the provision of local public services and their right to set local income tax rates (Edmark & Ågren, 2008). It was marked by Law number 22 of 1999, which explains that local governments can manage their household affairs independently. This law can bring changes to regional autonomy by adhering to the principle of decentralization. Muryawan & Sukarsa (2016) revealed that fiscal decentralization indirectly affects economic growth through regional financial performance.

However, in Law number 22 of 1999, it was considered that there were still many shortcomings, so a revision was made. Law number 32 of 2004 previous law concerning Regional Government, states that regional governments are given full rights to manage regional finances and explore the potential in the area so that the area can be considered independent. It means the administration of government which was initially centralized, was then changed to decentralization which made the regional government the holder of authority in carrying out the main governmental tasks of providing good public services.

Performance Assessment in the Public Sector The increased attention to performance assessment in the public sector coincides with the rise of administrative reform (Van Thiel & Leeuw, 2002). The creation of good public services is assessed from the proper management of Regional Original Revenue (PAD), where the PAD consists of Regional Taxes, Regional Retribution, Results of Separated Wealth Management, and Other Legal PAD (Indrayati, 2011). Noviawati (2016) argues that optimal management and utilization of regional assets can encourage economic growth, affecting the increase in PAD. The difference is apparent when viewed from the current condition of Madiun City to previous years. One of the most prominent is the infrastructure development that is being intensively implemented. In addition, the regional government, in its implementation, must go through the stages of planning, implementing, monitoring, controlling, and evaluating (Yudo, 2019).

Magfiroh & Fitria (2019) showed that the realization of PAD in Lamongan Regency in 2013-2016 reached the optimal stage, but in 2017 it experienced a decline. Others legitimate PAD have a significant contribution to Lamongan Regency's PAD. Meanwhile, Takaria & Ardini's (2017) research states that from 2013-2015 Surabaya City's PAD increased yearly, and local taxes are the most significant revenue contributor in Surabaya City's PAD. This research provides a new perspective on optimizing Regional Original Revenue (PAD) for budget

allocations in infrastructure development. With the management of Local Original Revenue (PAD) that is right on target, the budget has a clear direction in its allocation so that infrastructure development does not require funds outside of PAD. PAD partially has a positive and significant effect on capital expenditure in regional government (Muttaqin et al., 2021; Suprayitno, 2015). Meanwhile, (Wandira, 2013) revealed that PAD did not affect the allocation of regional government capital expenditures.

Based on the research focus described above, the purpose of this research is to find out the optimization of local revenue sources in the implementation of infrastructure development in Madiun City and to analyze what factors support and inhibit the optimization of PAD sources in Madiun City.

Method

The type of research is qualitative research using a descriptive analysis approach. This method is used to examine the status of a group or events that occur in the field. This research was conducted by conducting observations and interviews to gather information from informants regarding optimizing local sources of income in the infrastructure development framework. The research objects used to obtain primary data are taken from; 1) Regional Financial and Asset Agency (BKAD), 2) the Department of Public Works and Spatial Planning (PU), and 3) Regional Development Planning, Research and Development Agency (BAPPEDA). In this study, the methods used in data collection included: 1) Interviews, 2) Observation, and 3) Documentation.

Interviews were conducted with several informants regarding the allocation policy of the Regional Revenue and Expenditure Budget (APBD), namely from BKAD, PU, and BAPPEDA. Observations were made at the center of the infrastructure development location, namely Jalan Pahlawan, Madiun City. In this case, the researcher compared locations before and after infrastructure development. Documentation was obtained from reports related to the Madiun city government APBD policy.

We are testing the validity of the data using source triangulation, namely conducting interviews with several different informants from several selected agencies and then documenting them. In addition, triangulation techniques test the data's validity by comparing the results of interviews, observations, and documentation.

The analysis step used is to collect data related to PAD sources and infrastructure development in Madiun City in 2016-2020. Then analyze the targets and realization of the budget from PAD sources and the allocated funds used for infrastructure development in

Madiun City in 2016-2020. Looking for calculations and then interpreting the percentage (%) and regional performance of Madiun City related to PAD sources for infrastructure development in Madiun City. Looking for data relating to infrastructure development in Madiun City then provides conclusions from the research results.

Results and Discussion

Regional Revenue of Madiun City for 2016-2020

Madiun City's regional revenue comes from Regional Original Revenue (PAD) which includes regional taxes, regional levies, separated regional assets, and other legal income. Madiun City's PAD tends to increase yearly, but due to the Covid-19 Pandemic, Madiun City's PAD is experiencing its impact. The decline of PAD because of the Covid-19 Pandemic not only in Madiun, several areas such as Banjarmasin (Soraida, 2022), Malang (Paramitha, 2021), as well as various other regions in Indonesia (Ishak, 2021).

Table 1 Regional Revenue of Madiun City for 2015-2020

Regional Income						
Tahun	PAD	%	Balancing Fund	%	Other Legal Income	%
2016	173,235,929,827.80	109.31	717,561,434,206.00	92.02	1,670,630,000.00	101.83
2017	230,608,717,369.14	120.10	638,973,881,834.00	93.98	716,850,000.00	100.00
2018	230,847,977,146.73	111.97	678,417,066,007.00	102.23	20,020,118,367.91	98.39
2019	251,981,381,696.21	111.28	681,537,181,650.00	92.96	19,202,124,769.37	99.20
2020	248,944,404,487.59	111.75	632,559,647,797.00	103.75	20,029,980,000.00	103.25

Source: Budget Realization Report 2016-2020

Based on Table 1, it can be seen that the highest PAD for the City of Madiun was obtained in 2019, amounting to IDR 251,981,381,696.21. Whereas for balancing funds, the highest gain was obtained in 2017, amounting to Rp. 717,561,434,206.00, then for other legitimate income, the highest gain was in 2020, amounting to Rp. 20,029,980,000.00. Balancing Funds and Other Legitimate Income is not optimal in certain years.

Based on Figure 1, it can be seen that Madiun City is still highly dependent on Balancing Funds from the Central Government. The distribution of balancing funds is not based on costs evenly between regions but covers the provision of public goods through a proportional income tax (Giuranno, 2009). Therefore, local governments need to explore the potential in their regions to increase PAD, which indirectly impacts improving public services.

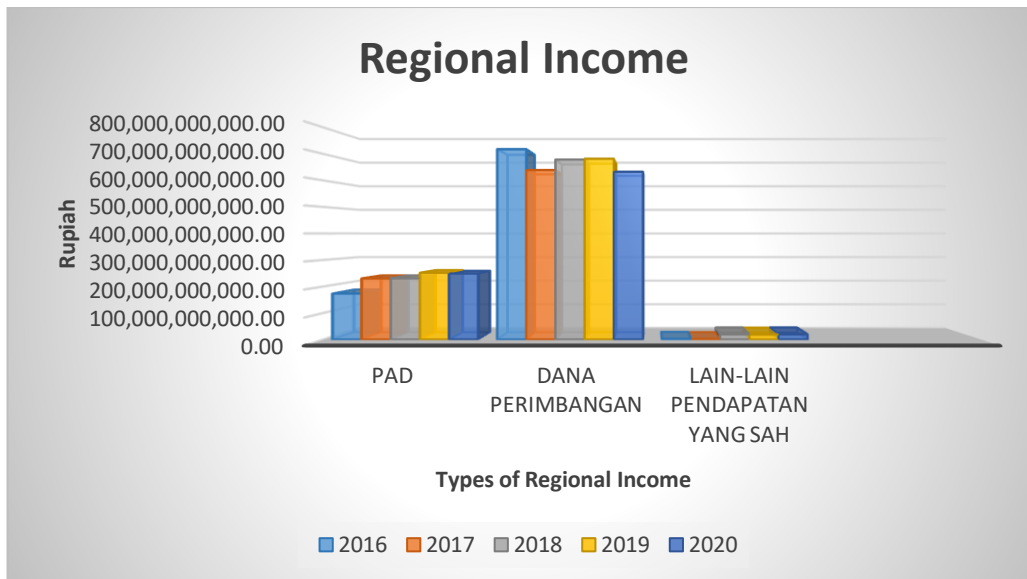


Figure 1 Regional Revenue of Madiun City for 2016-2020

Discussion

Madiun City PAD Acceptance Rate

Increasing Local Own Revenue is close to how to respond to the potential of the Madiun City area and some of the problems that arise and can hinder the increase in PAD. Therefore intensification and extensification programs are needed to increase PAD revenue. Intensification is activities that optimize collecting tax revenues for objects and subjects recorded or registered with the DJP administration. At the same time, extensification is an attempt to explore new sources of local income (Nara et al., 2021). The following is PAD revenue during 2016-2020, presented in Table 2.

Table 2 Targets and Realization of PAD Kota Madiun 2016-2020

Information	Budget	Realization	%	Description
PAD 2016				
Local tax	57,000,000,000.00	64,045,559,079.36	112.36	Optimal
Regional Retribution	14,183,391,000.00	16,762,538,293.00	118.18	Optimal
Separated Regional Wealth Management	12,093,398,000.00	11,172,031,994.51	92.38%	Not optimal
Other Legitimate PAD	75,199,951,000.00	81,255,800,460.93	108.05	Optimal
Total	158,476,740,000.00	173,235,929,827.80	109.31	Optimal
PAD 2017				
Local tax	58,000,000,000.00	75,224,831,585.44	129.70	Optimal
Regional Retribution	15,963,010,000.00	18,407,218,016.50	115.31	Optimal
Separated Regional Wealth Management	12,093,398,000.00	13,320,249,415.39	110.14%	Optimal
Other Legitimate PAD	105,956,843,000.00	123,656,418,351.81	116.70	Optimal
Total	192,013,251,000.00	230,608,717,369.14	120.10	Optimal
PAD 2018				
Local tax	77,000,000,000.00	83,454,704,361.41	108.38	Optimal
Regional Retribution	16,184,292,937.00	19,138,960,648.50	118.26	Optimal
Separated Regional Wealth Management	12,086,991,000.00	13,365,402,573.59	110.58%	Optimal
Other Legitimate PAD	100,902,111,000.00	114,888,909,563.23	113.86	Optimal
Total	206,173,394,937.00	230,847,977,146.73	111.97	Optimal
PAD 2019				
Local tax	82,332,000,000.00	91,077,191,655.45	110.62	Optimal
Regional Retribution	18,471,738,200.00	20,301,325,919.00	109.90	Optimal
Separated Regional Wealth Management	14,641,711,306.00	14,641,711,340.55	100.00%	Optimal
Other Legitimate PAD	111,002,632,000.00	125,961,152,781.21	113.48	Optimal
Total	226,448,081,506.00	251,981,381,696.21	111.28	Optimal
PAD 2020				
Local tax	76,350,000,000.00	90,291,466,033.07	118.26	Optimal
Regional Retribution	15,867,659,000.00	15,619,539,719.00	98.44%	Not optimal
Separated Regional Wealth Management	15,092,455,426.00	15,216,268,562.40	100.82%	Optimal
Other Legitimate PAD	115,455,769,000.00	127,817,130,173.12	110.71	Optimal
Total	222,765,883,426.00	248,944,404,487.59	111.75	Optimal

Source: Madiun City Budget Realization Report 2016-2020

Based on Table 2, it can be seen that during 2016-2020 the realization of regional own-source revenue (PAD) always exceeds the budget that has been set. The amount of PAD obtained by the Madiun City Government reached 109.31% in 2016 with an acquisition of IDR 173,235,929,827.8, while the budget set was IDR 158,476,740,000.00. However, the four PAD sources in 2016 from the results of separated regional wealth management experienced suboptimal results. In 2017 the amount of PAD reached 120.10% of the realization reached IDR 230,608,717,369.14 while the budget announced was IDR 192,013,251,000.00. For 2018 the amount of PAD reached 111.97% with a budget realization of IDR 230,847,977,146.73, and the budget set was IDR 206,173,394,937.00. In 2019 the amount of PAD was 111.28%, with a realization of IDR 251,981,381,696.21 and a set budget of IDR 226,448,081,506.00. From each source of PAD in 2019, it has reached an optimal stage. In 2020 one of the sources of PAD, namely the results of regional levies, reached the non-optimal stage of 98.44% with a PAD of 111.75%, namely the realization of spending Rp. 248,944,404,487.59 while the budget set was Rp. 222,765,883,426.00. Increasing the Realization of PAD in Madiun City must be connected to the local government's efforts in supporting the implementation of regional autonomy. They take action with various efforts made through intensification and extensification. Such use includes support from adequate facilities and infrastructure and reliable quality human resources in managing the regional potential of handling regional taxes and levies. Increasing awareness and obedience of taxpayers in paying their tax objects, efforts to manage and utilize assets that have potential value in Madiun City. Good regional financial management and support in infrastructure development to increase regional income.

Table 3 Achievement of 2016-2020 PAD Components

Description	Realization	Achievement
The 2016 Year		
Local Tax Revenue	64,045,559,079.36	37%
Regional Retribution Revenue	16,762,538,293.00	10%
Revenue from regional wealth management	11,172,031,994.51	6%
Other legal PAD	81,255,800,460.93	47%
Total PAD	173,235,929,827.80	100%
The 2017 Year		
Local Tax Revenue	75,224,831,585.44	33%
Regional Retribution Revenue	18,407,218,016.50	8%
Revenue from regional wealth management	13,320,249,415.39	6%
Other legal PAD	123,656,418,351.81	54%
Total PAD	230,608,717,369.14	100%
The 2018 Year		
Local Tax Revenue	83,454,704,361.41	36%
Regional Retribution Revenue	19,138,960,648.50	8%
Revenue from regional wealth management	13,365,402,573.59	6%
Other legal PAD	114,888,909,563.23	50%
Total PAD	230,847,977,146.73	100%
The 2019 Year		
Local Tax Revenue	91,077,191,655.45	36%
Regional Retribution Revenue	20,301,325,919.00	8%
Revenue from regional wealth management	14,641,711,340.55	6%
Other legal PAD	125,961,152,781.21	50%
Total PAD	251,981,381,696.21	100%
The 2020 Year		
Local Tax Revenue	90,291,466,033.07	36%
Regional Retribution Revenue	15,619,539,719.00	6%
Revenue from regional wealth management	15,216,268,562.40	6%
Other legal PAD	127,817,130,173.12	51%
Total PAD	248,944,404,487.59	100%

Source: Madiun City Budget Realization Report 2016-2020

Based on Table 3, it can be seen that other legitimate PAD made the most significant contribution over the last five years (2016-2020). The contribution of other legitimate PAD in 2016 was 47%, then in 2017, it increased by 54%, and in 2018-2019, other legitimate PAD decreased to 50%, respectively. In 2020 it increased by only 1% from the previous year, which was 51%.

Madiun City PAD Revenue Sources

Of the four PAD sources, other legitimate PAD and Regional Taxes are the most significant contributors to regional revenues. For the collection to be carried out optimally, increasing compliance with intensification and extensification efforts is necessary. By what was conveyed by informant B from the Regional Financial and Asset Agency (BKAD) stated:

"Every year, we collect data. This data collection function is to add, search and explore anything we can determine regarding Regional Original Revenue."

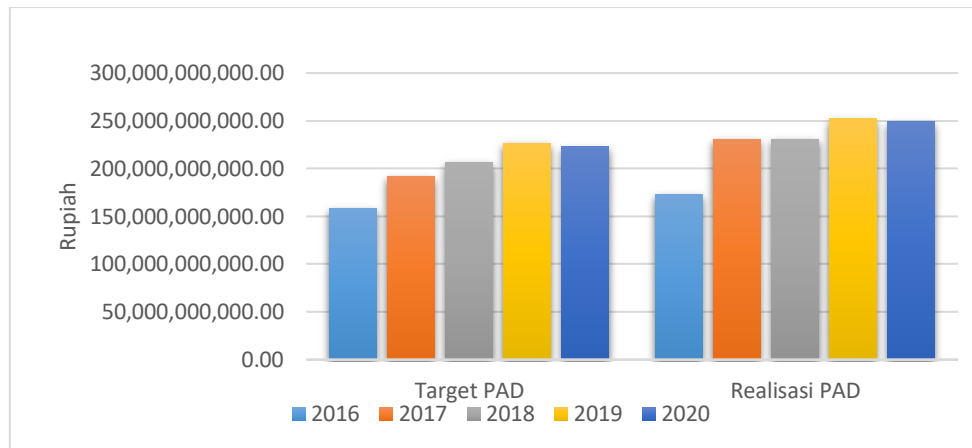


Figure 2 Realization of Regional Own Revenue for 2016-2020

Based on Figure 2, it can be concluded that the highest PAD revenue was in 2019, with an acquisition of IDR 251,981,381,696.21, and the lowest income was in 2016 at IDR 173,235,929,827.80. All PAD realization of Madiun City from 2016 to 2020 has exceeded the set budget, so it is optimal because it exceeds 100%. However, there was a suboptimal 2016 in regional wealth management results separated by a percentage of 92.38% and a suboptimal yield of regional levies for Madiun City in 2020 of 98.44%. This may be happening due to an unfinished pandemic impacting various fields, one of which is regional retribution. This was supported by the dean's statement from Informant A, Regional Financial and Asset Agency (BKAD), which stated that

"We have experienced a very significant decline because the pandemic has not yet been completed, and it has been hampered by Emergency PPKM, while our mandatory retribution is from the Mall sector, which during Emergency PPKM is closed, so it is difficult to pay the retribution."

Local Tax Optimization

There are several types of local taxes in Madiun City. From Table 4 above, it can be concluded that during 2016-2020 local tax revenues in Madiun City have been at the optimal stage with an average growth of Regional Taxes of 9.17% per year. This indicates that the growth of local taxes in Madiun City from 2016 -2020 was unsuccessful because the average local tax growth was less than 30%. So optimization by exploring the potential of the taxpayer must be increased.

Table 4. Madiun City Regional Tax Realization Data in 2019

Tax Type	Target	Realization	Percentage
Hotel Tax			
Star Hotels	Rp 5,290,000,000	Rp 5,400,511,852	102.09%
Budget Hotels	Rp 905,000,000	Rp 906,785,409	100.20%
Boarding house	Rp 310,000,000	Rp 318,882,500	102.87%
Amount	Rp 6,505,000,000	Rp 6,626,179,761	101.86%
Restaurant tax			
Restaurant/Diner	Rp 10,580,000,000	Rp 12,878,231,054	121.72%
Shop	Rp 170,000,000	Rp 108,474,000	63.81%
Amount	Rp 10,750,000,000	Rp 12,986,705,054	120.81%
Entertainment Tax			
Cinema	Rp 805,000,000	Rp1,123,223,227	139.53%
Art/music/dance/fashion performances	Rp 22,000,000	Rp25,800,000	117.27%
Discotheque	Rp 425,000,000	Rp 490,235,772	115.35%
Game of Dexterity	Rp 450,000,000	Rp 562,680,500	125.04%
Fitness center	Rp 30,000,000	Rp 45,636,275	152.12%
Sports Match	Rp 70,000,000	Rp 84,898,200	121.28%
Amount	Rp 1,802,000,000	Rp 2,332,473,974	129.44%
Advertisement Tax			
Board/Billboard/Videotron/Megatron Billboards	Rp 1,470,000,000	Rp 1,803,023,635	122.65%
Running Advertisements	Rp 30,000,000	Rp 34,350,000	114.50%
Amount	Rp 1,500,000,000	Rp 1,837,373,635	122.49%
Street Lighting Tax			
PLN Street Lighting Tax	Rp 20,000,000,000	Rp 20,496,140,553	102.48%
Non-PLN Street Lighting Tax	Rp 125,000,000	Rp 131,762,537	105.41%
Amount	Rp 20,125,000,000	Rp 20,627,903,090	102.50%
Parking Tax			
Parking Tax	Rp 1,750,000,000	Rp 1,911,580,014	109.23%
Amount	Rp 1,750,000,000	Rp 1,911,580,014	109.23%
Groundwater Tax			
Groundwater Tax	Rp 300,000,000	Rp 330,002,129	110.00%
Amount	Rp 300,000,000	Rp 330,002,129	110.00%
Fees for Acquisition of Land and Building Rights			
Fees for Acquisition of Land and Building Rights	Rp 20,100,000,000	Rp 23,753,115,141	118.17%
Amount	Rp 20,100,000,000	Rp 23,753,115,141	118.17%
Property tax			
Property tax	Rp 19,500,000,000	Rp 20,671,858,858	106.01%
Amount	Rp 19,500,000,000	Rp 20,671,858,858	106.01%
AMOUNT LOCAL TAX	Rp 82,332,000,000	Rp 91,077,191,656	110.62%

The financial report data of the Madiun City Regional Revenue Agency in 2019 (Table 4) shows that the realization of each type of tax has been practical. It is just that there is 1 type of local tax whose realization is below the specified target, namely the shop-type restaurant tax. From the set target of IDR 170,000,000, realized income from shop taxes was only IDR 108,474,000, so it obtained a percentage of 63.81%. Thus the tax on stalls is felt to be less effective because the realization of income is below one hundred percent.

Meanwhile, the highest acquisition of local taxes comes from the Land and Building Tax (PBB) and Land and Building Rights Acquisition Tax (BPHTB). Similar research was

conducted Romdani et al. (2019) regarding the effectiveness and efficiency of Regional Taxes. Based on the results of this study which was conducted in the same city, namely Madiun City. The researchers revealed that tax revenues in Madiun City from 2015 to 2017 were classified as quite efficient because the Madiun City Government reduced expenses so that the income obtained could be maximized. As for the effectiveness of regional tax revenues, it is very effective because the whole target set has exceeded 100%.

Based on Table 4, the entertainment tax has the highest amount in realization presentation. Entertainment tax is a tax levied on the organization of entertainment. Padang et al. (2016) revealed that intensifying entertainment taxes could increase local revenue (PAD). Sobandi (2005) revealed that the sensitivity of people's interest in entertainment in cinemas or other entertainment is not determined by income but by other factors such as hobbies or pleasure. For this reason, the instability of the economic and social environment, which requires people to stay at home during the Covid 19 pandemic, makes the need for entertainment a priority after the new normal era. Thus, the entertainment tax has the potential to be increased through the support of adequate infrastructure development.

Optimization of Regional Retribution

Based on Table 3, regional retribution in Madiun City from 2016-2020 has experienced increases and decreases. This can be seen in 2016-2019, regional fees increased, but in 2020 regional fees decreased very drastically. Initially, in 2019 the realization of fees was IDR 20,301,325,919.00. Then in 2020, it decreased to IDR 15,619,539,719.00. The decrease in regional fees is none other due to the Covid-19 Pandemic, which impacts regional retribution revenues. The affected levy obligations also complain about paying fees because their income is disrupted by reduced community mobility. This is to the statement from informant X, namely,

"We have experienced a very significant reduction because the pandemic has not yet been completed and has been hindered by Emergency PPKM while our mandatory retribution is from the Mall sector, which during the Emergency PPKM is closed, so yes, it is difficult to pay the levy, Even if there are Taxpayers who apply for the relief they are still welcome maybe because of the effect During this pandemic, to apply for levy payment relief to the mayor, then later from here, the staff usually reviews whether it will be approved or not, still waiting for the mayor's decision as well. So there is still income even if you apply for levy payment relief".

The size of regional retribution receipts is influenced by several factors, including the efforts of the local government to collect regional retributions (Romiyati et al., 2019). Besides

that, economic growth, population, and regional spending also affect regional retribution revenues. The efforts made by the Madiun City Government in optimizing fees in Madiun City include reminding levy payers to pay their fees and conducting direct collection at the location where the levy is obligatory.

Optimization of Separated Regional Wealth Results

The results of separated regional assets are regional assets originating from Regional Owned Enterprises (BUMD). In the interview with Mrs. L stated,

"The results of separated regional wealth management contain that we receive profit on audited BUMD profits in the amount of a percentage of total profit as regulated in the regional regulation on separated wealth management."

Table 5 Targets and Realization of Results of Separated Regional Wealth Management 2016-2020

Year	Target	Realization	%
2016	12,093,398,000.00	11,172,031,994.51	92.38%
2017	12,093,398,000.00	13,320,249,415.39	110.14%
2018	12,086,991,000.00	13,365,402,573.59	110.58%
2019	14,641,711,306.00	14,641,711,340.55	100.00%
2020	15,092,455,426.00	15,216,268,562.40	100.82%

Source: Budget Realization Report of 2016-2020

Based on Table 5, the Regional Wealth Results separated have been optimal. The non-optimum occurred only in 2016 with a target of IDR 12,093,398,000.00; the realization was IDR 11,172,031,994.51 with a percentage of 92.38%. The profits from the Madiun City BUMD come from PDAM, Market Bank, and Various Businesses. Table 5 shows that the contribution of regional wealth management results separated from Madiun City's PAD each year is 6%.

Other Optimization of Legitimate PAD

The target and realization of the results of legal regional wealth management for 2016-2020 from Table 3 show that the realization of other legitimate PAD has increased from 2016 to 2017. Then it decreased in 2018, amounting to IDR 114,888,909,563.23, and the following year increased again. For each other year, the PAD has reached an optimal value because the realization has exceeded the target.

Regional Development Budget

The expenditure allocation from the local government will likely boost the micro and macro economy in Madiun City. Economic development is often influenced by inflation, so economic growth is disrupted. The current situation facing the Madiun City Government in

handling the pandemic also impacts the economy and the Madiun City APBD because the budget that should have been allocated for regional development had to be postponed and used for handling the Covid-19 pandemic. The policy refers to Regulation of the Minister of Home Affairs Number 39 of 2020 concerning State Financial Policies and Financial System Stability for Handling the 2019 Corona Virus Disease Pandemic and in the Context of Dealing with Threats that Endanger the National Economy and Financial System Stability.

Based on table 6, the realization of capital expenditure has increased significantly when compared to operational expenditure. Capital expenditure is considered more productive than consumptive operational spending. Waryanto (2017) shows that capital expenditure positively impacts a region's economic growth. One of the capital expenditure allocations is infrastructure development. Finuliyah & Khusaini (2022) shows that regional income, the results of separated regional wealth management, and other legitimate PAD affect economic growth through infrastructure development. Accordingly, Putri (2012) and Arlintang et al. (2020) revealed that infrastructure development positively impacted regional economic growth.

Table 6 Realization of the 2016-2020 Madiun City Development Budget

Year	Operational Spending	%	Capital Expenditure	%
2016	785,169,488,575.44	79.98%	246,394,704,721.00	68.83%
2017	699,013,726,516.58	82.90%	255,977,976,513.23	91.17%
2018	775,443,371,637.41	87.19%	259,087,612,258.47	91.20%
2019	839,939,781,749.69	86.65%	307,800,742,344.06	89.31%
2020	816,557,831,371.63	88.22%	191,011,897,074.57	95.19%

Source: Madiun City 2016-2020 Budget Realization Report

The development expenditure budget during the 2016-2020 period experienced fluctuations, namely increases and decreases. From each realization of the expenditure budget, there has been no expenditure whose percentage exceeds one hundred percent, so it still needs to be optimal. The realization of the expenditure budget could have been more optimal because the realization of the budget did not reach or exceed the targets set. In 2016 the budget was set at IDR 357,976,777,000.00, but in reality, it was only IDR 246,394,704,721.00 or equivalent to 68.83%. Compared to the previous year, namely in 2015, the realization of capital expenditures was only Rp. 182,413,227,390.27 this was influenced by PAD receipts in 2016, which increased compared to the previous year, so it affected the realization of capital expenditures in 2016.

In contrast to 2017, the realization of operating expenses decreased from the previous year. In 2016 the realization of operational expenditure amounted to IDR 785,169,488,575.44, then decreased in 2017, amounting to IDR 699,013,726,516.58 with a percentage of 82.90%

of the specified budget of IDR 843,185,965,000.00. However, in 2017 capital expenditure increased from the previous year, now rising to IDR 255,977,976,513.23 with a percentage of 91.17% of the set budget, IDR 280,766,389,000.00. Furthermore, for 2018 and 2019, the realization of operating and capital expenditures increased. This was influenced by PAD receipts, which also increased yearly, affecting operational and capital expenditures. The difference occurred in 2020, where capital expenditure experienced a very significant decrease from previous years, namely only Rp. 191,011,897,074.57, which in the previous year reached Rp. 307,800,742,344.06 in 2019.

Meanwhile, operational expenditure, which in the previous year reached Rp. 839,939,781,749.69. Now in 2020, it only reached IDR 816,557,831,371.63. This occurred due to decreased PAD receipts due to the pandemic, which affected capital expenditure and operational expenditure because the existing APBD funds were refocused on assistance in handling Covid-19 (Agnika et al., 2021).

The high realization of the operational expenditure budget that occurred during 2016-2020 was due to the significant expenditure on personnel expenditure, with a percentage reaching 57%, while for goods and services expenditure, the percentage reached 40%. The remainder was expenditure on grants and social assistance, each of which had a percentage of 2 %. At the same time, the realization of capital expenditure itself was dominated by road, irrigation, and network expenditure which each year reached 49%. Then capital expenditure for equipment and machinery by 28%, and capital expenditure for buildings and structures by 20%. At the same time, capital expenditure for other fixed and other assets is only 1% each. The significant burden on personnel expenditures makes local governments prioritize these expenditures over capital expenditures. It cannot be denied that personnel spending does have an equally important portion. However, if personnel spending is still too high, it is feared that it will become an obstacle for local governments in realizing even better regional development.

Table 6 Contribution of Local Own Revenue to Regional Development Expenditures for 2016-2020

Year	PAD Madiun City	Development Spending	Contribution
2016	Rp173,235,929,828	Rp1,031,564,193,296	16.79%
2017	Rp230,608,717,369	Rp954,991,703,030	24.15%
2018	Rp230,847,977,147	Rp1,034,530,983,896	22.31%
2019	Rp251,981,381,696	Rp1,147,740,524,094	21.95%
2020	Rp248,944,404,488	Rp1,007,569,728,446	24.71%

Source: Madiun City Article Realization Report 2016-2020

Based on Table 6, an explanation can be obtained that in 2016 the contribution of PAD to development spending was 16.79% which then increased by 24.15% the following year. In

2018 and 2019, the contribution of PAD to development spending gradually decreased and increased again in 2020. The most significant PAD contribution was in 2020. Furthermore, for the last five years, PAD has only been able to contribute to development spending by 16% to 24%, so Madiun City's PAD is still being determined to fund regional development expenditure needs. Because from 2016 to 2020, the level of dependence of local governments on balancing funds from the central government is still relatively high, so the contribution of PAD in financing regional development activities is still low due to high funding assistance from the central government.

Infrastructure Development

In Madiun City itself, infrastructure development is being intensively carried out. This is done for one of them for the welfare of the people of Madiun City. With adequate infrastructure, it will be easier for the wheels of the economy to run, such as repairing roads and bridges that can facilitate access from one area to another, of course, will significantly assist in the distribution of goods. Sukwika (2018) explains that as the economy develops in an area, adequate facilities and infrastructure are needed because it can increase productivity in various production factors and investment so that much labor is absorbed.

The infrastructure development in Madiun City that is being hotly discussed is the Pedestrian, located on Jalan Pahlawan. The road, which is the city center, is designed in such a way as to attract local and out-of-town tourists. The concept combines the leading tourism in Yogyakarta, namely Malioboro. So it is not uncommon for the Pedestrian on Pahlawan Street to be nicknamed "Malioboro Madiun." In addition to remodeling the buildings along Pahlawan Street, the local government has also changed the river. Previously unnoticed by the public, the river has now been converted into a tourist spot where there are points for taking pictures or selfies. The budget disbursed by the Regional Government in this development is around IDR 23 billion in the first phase. Construction delayed at the beginning of 2020 has resumed and is entering phase two.



Figure 1. Changes in urban planning after the construction of pahlawan street infrastructure
Source: 1) Bagus (2019); 2) researcher observation data

In addition to construction in the middle of the city, the local government is also implementing it at several points, which will later be used for tourism, one of which is Rimba Dharma. Equitable development is intended to avoid development inequality. Relevant agencies in the City of Madiun overcome this inequality by conducting surveys directly to the points where development will occur. Besides that, community aspirations are also needed to determine what the community needs. These aspirations will then be accommodated and negotiated, which the local government will realize when it has gone through a review. MSME stalls are one of the innovations obtained from the local community. Where every sub-district in Madiun City is provided stalls for MSMEs, which are intended to improve the economy of residents, each sub-district received Rp. 5 billion in funds for the construction of MSME Stalls spread across 27 urban villages. The development process of MSME Stalls as of 2021 has reached 80-85%.

MSMEs are one of the driving forces of economic development. The government's support for developing MSMEs by building sales stands has made them increasingly known to the broader community. This development may lead positively to an increase in the MSME class becoming a middle-class business (Sinurat et al., 2021). Another positive impact of the rapid development of MSMEs is an increase in the real per capita income of the community (Agyapong, 2010). Trade openness and an increase in society's real per capita income will encourage an increase in tax payments (Amin et al., 2014).

Factors Supporting and Inhibiting PAD

In order to support the optimization of Regional Original Revenue, there are supporting and inhibiting factors in its implementation. The study's results (Sambodo & Putri, 2020) show that the obstacles experienced when receiving taxes consist of internal and external factors.

From internal factors, one of the obstacles in tax revenue is administration, where data from taxpayers and tax objects needs to be more appropriate and valid. In addition, human resources needed that have adequate quality and operational costs. Internal factors that inhibit retribution also come from the retribution that has not been managed optimally. In contrast, the external factors inhibiting local tax and retribution revenues come from low public awareness regarding the importance of paying taxes.

Meanwhile, Magfiroh & Fitria (2019) state that the supporting factors in optimizing PAD are the efforts made by the local government. The inhibiting factors in optimizing PAD are the varying economic level due to inflation and GRDP, which affect PAD. The lack of socialization and approaches to the community in providing an understanding of how important it is to pay regional taxes and fees is also one of the triggering factors for delays in optimizing PAD. Regional taxes and fees in Madiun City could be more optimal. The highest contributors to regional tax revenues are PBB and BPHTB, based on the 2019 Regional Tax Revenue Realization Report. Romdani (2019) shows an increase in taxpayers' potential from the Non-BPHTB and PBB sectors from 2017 to 2018. Although the data obtained also shows a decrease due to several influencing factors, overall, it shows a simultaneous increase.

Conclusion

Optimizing PAD in the Implementation of Infrastructure Development in Madiun City through research and results of an analysis conducted that local revenue comes from regional taxes, regional levies, results of separated regional wealth management, and other legitimate PAD. During the five running periods from 2016 to 2020, the realization of PAD has been optimal, with the highest achievement obtained in 2019. Another Legitimate PAD with a contribution in 2017 of 54% is a component that significantly influences optimizing PAD. After that, local tax revenue increased by 37%, 10% regional retribution, and separated regional wealth management results. Operational expenditures still dominate the budget for the realization of regional development expenditures. This indicates that the regional governments are still focused on personnel expenditure burdens.

Meanwhile, capital spending only contributed 23.89% to development spending, which was dominated by 49% for roads, irrigation, and networks. Revenue from PAD can only contribute 16-24% of development spending, and the central government bears the rest through balancing funds. During the 2016-2020 period, the source of PAD revenue needed to be more fully optimal in assisting the implementation of regional infrastructure development in Madiun City. Supporting factors in optimizing Madiun City's PAD include (a) implementing a ball

pick-up system in the sense that field officers collect taxpayers and retribution obligations, (b) conducting data collection or inventory. The inhibiting factors are (a) lack of awareness of taxpayers and retribution obligations in the importance of paying regional taxes and levies, (b) the lack of human resources in collecting regional taxes and levies.

This research implies that the Madiun City Government will emphasize exploring promising potentials in Madiun City PAD revenue in the coming years so that later dependence on the Central Government's balancing funds will decrease. It is hoped that this independence can boost regional economic development, which can become a supporting factor for regional development. The Regional Government of the City of Madiun needs to calculate the revenue amount to know the efficiency level in the collection activities. The government is expected to be more sensitive to the potential that has not been seen so that this potential can be developed later. Furthermore, the government should provide socialization about regional taxes and fees to increase public awareness of this importance.

Furthermore, local governments are expected to be able to create quality human resources. This research has limitations where the year studied is only 2016-2020 and only uses secondary data in the form of Budget Realization Reports from 2016-2020 obtained from the Regional Financial and Asset Agency (BKAD). It is hoped that further research will increase the number of data that can strengthen research related to regional revenues and development infrastructure. Apart from that, the limitations of this research were that when conducting research, they could not go directly to the field due to the implementation of PPKM during the Covid-19 pandemic, which was one of the obstacles to research sustainability. In addition, there are also limitations in research that cannot be carried out at Regional Development Planning, Research and Development Agency (BAPPEDA) due to time constraints. Future research is expected to compare capital expenditure data, especially infrastructure development, in a more comprehensive manner concerning BKAD, PU and BAPPEDA information.

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