

THE NEED FOR BREAKTHROUGH AND INTEGRATED POLICY INNOVATION IN INCREASING ORIGINAL REGIONAL INCOME

*Badariah Haji Din
Indra Wahyudhi

DOI: <https://doi.org/10.37178/ca-c.21.5.064>

*Badariah Haji Din , School of Government, Universiti Utara Malaysia, 06010
UUM Sintok, Kedah Darul Aman, Malaysia
Email: badariahdin@uum.edu.my

Indra Wahyudhi, Regional Research and Development Agencies,
Pemerintah Daerah Kabupaten Bekasi & Ghazali Shafie Graduate School of
Government, Universiti Utara Malaysia, 06010 UUM Sintok, Kedah Darul Aman,
Malaysia

ABSTRACT

The pace of decentralization in Indonesia after independence and reformation era has resulted in debates that have not ended. The ebb and flow of support for decentralization has sometimes led to conflicts of opinion, up to the adaptation and synchronization of laws, regulations and policies. In the spirit and era of change, the local government has a heavy burden to finance its routine agenda. Meanwhile, taxes and levies are not sufficient for operations due to slow competitiveness and adaptation of policy innovations. Bekasi regency is in a great knot and faces tough challenges because it is in a large industrial area. However, this is because the existing regulation means that local governments do not have much flexibility in regulating and managing their original sources of income. So that this research through a qualitative approach which is operationalized by structured interviews is able to present data that even policy actors find constraints and have many ideas on how to increase their own local income. And finally it can be concluded from the historical aspect up to now, the problem of the relationship between the regional center in mainly supporting the increase in local revenue has always found political contestation and is framed through regulations.

Keywords: Locally Generated Revenue, Decentralization, Fiscal, Tax, Policy

INTRODUCTION

History records that the tax reform was carried out after changes in Indonesia's tax administration system regarding the formal appraisal system into the appraisal system itself. The meaning of the system of change refers to the role of the tax authorities to be reduced, otherwise, the role and involvement expected (duty) of the mandatory excise will increase. Similarly, the tax function, both the regular function and the budget surplus function are activated. Strict customs control should be done. The dispute resolution agency as the institution is expected to show the usual performance of the excise system function, completed in advance. Now, the existing functions and systems are initially running smoothly, although there are still weaknesses here and there. For example, there are officers who perform disciplinary tax actions that abet the various reputable taxpayers or who tend to avoid taxes or tax adequacy[1, 2]

Accordingly, it should be discussed that the main purpose of basic evidence in Indonesia is to free the government from unnecessary burdens, that is, concerned with affairs in the region. Instead, the government is expected to be better able to focus on strategic macro-based countries. Among the things related to the above statement is that, there are various type of the sources of regional income, such as from the original income of the region itself in the form of regional taxes, regional collection, revenue of regional companies, lease of regional property, to other funds in the form of loans, regional loan letters (bonds), contingency funds and other legitimate income. In addition, there are several important sources that are the allocation of the central government budget which is usually referred to as transfer which includes several types.

First, central assistance (grants) is an allocation to self-administered (independent) district governments such as autonomous district government, or more often referred to as grant (subsidy or assistance). Provisions like this relate to the transfer of cash (transfer) to the district government which has an independent bookkeeping and the value of the money is still recorded at both levels of government. This type of grant is quite diverse, namely multi-purpose, single-purpose, based on cost per unit, based on a certain percentage, equalization assistance and assistance to cover budget deficit (deficiency). In Indonesia assistance in the form of deficiency grant has been implemented since 1903, that is since the first "*decentralizatie wet*" was promulgated[3]

Second, is for tax revenue where this model is a form of allocation of tax revenue collected centrally which is then divided in a certain rate (proportion) with the local government. Davey explained that taxes can very well be collected by the district government by self-regulation. Taxes collected by the region are based on national regulations, but the determination of tariffs is done by the region as well as taxes collected and managed by the government but the proceeds will be given to the region, and can also be divided into revenue or charged additional collection by the local government [4]

Third, the loan is central to regional allocation model which is used to finance enterprises development (regional development) and also be used for capital investment and local governments sometimes to cover short term debt. Fourth, is the capital participation which is the investment allocation of the central government in the form of capital participation in the provincial government. When linked to the above explanation among the challenges, the most serious one is the construction of government functions by giving more power to the districts in the form of autonomy. Local capacity increases separately in the creative leverage and full power that the country has been given, as stated in Government Regulation Number 25 Year 2000, may still need to go a long way. Thus one of the destinations of regional autonomy, such as the ability to respond to the dynamics of the local community more accurately, quickly and creatively is no longer visible. This is due to the enactment of full implementation of district autonomy, some agencies do not even facilitate the transfer

of government power as mandated by Government Regulation Number 25 Year 2000 on the power of government and ruling party as a district autonomy.

The most basic problem is human resources capacity in the district, especially the district officials of the revenue department to increase local sources of income. This will affect the achievement produced. In fact, as an agency that provides services to the community, local government officials will be able to provide services in line with the expectations of the community. Prior to the implementation of district autonomy, staff in this field were the citizens of the country. In other words, staff will automatically work for the central government. The responsibilities and attitudes of service staffs are intended only for the upper government and less attention to the public interest.

More than that the position of Bekasi regency is in the vortex of an industrial area. Which is in an era like globalization, the industrial area should begin to enhance and accelerate the process of assimilation and the use of glory at the government level. This means that the local government does not get left far behind. Local government, both at the district and municipal levels are in fact the principle of government success to enhance the country's economic growth. If this concept is implemented and adopted, the country's economic growth can certainly be saved from year to year.

Customs Income Tax, Value Added Tax and Stamp Duty, while Land and Building Tax and taxes on Land and Building Acquisition have been submitted to the excise levy by the airport authorities. The average care of the royal district is four types of tax and the local level in the city average averaging 7 types of tax by about 30 types of levy [5] Logically, this explains the decline in which the type of excise is maintained, then the local yield decreases. Before Law No. 34 Year 2000 came into force, the position of the regional districts at that time averaged 14 types of taxes and maintained in the city median level areas maintained 44 types of taxes by about 144 types of levy [6] by enactment Law No. 34 Year 2000, the local government was given the freedom to create new taxes, increasing the level of customs (customs and taxes) changing the basis to increase income from the excise sector. Some stage airports appear to be creating new customs and re-emerging types of inefficiency excise taxes such as colored television and taxes given the flexibility to create new excise areas predict for the future will again impose excise (overlap).

Furthermore, within the framework of the ASEAN Free Trade Area (AFTA) and welcoming of General Agreement on Tariffs and Trade (GATT) related to business divisions, it is expected to target many large companies to open branches in the region. Model management companies are usually used vertically and transfer information quickly. This means that the flow of information to the government will move rapidly to the branches of companies located in the area. Although the current government for local government information is said to be quite sluggish. The question arises, regarding how the tax authorities with limited knowledge in the area can be managed and can balance the way of thinking and acting of the company branch in the area. When is the right time to change the rate and tax base is done so as not to have a big impact on the company. Although some types of taxes, such as advertising taxes, restaurant taxes, entertainment taxes collected from company business. In this sense, the tax should receive tax revenue in the region which has a significant impact on the progress and backwardness of the company.

Although it was ratified by the Law Number. 34 Year 2000, however, there is still difficulty in distinguishing between tax and voting levy. These restrictions need to be clarified, because the nature of the levy is inversely proportional to the tax, the levy is directly related to the performance counter service while the tax return is indirect, the tax contribution can be strictly enforced, while accepting (embracing) the approach to the concept of received penalty benefits. Difficulties in distinguishing between such taxes and penalties will occur in the area, both at the district and municipal levels. At the district and city levels, various tax administration matters are still complicated.

Actually not only to the tax administration system, but also to the administration in general.

On the other hand, the total income earned from various sectors in this area, can only afford to cover some of the routine costs. The imbalance between revenue and tax expenditure from year to year, is feared to be a heavy burden on the country. So much so that there is a tendency for indirect district budgets and direct budgets to rise higher, and the trend exceeds the balance fund from the central government. As for the original revenue of the region and other legitimate income tends to increase relatively small compared to the rate of increase of regional budget in Bekasi Regency.

Based on the above description, there are some interesting things to do a study of how the government efforts to increase Locally Generated Revenue (PAD). The study focuses on Bekasi Regency which is one of the capital buffer zones of Jakarta. The reason is that Bekasi district is taken because there are many investments and international factories have been established, but the income from this sector still does not seem to be able to increase its income.

RESEARCH QUESTION

The articles presented in this study would like to outline some of the issues underlying the above description. Therefore, it is not an exaggeration if the study to be presented deals with policy issues, and how the policy is formulated until it is executed. Of course this does not make many parties happy with the resulting policy, because the nature of the policy is like that. Therefore this study will be guided by stating the focus to be answered through the following simple research questions.

Based on the above description, then the following are the research questions of the researcher used as a guide in compiling the entire arrangement of research presented in this article. Thus the research questions are; what are the factors that contribute to increase Locally Generated Revenue in Bekasi Regency and what are the efforts made by the local government in realizing it?

LITERATURE REVIEW AND THEORETICAL DISCUSSION

In the following section, will be presented how the composition of writing that focuses on the research question is related to research or studies that have been carried out by previous researchers. Then from the previous research contributions are guided through theoretical discussions so that the reading of the subject being studied

finds its benefits scientifically. When referring to the opinion of Adria & [1, 7]

researchers can obtain information from previous studies in order to avoid it from making the same study without improving the rules or looking for a solution to a study.

In this connection, for example, it can be started by reading and examining what has been done in the research by [8] has carried out a study on the administration of local revenues in the management of local excise in Bekasi Regency using qualitative methods. The results of the study show that 2,764 excise payers have identified identifiable taxpayers as individual and entity taxpayers. Determination of excise payers through local law. The assessment decision was that in 2002 there were 364 cases of excise arrears, which proved that the implementation of excise taxation was still not optimal

Meanwhile, [3] conducted a study in Kediri, to analyze factors that explain income. With the data from 1989-2002 through multiple regression models, the investigations with regard to so on are turned into logarithms. Where the most influential factor is the population (8,049) followed by the development shopping factor and the determining stage of 0.971.

Moreover, there are findings from [9] further strengthens the conclusion based on studies in Bogor district that local taxation plays a key role in

regional procurement, especially in the era of district autonomy which opens up wider opportunities to grow with new tax potential.

[10-12] on the relationship between investment attractiveness assessment with some regency and city income in Indonesia. Test equipment through the Spearman-Rank Correlation of secondary data, with descriptive analysis on a sample of 10 districts and cities of the Regional Autonomy Implementation Monitoring Committee (KPPOD) and the Directorate General of Regional Financial Development on locally generated revenue source data. The final result means that there is an inverse relationship of the locally generated revenue pull-up of the district investment invitation, i.e., the higher the parity pull investment, the smaller the number of locally generated revenue's, because the Spearman correlation (rs) indicates a value of -0,149. According to the study, so far there are some districts or cities are more focused only on efforts to increase income alone, regardless of the factors that attract investment.

[13] investigates the effectiveness of regional taxation and penalties for regional procurement of Bekasi Regency. With the analysis of secondary data in 2008-2010, the results show that the level of effectiveness of tax revenue reaches 100 percent which means that tax revenue and district collection (retribution) have a significant impact on regional income.

While the study conducted by [14, 15] Hasan Basri, Syaparuddin, and Junaidi (2013) is to perform mapping performance for local revenue and regional financial capacity of regency or local city government in the Province of Jambi region, namely with the aim of analyzing; income and budget structure, revenue growth to the budget and financial capacity of districts or local cities government in the Province of Jambi. Subsequently, the research yielded the following findings: The composition of income from other incomes was 42.32 per cent valid, the composition of the budget came from the Balance fund 83.49 per cent. The average growth of district or local city government locally generated revenue is 18.48 percent, while the average contribution of locally generated revenue to the budget is 6.33 percent. The level of regional financial capabilities of Batang Hari, Jambi and Sarolangun is higher than in the districts or other cities in the Province of Jambi.

[10] also studied the source of income in the field of evidence in Bululeng Regency, in the Province of Bali. Using a descriptive quantitative study design, namely through the documentation method of secondary data year 2009-2013, the effectiveness ratio, contribution ratio and trend analysis were analyzed. With the result that a very effective source of revenue averaged 112.48 per cent, with the aim of one major source of other legitimate income 43.13 per cent. In 2014, the estimated revenue from the overall increase except collection area (retribution), so that the average increase of 110.89 percent, and the highest contribution of other valid fixed income amounted to 51.34 percent.

As a conclusion from some previous researchers, that the implementation of tax administration in Bekasi Regency is found to be not optimal, which has the potential in local taxes and collection of areas to further increase income. For other areas in Indonesia, locally generated revenue is influenced by the population, development and GDP expenditure, with other major legitimate sources of income. Therefore, there is a need for a more in-depth study of the findings of the inverse relationship between the strength of strong investment attraction for small numbers of locally generated revenue's. The study of the implementation of local government tax administration and income is in fact closely related to the concepts of decentralization, regional government, fiscal policy and taxation in the theme of regional autonomy. From the description of the scholars study, the important concepts were not studied, so that the problem of regional income was not answered comprehensively.

RESEARCH APPROACH

[16] distinguishes between the terms method (tool) and methodology (form of inquiry). However, in research practice in general, method and methodology have a tendency to be related so that they are not easily distinguished from one another. Although method is a way of working and methodology is a way of thinking about research planning, some experts argue that most research involves methods. A respected researcher noted that a methodology is actually a set of methods, practices and procedures that are normatively followed by members of any discipline or field of study.

Methodology is a system of how to do or study something, while lexically, research is a careful investigation to find new facts from any field of knowledge. Research as an academic activity in general includes limiting problems, formulating hypotheses (if needed on certain rules) or suggested solutions, collecting, organizing and evaluating data, making deductions and reaching conclusions, and finally testing conclusions carefully whether they are in accordance with the hypothesis formulated. Slesinger & Stephenson defines research as the use of any thing, concept or symbol for generalization in expanding, fixing or testing knowledge, whether knowledge aimed at building theory or practice. So, the term of research refers to a systematic method that includes problem statement, hypothesis formulation, fact or data collection, fact analysis and reaching certain conclusions in the form of solutions to research problems or generalizations for theory formulation [7, 8, 17], research methodologies are techniques and procedures that are arranged systematically and logically to find out new facts from any field of knowledge.

The research approach in building academic argumentation in this article is based on a qualitative approach. When referring to [16] the development of qualitative studies in the current research literature can be characterized by at least one clear historical standard, namely an application to the humanities or social sciences of the German term "*Verstehen*" which is freely translated as "understand" or "interpret".

[13, 17] define qualitative research in terms of the data generated, including various non-numeric or qualitative data such as interviews, written texts or documents, pictures and films, behavioral observations, case studies and others. In terms of analysis, qualitative research relies on various interpretation methods that aim to reveal the meaning of each data generated. Qualitative research often does not start with variables, but instead focuses on individual cases, groups or institutions (institutions). According to Erickson (in [7] qualitative research seeks to reveal and narrative descriptions of what people do in their daily lives and what their actions mean. It recognizes the meaning relationships of things in the world; people, kinds of actions, kinds of beliefs and interests; by focusing on the forms of things that have a difference to understand. According to Denzin and [3, 5] qualitative research is a particular activity that places observers in the real world. It consists of a number of interpretive and material practices that represent the world. This practice changes the world in a series of representations that include field notes, interviews, conversations, photography, recordings and memos. At this level, qualitative research includes both an interpretive and naturalistic approach to the world, meaning that qualitative research examines things in their natural environment, by trying to understand or interpret phenomena according to the meaning people understand.

From the various different definitions according to many other scholars, [7, 10, 11] conclude that qualitative research includes a large number of approaches because of differing beliefs about what is known from the social world and how to know it. Despite their diverse definitions, the aim of qualitative research in general is to present a deep and interpretive understanding of the social world, by studying the social and material

conditions of society, as well as their experiences, perspectives and history. In accordance with the above study problems, this study uses a qualitative research approach in the form of case studies as one type of field research. This method was chosen because it contained a very specific study including how informants were selected and then interviewed. Which in the end can provide an overview of the problems being addressed through the research questions being asked.

UNDERSTANDING THE FRAMEWORK OF DECENTRALIZATION

When almost all countries in the world experience depression due to the attack of a disease known as COVID-19. The citizens of the world and the governments of nations are having difficult times. This is also the case with tax collection and income retribution. So it is not an exaggeration to state that, “many of us will experience social and economic hardship. There is enough to worry about piling on additional concerns over our nations fiscal situation. This is as good a moment as any to learn some important lessons about where money comes from and why”

[8, 12, 18, 19]

This fact presents extraordinary challenges for regions such as Indonesia, which until now have implemented decentralization of authority, including the decentralization of taxation, although not all. But it is interesting to discuss, for example studies on the implementation of government excise taxation and regional revenues are closely related to the concepts of decentralization, regional governance, fiscal policy and taxation in the theme of regional autonomy. From the descriptions of the scholars studies, these important concepts were not studied, so that the problem of regional income was not answered comprehensively.

Therefore, it is better if it starts with understanding the framework of decentralization, specifically what is the position of decentralization in Indonesia? The study of decentralization by a large number of scholars is part of the fields of economics, social and political science, even includes philosophy and history. But of course there are pros and cons, advocates and sceptics in researching and discussing decentralization ([11] Basically, decentralization is closely related to power and authority in governing and managing the state and government.

Although it may help in understanding the concept of decentralization, the definitions and meanings that have been outlined are still too broad and general. One thing that is important to observe is that when there is a decentralization concept, of course there is a centralization concept in exercising power socially and politically. In order to know a more precise definition of decentralization, it is necessary to trace the history of the concept and practice of decentralization.

Historically, the concepts and practices of centralization and decentralization can be traced from Aristotle's thought to Polybius and Cicero, the classical authors who debated whether public power should be handed over to kings, aristocratic councils, people's assemblies or a combination of the three. By starting a glimpse historical study of Western society.[11] began his study of Aristoteles who deconstructed Greek cities (*polis*) into three hierarchical levels, namely households, villages and policies with the aim of achieving different welfare. However, only the third level (policy) is political. A household exists to provide for people's daily needs. Polis (city) is an arrangement for a citizen to be involved in self-government because of his nature as a citizen who is able to carry out policies. Aristotle only said that the village aims to achieve something that goes beyond the provision of daily necessities. In short, he did not really endorse multiple governments as an explanation for why several non-political communities were needed to complement a unique political community (*polis*). Almost all classical studies focus on central government institutions, while local government (local government) is completely ignored.

After the nation-state was established in early modern times, the relationship between central power and local people in general attracted the attention of political thinkers. There are three traces that can be traced from the ideal representation of the relationship between central power and local people. First, the state is a top-down hierarchy where regional agents are officials or subordinate officials of a very powerful king. Hobbes is the most outspoken proponent of this power relationship. As long as local officials carry out the king's orders faithfully, the people have an obligation to obey them. Bodin also supported the king's full power, but he also argued that some delegates of power were enlightening and always changeable.

Second, the understanding that the state is a creation that is free to associate, an independent government from local units with an agreement between them to hand over power to a higher level, while maintaining local sovereignty. This is the "federal republic" of Montesquieu, more clearly it is a confederation, "a society of societies forming a new society." Third, the "compound republic", which became known as the federal state, was first stated in the writings of Harrington (1656), Milton, Hugo and Leibniz which was later practiced in the Constitution of the United States of America 1789. In a plural republic, there is no central and regional government that governs each other. Both have the same power, and come from giving powers apart from a common sovereign. James Wilson stated, "The highest power lies with the people as the source of government. The power of general government and state governance under this system is recognized as the emanation of so many from the people. Because sovereignty remains inalienable and inherent, it can be exercised simultaneously by several mechanisms. The separate mechanisms—state and federal government—are mutually legitimate and recognized by popular agreements and constitutions that limit their powers [11]

After World War II, nation-states were formed as a wave of anti-colonialism and the struggle for independence in the Third World. According to [13] developing countries generally view that a unified, centralized and regulated government is desirable. Centralization tends to be the norm and ideal that permeates the concept of political, economic and administrative organization in the Third World. The reason is not difficult to reveal. First, in most of the formerly colonized countries, centralized political and administrative institutions were a direct legacy of the colonial powers and to this day the system has remained largely untouched or even more centralized. Second, centralized economic planning, intervention and control is seen by national governments as steps to be followed, despite the abundant record of negative impacts.

However, that reason does not just concern the economic debate. There are strong political reasons for maintaining central control and interference. Many political leaders emphasized the primacy of the public sector which provides space for civil services and institutions that are not directly controlled by the government. All of this remains under the central government to control factors—such as wages, prices, tariffs, food subsidies and export-import regulations—which are deemed essential to maintaining political stability. Of course policies that prioritize centralization usually succeed at least in the short term, namely, of material and political benefits to the dominant elite.

In connection with the discussion in this article, perhaps what is needed is a model of fiscal decentralization. What can be explained further, the information is as follows. Decentralization sometimes refers to disbursing fiscal transfers, when the higher levels of a system leave budget and financial decisions to lower levels. This authority may reach the bureaucrats who are deconcentrated and responsible only to higher superiors, or certain officials appointed directly by the superior, [20-22]. Although fiscal decentralization is not democratically overseen, and rarely increases the influence of organized interests at lower levels, it is very difficult to consider an example of pure

decentralization. However, when fiscal transfers are linked to mechanisms that provide equal power to lower-ranking officials, then it is, of course, decentralized.

Meanwhile in Indonesia the struggle over decentralization emerged at a time of Dutch East Indies colonial government, therefore to understand comprehensively, the history of decentralization in Indonesia must be traced back to the colonial period so that knowledge of the continuity and disconnection of forms of decentralization can be historically known. The enactment of the Agrarian Law (*De Agrarische Wet*) in 1870 in the Dutch East Indies, fundamentally changed the perspective of the colony and its society. Prior to the Agrarian Law, male Dutch civil servants dominated the Dutch East Indies government. With the enactment of this Law, the number of business people, professionals and their wives began to increase from the Netherlands and other European countries. Consequently, when the Dutch/European community in the Indies became more diverse in profession, gender and nationality, the Dutch Indies became multi-cultural from the Dutch/European society. Given the need to deal with these rapid socio-economic and demographic changes, the decision to delegate government from the center to the regions (municipalities) appears to be a confident one. But the most important obstacle is that the central government leaves municipalities in such a state that they are so under-resourced that municipalities lack almost everything: adequate administrative power, annual budgets, experience, knowledge, workers and materials. When municipal governments approach the central government to discuss these issues or ask for input, the response of the central government has generally been lacking in attention [13, 23, 24]. The origin of this form of colonial government is more comprehensively analyzed by [14, 15, 25, 26]

This discussion will jump a little into the present era of Indonesia, or the reform era. This era was marked by the fall of Soeharto in May 1998, triggering impressive and sometimes chaotic changes. The old establishment was overturned or opposed by almost everyone: the ban on establishing political parties was lifted and democratic elections were held, the army was forced out of political life, cultural expression flourished and the separation of Islam from the state was challenged by fundamentalists. The Habibie administration (May 1998-October 1999) was eager to distance itself from the Soeharto regime and build on its mandate for reform, namely holding democratic elections and regional autonomy as two cornerstones of its legislative agenda. The Habibie government introduced the most radical decentralization legislation in the world. One of the draft decentralization laws states that a large amount of power is given not only to the first level regional government (province), but to the second level region (district/city). The decentralization law was finalized by the national parliament in August 1999 and entered into force on January 1, 2001 [21].

The decentralization process is based on Law no. 22 and 25 of 1999. Law no. 22/1999 on regional governance related to devolution of political authority, while Law no. 25/1999 concerning financial balance (fiscal) initiated a new financial management system because regions received a larger share of the revenues in their regions. Under this new system, the central government had to hand over its powers to local governments in all areas except foreign policy, defense and security, monetary policy, the legal system and religion. However, what needs to be maintained is the possibility of conflict that occurs so that a special approach is needed to handle it [24]. Then also the existence of a number of special controls such as national development planning and technical standard provisions. As such, local governments now hold full responsibility for areas such as education, health, the environment, labor, public services and local natural resource management.

However, the so-called first wave of decentralization by some scholars [8, 27, 28] received criticism and objections. According to [18, 21, 26] Indonesia's decentralization law has sparked controversy since it was proposed. In general, criticism consists of two types: first, the law will cause the deterioration of the quality of government, and the second law will destroy national unity. Critical arguments vary widely on the issue of decentralization, namely the incapacity of regional governance, the increasing gap between rich and poor regions, corruption and money politics. In addition, the regional bureaucracy is also inadequate and relatively inadequate as well as inexperience as a civil servant, because of the very old culture of top-down control in the previous era so that it has no initiative and lacks freedom for public consultation. That is the reason critics argue that regional autonomy is likely to lower public service standards across the country [2, 5, 8]

Another popular criticism concerns government revenue distribution regulations which will lead to regional inequality. Districts rich in natural resources receive increased incomes, while resource-poor regions, such as eastern Indonesia, will suffer from reduced income and become trapped in a cycle of poverty and development decline. During the New Order's centralism, the distribution of income between rich and poor provinces was relatively balanced, but when the greater wealth was retained by a small number of provinces, the distribution share available to poor regions was of course smaller. It should also be noted that corruption became a major issue when decentralization strengthened. Therefore regional autonomy will increase corruption in government and regional politics. So it is not an exaggeration if the phenomenon which later became law and was followed by a policy on decentralization caused problems between regions. This is marked by the emergence of designations or nicknames with territorial tendencies, followed by the awakening of the spirit of "adat." For example, decentralization gave birth to new little "kings" by building political dynasties through the framework of modern democracy. This leaves a problem, namely, traditional jealousy when modern authoritative political forces within the framework of regional autonomy are faced with the originality of traditions passed down from generation to generation through the spirit of monarchy that has existed since the pre-colonial era. Further reading of this matter can be traced with the results of in-depth research

As an example from the above illustration and explanation can be studied in particular, many regions experienced local youth campaigns to occupy local government and secure preferential treatment to their communities in the allocation of economic resources and government positions. The term son of the region is interpreted not only in terms of ethnicity, but also more loosely as a resident of the region or place of birth. Many Indonesian nationalists, especially those close to the center of power, fear that calls for preferential treatment for local sons will increase discrimination and exacerbate social conflict.

The transfer of power to the regions also has many supporters. Among the strongest supporters are politicians and local governments who get more power. The challenges of adapting to the new system, however, the early reform era provided tangible benefits to local power holders. Nonetheless, they went beyond the formal powers delegated to them, violated rules and duties and entered into disputes with central government agencies over the proper image of power. Due to this fact, a bridge is needed in understanding that the rolling of the era of decentralization and its authority in the regions requires good governance and is strived to be balanced. At least this can be checked from studies conducted by [15]

So with the existence of decentralization, the goal that is to be aimed is in [10] it is clarity of the level of equality of public access in basic matters such as health, education, housing. More than that equality of development also needs to be put

forward, public facilities and advanced infrastructure. For other areas outside the island of Java, this is a serious problem. The capacity of local residents with limited access to education has made them marginalized by the existing system. Not to mention if it is related to growth and economic access originating from the region. Generally, the regions are rich but the exploitation of resources is an obstacle to welfare. There are only a small number of contributions from labor absorption. Moreover, the income gap is large. This is because industrial taxes are absorbed by the central government.

In the trajectory of facts that emerged through a study from the Indonesian Forum for Budget Transparency (FITRA) in 2010, among others, asked the government to provide broader fiscal authority and greater allocation to regions. This can be achieved through the formulation of a fair financial balancing system through amendments to the Law on Regional Central Financial Balancing. In practice, fiscal decentralization to the regions is not fully the authority of the regions. The allocation of budget allocations has been determined by the central government and has become the central policy. Regions do not have the authority to decide budget allocation policies or simply become recorders of budgets that go into the Regional Budget and Expenditure Budget (APBD).

The limited fiscal space in the regions is also evident from the increase in personnel expenditure, while capital expenditure continues to fall. From the results of a study by the Indonesian Forum for Budget Transparency (FITRA), on average, regions spend 80 percent of the general allocation funds to pay employee salaries. The government is asked to establish fiscal decentralization as a priority for financial sector reform. Pseudo fiscal decentralization in the regions is getting worse because the disbursement of budgets in the regions is often determined more by the power of political lobbying than by regional priority needs. Budget transparency and the budgeting process must also be democratic [9]

The next discussion will discuss what the position of decentralization is and what is the role of fiscal decentralization. According to Davey, fiscal decentralization is the granting of financial power to local governments. Another terminology used today is the financial relationship of central-district government or fiscal federalism ([4, 27] Fiscal decentralization can also be defined as a form of release of responsibilities related to the fiscal aspect, which is within the central government environment to government agencies (vertical agencies) and or to local governments. While Kee sees fiscal decentralization as a delegation of specific functions or specific functions by the central government to local governments (provinces, districts, cities) with administrative authority and fiscal acceptance for those functions to function [4]

[23, 24] explain that fiscal decentralization is widely implemented by the third world and is one way to escape from the many pitfalls of ineffective and inefficient management of government, the macroeconomic instability that has caused third world countries to collapse. Fiscal decentralization is a key component of decentralization. Fiscal decentralization includes two things that are interrelated. First, the division of expenditure management and sources of income between levels in government (national, regional-province, district). Second, how far the power (discretion) given to the provincial government or local government to determine the receiving sectors and parts of production in a comprehensive and detailed. Both of the above have a significant influence on the reality of politically and administratively decentralized. [4, 25] explains that the exercise of the powers and responsibilities of regional or local governments in the context of fiscal decentralization depends on: a) How much coverage the field of public service should be funded by local government; b) Whether the acceptance sectors correspond to the responsibilities that must be met by the local government; c) How many options are available to allocate budget to private service sectors; d) How much power it has to be able to set the amount of taxes and revenue

collection (taxes and collections are used for production sectors that are service as a return to taxpayers).

In the next context some experts look at the profit side of the implementation of fiscal decentralization in the third world. The benefits of the implementation of fiscal decentralization are to increase the mobilization of central financial resources to the region, can increase accountability, government response to society and increase the performance of the public sector. While the disadvantage is that fiscal decentralization will not work if the aspirations of the community are not provided in the government's budget and if the institutional capacity is not enough. As a benefit of the decentralization program not only cannot be optimized, but contains a significant risk if the requirements of decentralization cannot be met well. argues that, "Decentralization is no panacea, it is subject to limitations... done badly it can reduce welfare. But do no well it can improve." The same is true of other fiscal decentralization experts such as [18]. In general, they argue that the risks contained in the unqualified decentralization process are: a) The level of corruption, collusion and nepotism in the region is worsening; b) The provision of government services is getting worse; c) The fiscal deficit is growing; d) Political instability and threat of disintegration are exacerbated.

But even so, returning to the opinion and theoretical concept of [23, 24] provides several conditions for the implementation of fiscal decentralization to be successful in developing countries. According to them, there are two conditions for success, namely: a) The decision-making process in the regions must be democratic. For example, making decisions about the benefits and costs that will be incurred must be transparent (transparent) and the parties involved have the opportunity to influence the decision; b) The basic design and financing of decisions taken must be fully designed (designed) and become the responsibility of the local community.

The main problem is how the concept of fiscal decentralization can support the achievement of the goal of increasing the overall national welfare in general and specifically for the region concerned. In other words, how to delegate power to local governments that have the most potential to improve welfare in the regions [20, 21] Furthermore, in fiscal decentralization, revenue and expenditure should be in a balanced pattern. But it is often feared that the region does not have sufficient administrative capacity and techniques to carry out its new functions satisfactorily. The concern about the possibility of macro imbalance lies in the very high discipline of the allowable regional borrowing limits, as a pilot basis.

In the case of foreign loans by local governments, there are several special problems, namely the lenders assume that all government loans are borne by the center. This approach has the added benefit of multiplying the risks by increasing the government's loan portfolio offered, but assuming that the revenue streams from different types of revenue components are not closely correlated. The effort that must be done is to reconstruct the expenditure and revenue functions and the problem of imbalance in an upright manner. In principle, there are at least four ways to overcome the imbalance between revenue and expenditure, namely: a) Regional revenue can be increased even though there is very little chance; b) Reducing inefficient regional expenditure; c) Transferring the expenditure function to a higher government stage that has more revenue sources or transferring to a lower government stage that has more expenditure; d) A part of central revenue can be transferred to the local governments.

Fiscal transfers between governments have several purposes, among which are to cover fiscal imbalances. Movements can be designed to balance revenues and expenses. The move is also intended to achieve goals that are more related to growth and efficiency, such as encouraging local governments to have the same opportunity to carry out urgent development. From the discussion and theoretical framework

above, which discussed a lot about decentralization, and was not limited to political aspects only, but also discussed fiscal decentralization. So it is found that, the approach put forward by previous researchers and experts indicates the need to check whether the policies taken have brought about and brought about changes, so that they do not stop at the spirit of reform. But further from that is how the socio-economic aspect contributes greatly to the local area. Then a breakthrough is also needed, perhaps in the form of policy innovation in managing and increasing local revenue.

FINDINGS AND DISCUSSION

Since the 1998 reform, decentralization has been carried out legally and politically benefits. However, the tug of war between decentralization and centralization led to changes in legislation. Regulations as the main instrument of the bureaucracy have also undergone changes, causing confusion at the implementation level. Tracing the regulations that have been made and their changes or revisions reveals the tensions between the implementation of regional autonomy or decentralization within the framework of the constitutional system and its mandate in Indonesia.

From the information obtained and processed from informants, from technical officials to political officials, and experts in their fields, especially in the district of Bekasi, it is shown that changes in legislation prove that the bureaucracy has difficulty implementing changes in legislation. Therefore, classic problems since the decentralization of the colonial era are still inherent in the local government bureaucracy, for example the lack of income to carry out the duties and responsibilities of local government and inadequate or inadequate human resources to carry out decentralization. In this condition, the local government bureaucracy manages finance and taxation.

Actual and potential conditions from efforts to increase locally generated revenue and other revenues. In fact, since the delegation of property tax management authority to local governments, the largest revenue for locally generated revenue Bekasi regency has come from property tax and Tax on Acquisition of Land and Buildings. Potentially, other types of tax objects have not been managed optimally, even though the potential is quite large. Efforts to increase taxes from other sectors, such as hotels and restaurants, fire extinguishers, industrial machinery, are carried out by expanding the understanding of tax objects through regional regulations or reviewing revoked regulations, such as entertainment taxes.

The largest locally generated revenue in Bekasi regency are property tax and Tax on Acquisition of Land and Buildings since the transfer of data collection and tax collection authority to be submitted to local governments with a greater percentage share than since the second decade of the 21st century. However, revenue from this tax sector is unlikely to develop, only optimization efforts. Macro indicators show that locally generated revenue is not sufficient to carry out the duties and responsibilities of the Bekasi district government. The expansion of industrial estates and the addition of investors in Bekasi are important indicators of increasing locally generated revenue.

To increase locally generated revenue, first, the step to optimize tax collection in Bekasi district is the selection of taxpayers who are still not actually reached as the potential of various tax and retribution sectors; second, making regulations and revisions of existing regulations in the framework of implementing regional autonomy, clear regional authority as industrial estates, balancing central and regional finances, profit sharing funds, based on academic studies of regional revenue potential, as a form of policy innovation for clearer and broader authority from the Bekasi district government which bears heavy responsibility for all impacts of industrialization, from a

demographic and environmental perspective. Discretion is not only insufficient, but it does not touch the basic problem of Bekasi regency as the largest industrial area in Southeast Asia with huge actual and potential income values. Therefore, discretion should not only be used for innovation in service, but more than that, namely there is a political will for change. Interviews with higher-ranking officials in Bekasi district show that the obstacles to optimizing taxation in particular and local revenue in general are not only related to technical improvements, but the issue of authority delegated from the center to the regions is still limited. Therefore, Weber's bureaucratic concept becomes problematic when it concerns higher-ranking officials or is related to political policies that determine regulations or legislation as rules inherent in the bureaucracy. Therefore, there is an idea about the specificity of industrial estates in terms of authority and financial balance, as material for the revision of the law on financial balancing for regions that are locations for industrial estates, because there are impacts from industrial estates that require objective data to be raised. However, because there is no regulation, regional governments cannot extract potential revenue from the existence of industrial estates.

The Law of the Republic of Indonesia Number 25 Year 2007 concerning Investment, Article 3, paragraph 2 states that the implementation of investment must be aimed at encouraging the development of a populist economy and improving the welfare of the community. Article 4 states: the right of the central government to get taxes and or royalties and or other government income from investment in accordance with the provisions of the laws and regulations. Article 13 stipulates that (1) The government is obliged to determine business fields that are reserved for micro, small, medium enterprises and cooperatives as well as business fields open to large businesses on the condition that they must cooperate with micro, small, medium and cooperative enterprises; (2) The government fosters and develops micro, small, medium enterprises and cooperatives through partnership programs, enhancing competitiveness, encouraging innovation and expanding markets, as well as disseminating information as widely as possible.

The Law of the Republic of Indonesia Number 3 Year 2014 concerning Industry, Article 1, in this law what is meant by (10) Industrial Estate Companies are companies that undertake the development and management of Industrial estates; (11) Industrial Estate is an area where Industrial activities are concentrated, equipped with supporting facilities and infrastructure developed and managed by an Industrial Estate Company. Article 7 regulates (1) The Government, Provincial Government and Regency or City Regional Government jointly or in accordance with their respective authorities carry out government affairs in the Industrial sector as regulated in this Law; (2) Provisions regarding the authority to administer government affairs in the Industrial sector as referred to in paragraph (1) shall be regulated by or based on a Government Regulation.

Thus, at the normative level, since the Decree of the People's Consultative Assembly concerning decentralization or regional autonomy, it has been ideal. National legislation on investment and industry already contains clear principles and objectives as the basis for law enforcement and the implementation of regional authority. Bekasi regency government as an industrial area, has rights, authorities and obligations according to investment and industrial regulations. It's just that, in the investment sector, the Central Government has formed an Investment Coordinating Board (BKPM) which is responsible to the President and has the authority to formulate further regulations on investment, although normatively it must coordinate with regional governments. In Law No. 3 Year 2014 concerning Industry, developer and management are fully handed over to industrial estate companies. Investment and industrial regulations actually provide clear space for local government positions, but are otherwise limited by the rights and powers of the central government and the

complete devolution of development and management to companies. Therefore, the regional income and finances of Bekasi Regency cannot be fully extracted from its specialty as an industrial area. These are the problems and challenges of the Bekasi Regency Government, in addition to problems requiring revision of Law No. 33 Year 2004 concerning Financial Balance between the Central Government and Regional Governments, which has become a national issue and is included in the National Legislation Program.

CONCLUSION

Studies on regional revenue should also explore the origins of decentralization in Indonesia, even when case studies are applied to certain regions, so that in general we know the constraints and challenges of decentralization in Indonesia. This history of decentralization is very useful for understanding the continuity and disconnection of bureaucratic policies in Indonesia, whether decentralization has been implemented in accordance with the principles of the state, namely independence in Indonesian jurisdiction or does it preserve colonialism.

To explore the study of income, the critical discourse on decentralization must be built from the correct concept of decentralization in accordance with a political economy point of view, so that the development of a decentralized legal system may contain proposals from the regions during the discussion and drafting of decentralization laws at the Council level. Peoples Representative. Thus, the legal system has a strong foundation because it is based on the conditions in the regions. This is what is called democratization as the basis for the development of a national legal system.

Macroeconomic indicators in districts and cities are not only based on taxation elements, moreover, the responsibility of government in accordance with laws and regulations covers a very wide field, especially public services. Taxation is an important indicator, but from a political economy perspective, the industrial sector is the most important macro indicator in achieving regional income that is balanced with its responsibilities. Therefore, the study of the relationship between macro indicators and taxation must be linked to the general conditions of the regional political economy, namely from production and distribution.

REFERENCES

1. Nurcholis, C. and S.W. Kridasakti, *Reconstruction of the Local Government Model Based on the Concept of the Founding Fathers and the 1945 Constitution Juncto the 1945 Constitution of the Republic of Indonesia towards Modern Local Government*. Yustisia Jurnal Hukum, 2018. 7(3): p. 534-568 DOI: <https://doi.org/10.20961/yustisia.v7i3.24610>.
2. Nurmantu, S., *Pengantar perpajakan*. 2005: Yayasan Obor Indonesia.
3. Santosa, P.B. and R.P. Rahayu, *Analisis Pendapatan Asli Daerah (PAD) dan Faktor-faktor yang mempengaruhinya dalam upaya pelaksanaan otonomi daerah di Kabupaten Kediri*. Jurnal Dinamika Pembangunan (JDP), 2005. 2(Nomor 1): p. 9-18.
4. Denzin, N.K. and Y.S. Lincoln, *The Sage handbook of qualitative research (Fifth edit)*. 2018, Los Angeles: Sage Publications.
5. Leigh, N.G. and E.J. Blakely, *Planning local economic development: Theory and practice*. 2016: SAGE publications.
6. McLure, C.E., *The value added tax on electronic commerce in the European Union*. International Tax and Public Finance, 2003. 10(6): p. 753-762 DOI: <https://doi.org/10.1023/A:1026394207651>.
7. Ravitch, S.M. and N.M. Carl, *Qualitative research: Bridging the conceptual, theoretical, and methodological*. 2019: Sage Publications.

8. Kusumadewi, D.A. and A. Rahman, *Flypaper effect pada dana alokasi umum (DAU) dan pendapatan asli daerah (PAD) terhadap belanja daerah pada kabupaten/kota di Indonesia*. Jurnal Akuntansi dan Auditing Indonesia, 2007. **11**(1).
9. Simanjuntak, K.M., *Implementasi kebijakan desentralisasi pemerintahan di Indonesia*. Jurnal Bina Praja: Journal of Home Affairs Governance, 2015. **7**(2): p. 111-130 DOI: <https://doi.org/10.21787/JBP.07.2015.111-130>.
10. Sutiyo and K.L. Maharjan, *Decentralization and rural development in Indonesia*. 2017: Springer DOI: <https://doi.org/10.1007/978-981-10-3208-0>.
11. Treisman, D., *The architecture of government: Rethinking political decentralization*. 2007: Cambridge University Press DOI: <https://doi.org/10.1017/CBO9780511619151>.
12. Tyson, A.D., *Decentralization and adat revivalism in Indonesia: The politics of becoming indigenous*. 2010: Routledge DOI: <https://doi.org/10.4324/9780203849903>.
13. Rondinelli, D.A., J.R. Nellis, and G.S. Cheema, *Decentralization in developing countries*. World Bank staff working paper, 1983. **581**: p. 13-28.
14. Hestiliani, T., *DECENTRALISATIE WET VAN NEDERLAND INDIES 1903*. ISTORIA: Jurnal Pendidikan dan Sejarah, 2019. **15**(2) DOI: <https://doi.org/10.21831/istoria.v15i2.27389>.
15. Hidayat, I.N., *Analisis Akuntabilitas Laporan Keuangan Sekolah (Studi pada SMPN 4 Panji, Situbondo)*. 2012.
16. Lapan, S.D., M.T. Quartaroli, and F.J. Riemer, *Qualitative research: An introduction to methods and designs*. 2012: Jossey-Bass/Wiley.
17. Ritchie, J., et al., *Qualitative research practice: A guide for social science students and researchers*. 2013: sage.
18. James, O., S.R. Gilke, and G.G. Van Ryzin, *Experiments in public management research: Challenges and contributions*. 2017: Cambridge University Press DOI: <https://doi.org/10.1017/9781316676912>.
19. van Roosmalen, P.K.M., *Designing colonial cities: the making of modern town planning in the Dutch East Indies and Indonesia 1905-1950*. IIAS Newsletter, 57 (2011), 2011.
20. Adria, M. and Y. Mao, *Handbook of research on citizen engagement and public participation in the era of new media*. 2016: IGI Global DOI: <https://doi.org/10.4018/978-1-5225-1081-9>.
21. Aspinall, E. and M. Mietzner, *Problems of democratisation in Indonesia: elections, institutions and society*. 2010: Institute of Southeast Asian Studies DOI: <https://doi.org/10.1355/9789814279918>.
22. Basri, H., S. Syaparuddin, and J. Junaidi, *Pemetaan Kinerja Pendapatan Asli Daerah dan Kemampuan Keuangan Daerah Kabupaten/Kota di Provinsi Jambi*. Jurnal Perspektif Pembiayaan dan Pembangunan Daerah, 2013. **1**(2): p. 81-90.
23. Bird, R.M. and F. Vaillancourt, *Desentralisasi fiskal di negara-negara berkembang*. Jakarta: PT Gramedia Pustaka Utama, 2000.
24. Bräuchler, B., *The cultural dimension of peace: Decentralization and reconciliation in Indonesia*. 2015: Springer DOI: <https://doi.org/10.1057/9781137504357>.
25. Gunamantha, I.M., *Analisis dampak program pengembangan kecamatan terhadap pengentasan kemiskinan di Kabupaten Buleleng*. Jurnal Ilmu Sosial dan Humaniora, 2015. **4**(1) DOI: <https://doi.org/10.23887/jish-undiksha.v4i1.4921>.
26. Hogan, T.L., *Stephanie Kelton, The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy*. New York: public affairs, 2020. Xi+ 325 pages. 30.00 USD (hardback). The Review of Austrian Economics, 2021: p. 1-4 DOI: <https://doi.org/10.1007/s11138-021-00543-y>.
27. Forrester, J.P., *Bankruptcy Takings*. Fla. L. Rev., 1999. **51**: p. 851.
28. Gonzalez Iii, J.J., R.L. Kemp, and J. Rosenthal, *Small Town Economic Development: Reports on Growth Strategies in Practice*. 2017: McFarland.