



## Analysis of Regional Original Income in Samarinda City

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**Abstract.** Regional development, as an integral part of national development, aims to optimize the utilization of human resources and other potential resources. One crucial factor in the success of regional development is the availability of adequate financial resources, which include general allocation funds, special allocation funds, central government balancing funds, and locally sourced revenues. This study analyzes the acceptance of Local Revenue (PAD) in Samarinda City by examining factors such as public expenditure, private investment, Gross Regional Domestic Product (GRDP), and per capita income. Using a multiple linear regression analysis method with time-series data from 2013 to 2023, the study finds that public expenditure has a positive but insignificant effect on PAD, while private investment, GRDP, and per capita income have a significant positive impact on PAD. The findings suggest that increasing local investment, economic growth, and per capita income can enhance the financial independence of Samarinda City. The study highlights the importance of policy formulation aimed at improving local revenue management and reducing dependency on central government transfers.

**Keywords:** GRDP, Investment, Local Revenue, Public Expenditure.

### 1. INTRODUCTION

Regional development as an integral part of national development seeks to optimize the use of human resources and other potential resources. Therefore, in addition to human resources, other factors that greatly determine the success of regional development are the availability of adequate finances, both from general allocation funds, special allocations, central government balancing funds and funds derived from the original regional income sources themselves. In implementing more equitable development throughout the region, the government seeks to achieve harmony in the growth rate between regions. Efforts to realize this development are to improve optimal performance and be balanced with increasing efficiency efforts.

Regional Original Income (PAD), consists of regional taxes and other legitimate regional income, as well as income from government grants. Further elaboration of the authority of Regional Original Income is regulated in Government Regulation No. 35 of 2023 concerning Regional Taxes and Regional Retributions.

According to Todaro (2000:76) the potential for tax revenue of a country depends on the level of per capita income, economic structure, income distribution, socio-political conditions and income administration. According to Susanti, Moh Ikhsan and Widyanti (2007:61) the more advanced an economy is indicated by the higher per capita income of its population.

The use of Public Expenditure in Samarinda City is directed at improving the community's economy such as road construction, market construction, bridges, and so on. Samarinda City's public expenditure tends to increase from year to year, namely in 2013 it was Rp 1,859,315,973,242 to Rp 2,048,072,949,000 in 2023.

Investment is essentially the beginning of economic development activities, investment can be carried out by the private sector, government or cooperation between the government and the private sector. The high investment activity in Samarinda City will encourage economic growth, and in turn provide significant income for the local government. Samarinda City investment tends to increase from year to year, namely in 2023 by IDR 44,395,000,000 to IDR 2,221,455,380.00 in 2023. The value of Samarinda City's GRDP based on current prices in 2023 is 89.29 billion rupiah or higher than in 2021 which was 71.17 billion rupiah.

Samarinda City's per capita income from 2012 to 2023 tends to increase. In 2012, the per capita income of Samarinda City was IDR 44,836,256 and in 2023 it increased to IDR 63,017,290. Regional Financial Indicators show that the formulation of policies in supporting the management of regional revenue budgets will be more focused on efforts to mobilize regional original income. PAD revenue tends to increase from 2020 to 2023. In 2023, PAD revenue amounted to IDR 560,454,549.36 to IDR 858,259,042,911.93

As an autonomous region, Samarinda City is required to be able to explore the potential or sources of the region, especially from the Regional Original Income (PAD) Sector. Regional original income is a financial source that is directly managed by the regional government by utilizing various regional potentials that are able to generate income/receipts for the regional government.

## **2. LITERATURE REVIEW**

### **Regional Autonomy**

Autonomy comes from the Greek, Auto which means standing alone and Nomos which means law or regulation. In relation to the government, autonomy means that the region is self-governing which is regulated by laws and regulations.

Regional autonomy has now become a kind of new product from an "Industry called the government which immediately receives a very high response when it enters the market". So it is

hoped that with regional autonomy it is expected to be able to provide new hope for the growth of awareness to develop the region more optimally, no longer concentrated in the center.

### **State Finance**

In today's modern economy, we see that there are four main groups of economic subjects, namely households, companies, government and abroad, each of these economic subjects has activities that generally aim to fulfill the desires or needs of members of each of these subjects. State finance in general discusses government activities, especially those concerning the issue of revenue and expenditure budgets, both the State Budget (APBN) and the Regional Budget (APBD). Several economists have defined state finances, especially state revenues and expenditures.

### **Regional Original Income**

Regional Original Income is the accumulation of Tax Revenue Posts containing Regional Taxes and Regional Retribution Posts, Non-Tax Revenue Posts containing the results of regionally owned companies, Investment Revenue Posts and Natural Resource Management. (Bastian, 2002:78).

Regional Original Income (PAD) is all regional revenues originating from regional original economic sources. According to Elita Dewi, (Bastian, 2002:79) in her journal discussing the identification of regional income sources, it is explained that identification is the same introduction or proof, so identification of regional original income sources is: researching, determining and determining which is actually the source of regional original income by researching and working on and managing the source of income.

### **Gross Regional Domestic Product**

According to Mankiw (2005:16), Gross Domestic Product (GDP) can be viewed in two ways. First, the total income received by each person in the economy. Second, is the total expenditure on goods and services in the economy. From these two views, Gross Domestic Product (GDP) is a reflection of a country's economic performance.

### 3. RESEARCH METHODS

#### Research Scope

The location of the research that leads to PAD activities in Samarinda City. This research was conducted using time-series data from 2013 - 2023 obtained from various agencies in the Samarinda City Government.

#### Data Analysis Tools

To obtain a general overview of the results of this study and in order to test the hypothesis as a temporary answer to solving the problems presented in this study, the data obtained will be analyzed using the Multiple Linear Regression analysis tool using SPSS IBM 27.

### 4. RESEARCH RESULTS AND DISCUSSION

#### Model Feasibility Test

**Table 1. Anova**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.284E+23	4	5.711E+22	17.630	.002 <sup>b</sup>
	Residual	1.620E+22	5	3.239E+21		
	Total	2.446E+23	9			

a. Dependent Variable: PAD

b. Predictors: (Constant), PK, PDRB, BP, INV

Source: Output SPSS

Based on the results of table 5.5 which is the output of the ANOVA test, the F value is 17.630 with a probability value (sig) = 0.002. Because the significance value of F 0.002 < 0.05,  $H_0$  is rejected or in other words the model is said to be feasible.

#### t-test

**Table 2. t-test**

Variable	Signifikansi t
Public Spending	0,376
Private Investment	0,008
GRDP	0,005
Income per capita	0,002

Source: Output SPSS

The following are the results of the comparison between the significance of  $t$  and  $(\alpha)$  5%: Public Expenditure Variable (X1) obtained a significance of  $t$  0.376. This means that the significance of  $0.468 > 0.050$  then  $H_0$  is accepted or in other words that Public Expenditure does not have a significant effect on Local Revenue in Samarinda City; Investment Variable (X2) obtained a significance of  $t$  0.008. This means that the significance of  $0.008 < 0.050$  then  $H_0$  is rejected or in other words that investment has a significant effect on Local Revenue in Samarinda City; PDRB Variable (X3) obtained a significance of  $t$  0.005. This means that the significance of  $0.005 < 0.050$  then  $H_0$  is rejected or in other words that PDRB has a significant effect on Local Revenue in Samarinda City.; Per capita Income Variable (X4) obtained a significance of  $t$  0.002. This means that the significance is  $0.002 < 0.050$ , so  $H_0$  is rejected or in other words, per capita income has a significant effect on Regional Original Income in Samarinda City.

## **Discussion**

### **The Influence of Public Spending on Local Revenue**

The public spending variable has a positive and insignificant effect on the Local Revenue of Samarinda City, indicating that public spending issued by the Samarinda City Government has not maximized the increase in local revenue of Samarinda City. Based on the period from 2013 to 2023, the amount of public spending issued by the Samarinda City Government fluctuates from year to year.

Public spending consisting of capital expenditures takes time in the process, starting from budgeting, then implementation, and then used by the community to improve the economy. Increasing public spending will increase local revenue because the government can collect taxes and levies on infrastructure development that they have built for the public. According to Mardiasmo (2003:87), various expenditures allocated by the government should provide direct benefits to the community. Therefore, for short-term interests, levies in the form of levies are more relevant than taxes. The underlying reason is that this levy is directly related to the community. The community will not pay if the quality and quantity of public services do not increase.

### **The Influence of Investment on Local Revenue**

Pays attention to incoming investment. The results of this study indicate that investment has an effect on the PAD revenue of Samarinda City. These results illustrate that the increasing value of investment will increase the original regional income. Increasing investment in a region can result in increasing taxes received by the region. Increasing tax revenue also has an impact on the increasing ability of a region to finance its own household. Increasing income through tax revenue can then increase PAD.

A region is said to have succeeded in implementing autonomy if the region has a good level of independence. The level of independence is seen from how much the region depends on the central government with the PAD that can be generated by the region (Ririn, et al., 2014). Bastian (2006:48) stated that one of the economic indicators of the success of a region in implementing autonomy is the tendency for increased investment, both foreign investment (PMA) and domestic investment (PMDN).

To increase investment in Samarinda City through investment policies that attract investors to invest in Samarinda City, such as ease of licensing. Increasing investment will increase regional taxes and levies which will then increase the PAD of Samarinda City

### **The Influence of Gross Regional Domestic Product on Local Original Income**

To increase economic growth in the future, the government must be able to balance various new products with the development of local economic potential. for example by providing wider opportunities for investors. High sensitivity is needed to various investor needs to increase this investment activity. This high activity will provide additional local revenue.

To increase economic growth in Samarinda City in the future, the government must be able to balance various new products with the development of local economic potential. for example by providing wider opportunities for investors to invest. This high activity will provide additional local revenue. This is in line with the results of research conducted by Halim and Abdullah (2004) which showed that the development of certain industrial sectors (in this case the service and retail sectors) made a positive contribution to tax increases.

### **The Influence of Per Capita Income on Local Original Income**

The per capita income variable has a positive and significant effect on Samarinda City's local original income. This condition shows that the increasing amount of per capita income from year to year affects local original income. This result is in accordance with Todaro's opinion (2000:76) that the potential for a country's tax revenue depends on the level of per capita income, economic structure, income distribution, socio-political conditions and income administration. The high level of investment activity will encourage economic growth, and in turn provide significant income for the local government (Lin and Liu, 2015; Saragih, 2013).

According to Susanti, Moh Ikhsan and Widyanti (2007:61) the more advanced an economy is indicated by the higher per capita income of its population. Per capita income is one of the important indicators to determine the economic conditions in a region in a certain period, both based on current prices and constant prices.

The higher per capita income can be an approach to see the purchasing power of the community on a macro scale, which of course will further improve the welfare of the community. With the increasing income of the community, it shows greater purchasing power, so that it will affect the ability to pay regional taxes or levies which indirectly affect the increase in PAD of Samarinda City.

## **5. CONCLUSION**

From the results of the analysis and discussion, it can be concluded as follows: Public spending has a positive and insignificant effect on the Original Regional Income of Samarinda City; Private investment has a positive and significant effect on the Original Regional Income of Samarinda City; Gross Regional Domestic Product has a positive and significant effect on the Original Regional Income of Samarinda City.; Per capita income has a positive and significant effect on the Original Regional Income of Samarinda City; the correlation coefficient (R) is 0.966 which means the closeness of the relationship between public spending, private investment, GRDP and per capita income with the PAD variable of Samarinda City is 96.60% with a very strong relationship category. While the results of the termination coefficient or R square (R<sup>2</sup>) are 0.934 which shows that changes in the PAD variable of Samarinda City can be explained by independent variables consisting of public spending, private investment, GRDP and per capita income of 93.40% while the remaining 6.60% is explained by variables outside the model used.

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