

## Regional Native Income Analysis in Indonesia

Meimoon Ibrahim<sup>1</sup>

Ilyas Lamuda<sup>2</sup>

Gorontalo University<sup>1,2</sup>

[meimoon\\_ibrahim@unigo.ac.id](mailto:meimoon_ibrahim@unigo.ac.id)<sup>1</sup>

[illyaslamuda@gmail.com](mailto:illyaslamuda@gmail.com)<sup>2</sup>

### Introduction

The goal of indonesia's national development is basically to create a prosperous society, both physical and spiritual. These objectives can essentially be done by: expanding employment, increasing and leveling per capita income, establishing economic relations between regions with the aim of minimizing the gap between developed regions and disadvantaged areas, and seeking an economic shift from the primary sector to the secondary and tertiary sectors. To achieve this goal, the government runs various economic development programs. In running a development program does not escape the main challenges of development, namely improving the quality of life (Todaro & Smith, 2004). Especially in the poorest countries, a better quality of life does require a higher income which is one of the many conditions that must be met.

Local governments with authority given by the central government through regional autonomy certainly have a very inherent responsibility to process and utilize the potential that exists in certain regions. The goal is that the area concerned can work through these potentials to try to increase the source of receipts so that development financing can run in accordance with the plan that has been set.

Based on several studies of economists that the economic development process carried out in several other countries makes it one of the strategies that can encourage the development of community idealism towards more advanced development and the government as the implementer of various development plans to try and strengthen regional acceptance of various components of existing acceptance from it so that in essence the development will not be neglected. Or it can be done as it should.

The original regional income that is the main financing of every development activity and other service activities must be mapping internally based on the potential that has and has not been well grouped or needs to be intensification and intensified the development of existing potential to be used into several types or it could be able to set one object can be raised the cost of acquisition up to the prevailing economic threshold value.

Based on the concept of regional asset management, the source of revenue of Regional Original Income (PAD) consists of four types of potential sources of regional income are: 1) Regional Tax Revenue; 2) The result of the regional levy; 3) Income from the management of separated regional wealth and 4) Other PAD shah. Of course, the four components have their own management system and are required directly to all work units in the area so that the receipt system to the regional treasury can be done regularly and facilitate the achievement of its acceptance targets every year.

The PAD process can run well, of course, must try as hard as the ability to carry out its billing activities in the hope that the development process will also be able to run in accordance with the concept of proper planning in accordance with the allocation of community needs at any time period without any failure in its implementation later. For this reason, the government is more trying in the future with the expectation between the target and the realization of the planned PAD must be the same number if it needs to be increased again, for that study and analysis of matters related to strengthening economic growth so that it is necessary to conduct an analysis of regional native income. . Thus the fundamental question that must be studied in this analysis is the Outlook for Regional Original Income, which is addressed as information material to the government related to the policy-making process and references in an effort to strengthen the receipt of Regional Original Income, and also to activate all work units in the government environment . in connection with efforts to increase regional revenue revenue and as a reference material or reference for other researchers in conducting further studies related to the issue of regional native income development in various other regions, this is as some studies have been conducted. Conducted as : Research conducted (Susanti, 2017) with judul: Analysis of The Potential of Market Levy and its contribution to PAD Karanganyer Regency and the purpose of its research to find out the Potential acceptance of Market Levy In Increasing Regional Original Income (PAD) in Karanganyar Regency. The analysis method used is the Data interactive model of data collection, data reduction, data exposure and drawing conclusions. The results of the study showed that the acceptance of market levy in Karanganyar Regency experienced a significant increase in increasing PAD, while its contribution over the last three years was on indicators very less with the situation always declining. The research conducted (Tongkodu, 2018) with the title Of Regional Original Income Prospects and Tourism of North Gorontalo Regency. The purpose of the

research is to know the Prospect of Regional Original Income and Tourism in North Gorontalo Regency. And the analysis method used is linear trend analysis. The results of the study are: (1) Diperolah the development of the levy on tourist attractions shows good prospects in North Gorontalo Regency, although the increase has not been maximal because the local government has not developed The tourism potential that exists today to further improve its management and maximum utilization . (2) Dapat seen the increase in PAD Gorontalo Regency shows a less good prospect from 2018-2020 because of the many potential sources of acceptance from Various sectors have not been utilized to the fullest. Santosa and Rahayu research (2005) with the results of the study that : Factors that are suspected to affect the presentation of PAD changes are total development expenditures, population and PDRB is very strong, this is supported by a coefficient of determination ( $R^2$ ) of 0.971. The three independent variables (Development Expenditure, Population, GDP), which have the most influence are the population variable of 8,049. Djayanthi and Juniarti (2020) The Effect Of Regional Original Income, Balancing Fund And Capital Expenditure On Regional Economic Growth In Dki Jakarta Province stated that : regional native income has a significant effect on economic growth in DKI Jakarta Province, balance funds have a significant effect on economic growth in DKI Province Jakarta, capital expenditure has a significant effect on economic growth in DKI Jakarta Province as well as local revenue, balance funds and capital expenditures have a significant effect simultaneously on economic growth in DKI Jakarta Province.

## Discussion

### Concept of Income

Income is defined as income that individuals receive through economic activities in the form of wages or money that has value during a period. According to (Bao, Hsin, & Sachs, 2002) in his discussion suggested that revenue is the price charged to customers multiplied by units sold. The Ministry of Education and Culture stated that income is received by the community from all business activities in one region during a certain time, usually called community data collection. The Indonesian Accounting Association states that income is an increase in the amount of assets or decrease in the obligations of a business entity, arising from the delivery of trade goods / services or other business activities in a period from the three above understandings can be explained that in fulfilling the daily life the need for business in economic activities that can obtain income or income.

(Rahardja & Mandala, 2008) Household income has a huge impact on consumption levels. Usually the better the level of income consumption level the higher. Because when the income level increases, the ability of households to buy various consumption needs becomes greater or maybe the lifestyle becomes more consumptive at least the more demanding of good quality. Then it is said again that national income is a reward for all factors of production used in the production process which is the full right of an individual.

Permanent income theory believes that income is the dominant factor that influences consumption levels. The difference lies in permanent income stating that the level of consumption has a proportional relationship with the permanent income where the average income is expected or expected in the long term, (Rahardja & Mandala, 2008). It is further explained that the source of income is sourced from wage income / salary, and non-wage or non-salary. This permanent income will be increased if the individual assesses his quality better, able to compete in the market. With this belief, his expectations about wages / salaries are increasingly optimistic. And his expectations of permanent income will also increase if individuals rate their wealth as rising. In these conditions, non-wage / salary opinion is expected to increase as well.

(Rahardja & Manurung, 2010) Income is the total receipt (money and not money) of a person or household over a period of time. Income is a flow concept. The sources of household acceptance are: 1). Income from salary or wages is a response to the willingness to become a workforce whose theoretical magnitude is highly dependent on its productivity which is hewn from his expertise, the quality of human capital, working conditions. 2). Income from productive assets is an asset that provides income for the return of its use services in the form of financial assets such as deposits that generate interest income, shares that generate dividends and profits on capital when traded. Non-financial assets such as homes provide rental income. 3). Revenue from the government or transfer receipts is income received not in return for the input provided. As in developed countries the government provides in the form of benefits for unemployed people, social security for the poor and low-income people.

Income or "*income*" of a society is the result of its "sale" of the factors of production that it has to the production sector. And this production sector "buys" these factors of production to be used as inputs for the production process at prices prevailing in the production factor market. The price of factors of production in the market (as well as for goods in the market) is determined by the attraction between supply and demand.

The following will be presented by the author of some notions of income although the understanding basically almost has a difference between some understandings that will be expressed later.

(Tarigan, 2005a) Regional income is creating prosperity and what is a measure of prosperity is income. Prosperity is created because there are activities that generate income. There is income from treasures but treasures are accumulations from previous activities. Furthermore, it is said that regional income is the level (magnitude) of people's income in the analysis area. Income level can be measured from the total income of the region and the average income of the people in the region. One of the most important parameters in measuring rising field income is an increase in employment and equalization of income.

National income is the amount of income received by factors of production used to produce goods and services in a given year. And the system of calculating national income, the amount of income is called national product net at the price factor or briefly National Income.

According to (Todaro & Smith, 2004) that income is divided into two parts, namely money income (*money income*) and real income (*real income*). Money income is intended as the overall amount of currency (rupiah, dollar, peso etc.) that a person earns in each month. While real income is the receipt of physical goods and services that can be purchased with money income. Therefore real income is money income whose value is at the level of price value in general.

According to (Sukirno, 2006) income is the amount of income received by the population for their work performance for a certain period, whether daily, weekly, monthly or annual. Some income classifications include: 1). Personal income is: all types of income obtained without providing any activity received by residents of a country. 2). Income is exposed, that is; personal income minus taxes to be paid by the recipients of income, the remaining income that is ready to be spent is called disposable income. 3). National income, that is; the value of all finished goods and services produced by a country in one year.

Disposable is a type of income earned by someone who is ready to spend or consume. The amount of income is exposed to income received minus direct taxes (individual taxes) such as income tax (Doni Mahardiki, 2013).

Community income can be classified into two, namely permanent income (*permanent income*) and temporary income (*transitory income*) (Tongkodu, 2018). Permanent income can be interpreted: 1). Income that is always received in a certain period and can be estimated in advance, for example is income and wages, salaries. 2 ). Income is obtained by the results of all the factors that determine a person's wealth.

As stated above that the notions of income by various experts apparently contain basically the same understanding, where that income is money or wealth obtained from various businesses (reciprocity services) based on the resources owned by a person, columnist, and companies and government institutions (in the form of taxes).

#### **Concept of Local Native Income**

Regional Native Income (PAD) is very important for an area because it is a source of income that helps improve the finances of the area itself. As a result of this acceptance the region has full power in managing its use to organize regional governance and development. Some of the most central revenue results besides taxes are the levy is a source of local government budget is very large, so the role of the levy is so central. For this reason, the government always tries to increase revenue from this sector through efforts to maximize levy revenues made so that regional revenues from the levy continue to increase every year, Haryono on (Susanti, 2017).

(Anonymous, 2004) Based on Law No. 33 of 2004 referred to as Regional Original Income, (PAD) is income obtained by the region from sources within its own territory collected under the Regional Regulation in accordance with applicable laws and regulations.

(Anonymous, 2004) Undang-Undang Nomor 33 of 2004, which is included in the sources of Regional Original Income (PAD) is: (1). Local tax returns: a). According to Law No. 34 of 2000 on Local Taxes and Levies is a mandatory contribution made by a private person or entity to the region without balanced direct benefits, can be imposed based on applicable laws and regulations, and used to finance the implementation of local government and regional development. b). Taxes Levied in districts / cities consist of: 1) Hotel Taxes; 2) Restaurant Tax; 3) Billboard Tax; 4) Street Lighting Tax; 5) Entertainment Tax; 6) Group C And 7) Parking Tax. (2). Regional levy: 1). The definition of local levy is according to Law No. 34 of 2000 on Local Taxes and Levies is a local levy as payment for certain services or permits specifically provided and or given by the Local Government for the interest of private persons or entities. 2). Elements of the Regional Levy there are four elements attached to the meaning of retribution, Richard and Wirawan, in (Murmaningtyas, 2007) Levy levies must be based on law; 1) The nature of the levy can be imposed; 2) Used for expenditure for the general public; 3) Immediate counter-achievement (reward) can be felt by the levy payer.

(3). The function of the Regional Levy implemented by the government has the following functions, **Soewondo (1986) is:**

- 1) The Acceptance function is a levy as a tool to collect funds for local governments, especially those related to the smooth provision of services and services to the community.
- 2) The function of regulation is the levy used as a tool to organize the social and economic life of the community.
- 3) The benefit function of the regional levy should be able to increase the financing capability of Regional Native Income and encourage the rate of economic growth.
- d. The types of Regional Levies where the source of regional delegation are distinguished into (Mardiasmo, 2008) are:
  - 1). General Services Levy
    - a Health Care Levy
    - b Cleaning Service Levy
    - b. Levy i Reimbursement of Id Card Printing Costs and Civil Records Deed
    - c. Funeral Service Levy
    - d. Public Roadside Parking Levy
    - e. Market Services Levy
    - f. Motor Vehicle Testing Levy
    - g. Fire Extinguisher Inspection Levy
    - h. Map Printing Reimbursement Levy
    - i. Fishing Boat Testing Levy
  - 2). Business Services Levy
    - a. Levy on The Use of Regional Wealth
    - b. Wholesale Market Levy and/or Shops
    - c. Auction Venue Levy
    - d. Terminal Levy
    - e. Parking Levy
    - f. Inn Levy
    - g. Stiffening Suction Levy
    - h. Slaughterhouse Levy
    - i. Ship Port Service Levy
    - j. Recreation and Sports Levy
    - k. Crossing Levy on Water
    - l. Liquid Waste Treatment Levy
    - m. Regional Production Sales Levy
  - 3). Certain Licensing Levy consists of
    - a. Building Permit Levy
    - b. Alcoholic Beverage Sales Levy
    - c. Disruption Permit Levy
    - d. Trayek Permit Levy
3. Segregated Regional Wealth Management Results

Regional companies based on Undang-Undang Nomor 33 of 2004 on Financial Balance Between The Central Government and Local Government, consisting of companies engaged in financial services and banking (BPD and Market Bank) and industry, agriculture, plantations and others. Types of income from the results of regional wealth management are separated, among others:

  - a. Share of profits of regionally owned companies
  - b. Bank's share of profits
  - c. Non-bank institution's share of profits
  - d. Return on capital or investment
4. Other Legitimate Local Original Income
  - a. Proceeds from the sale of separable regional wealth
  - b. Giro services
  - c. Interest income
  - d. Advantages of rupiah exchange rate difference against foreign currency
  - e. Commissions, deductions, or other forms as a result of the sale and/or procurement of goods and/or services by the region.

## Conclusion

Economic development in an area is part of the authority of the local government that is spelled out in various activities of community life that can encourage direct movement of business improvement through various activities that are expected at some point will affect changes in economic structure. at all levels of society. Local government activities related to economic development must certainly be supported by various regional incomes that will finance it and can carry out government activities to various services to the community well need to be expected in helping in various activities that can encourage public income in general.

Regional Original Income is essentially the main source of regional development financing obtained from several types that exist in all work units related to it, of course, must try as much in terms of its management and billing so that everything on target every year can achieve its realization at least must be the same as the target that has been set every year.

So it can be suggested that the local government should make maximum efforts so that in improving the management of all the potentials that are owned to be increased utilization so that the previous surprise can be achieved as it should be, and need to review all policies applied or need to implement the kondisi of society in general.

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