



The Role of Regional Original Revenue and General Allocation Funds as a Source of Revenue in the Regional Revenue and Expenditure Budget of the East Java Provincial Government

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Abstract. *This study aims to describe and analyze: the role of PAD and DAU as a source of revenue in APBD financing in East Java Province and how the East Java Provincial Regional Government efforts to increase PAD through Regional Original Tax. The data analysis technique uses the technique developed by McNabb (2002), namely Grouping the data according to key constructs, Identifying bases for interpretation, Developing generalizations from the data, Testing Alternative interpretations and Forming and/or refining generalizable theory from case study. The results of the study show that the Role of Regional Original Revenue in the Regional Budget in the East Java Provincial Government is very high. The dependence of the East Java Provincial Government on the Central Government is relatively low. This is evidenced by the magnitude of the PAD value to the APBD around 72%. DAU's contribution to the APBD is quite high, in 2024 it will reach 82%. This indicates that the local government of the East Java Provincial Government uses DAU more than PAD for Regional Expenditure. This means that there is fiscal dependence on the central government and provincial governments. In general, the policy of increasing Regional Original Revenue from the Tax sector carried out by the East Java Provincial Government includes Synergy between the Provincial Government and Regency/City Government, Innovation in tax payment services, Re-data collection of taxpayers, Cooperation with the private sector and NGOs, Improvement of tax management management. The East Java Provincial Government together with the Regional Governments of Regencies/Cities throughout East Java collaborate in the synergy of regional tax collection and regional tax options. The goal is to create effective regional financial management by prioritizing synergy in optimizing the increase in Regional Original Revenue (PAD: Pendapatan Asli Daerah) to encourage fiscal independence in the regions.*

Keywords: APBD, General Allocation Fund (DAU: Dana Alokasi Umum), Regional Original Revenue (PAD: Penerimaan Asli Daerah), Role,

1. INTRODCUTION

Reform has brought many changes in the life of the nation and state in the Republic of Indonesia. One of the many reforms that led to a change was the reform of the relationship between the central government and local governments, better known as regional autonomy. Regional autonomy is essentially the authority of autonomous regions to regulate and manage the interests of local communities according to their own initiative based on community aspirations. In accordance with law number 23 of 2014 concerning Regional Government, local governments have the right to regulate and manage their own government affairs according to the principle of regional autonomy and assistance duties, directed to accelerate the achievement of community welfare through improving services, empowerment and participation of all communities, as well as increasing regional competitiveness by paying

attention to the principles of democracy, equity, justice and the specificity of a region in the system Unitary State of the Republic of Indonesia.

With the implementation of Law 23 of 2014 and Law No. 1 of 2022 concerning the Central and Regional Financial Balance, it indicates that a region has the authority to be independent. Regions formed based on the interpretation of Law 23 of 2014 and Law No. 1 of 2022, are more emphasized about the principles of the formation of laws and regulations which include: clarity of purpose, implementability, usefulness and results. Provinces and districts/cities do not have the same perception in describing their authority. Similarly, the nuances of collusion, corruption and nepotism (KKN) in various fields of government are considered to be increasingly fertile. Meanwhile, the space for participation that should be widely given to the community has also not been consistently implemented.

Based on the law, regions are given the authority by the central government to regulate their own households, including the authority to utilize their own sources of regional income and be able to meet their own regional needs. Thus, this regional autonomy can be used as a strong foundation in realizing the widest possible autonomy so that it can encourage an increase in regional development. As an autonomous region, the region has the authority and responsibility to organize the interests of the community based on the principles of openness, community participation and accountability to the community. This benefits the local government in carrying out development in the region itself and the local government has the authority to explore the potential of its region considering that the use of funds owned by the local government has great benefits for the interests of all levels in the region in particular and the Indonesian people in general, so the Provincial Regional Revenue Agency is obliged to be responsible for finding, processing and increasing Regional Original Revenue (PAD). Therefore, efforts to develop and improve PAD resources should receive serious attention from local governments with the intention that regions do not always depend on the central government, but must be able to be independent and creative.

In carrying out regional autonomy, local governments are required to run effective and efficient government and be able to encourage community participation in development, as well as increase equity and justice by developing all the potentials owned by each region (Mardiasmo, 2004). To support the implementation of good regional autonomy, broad, real, and proportionally responsible authority is needed in the regulation, distribution and utilization of resources in a fair manner, as well as the financial balance of the central and regional governments. To carry out the authority that has been given by the central government, the regions need a policy instrument. The most important policy instrument for the regions is the

Regional Revenue and Expenditure Budget (APBD: *Anggaran Pendapatan dan Belanja Daerah*). The APBD has an important role in planning, implementing, and controlling the performance of local governments in 1 (one) period. The APBD should be able to accommodate all the needs of a region, but on the other hand, it should also not burden the region concerned excessively. For this reason, the APBD must be prepared by paying attention to economic aspects, efficiency, and effectiveness. Permendagri No. 59 of 2007 hints that for the purpose of effectiveness in the management of the funds it manages, local governments are required to prepare regional financial reports as part of the accountability report of regional heads. Therefore, the local government of East Java Province, which is one of the provincial governments in Indonesia, is required to prepare a regional financial accountability report which includes the regional balance sheet, APBD calculation report, APBD calculation memorandum and cash flow report. From the APBD report, it can be analyzed the source and use of funds by local governments during one fiscal year, the source of funds is listed in the APBD which includes the transfer of balance funds from the central government.

By utilizing this regional autonomy, various efforts are needed to increase sources of financial revenue. In this case, one of them is by increasing PAD, both by increasing the receipt of existing PAD sources and exploring the economic potential of the community as a new source of PAD. Regional Original Revenue (PAD) is all regional revenues that come from the region's original economic sources. Regional Original Income (PAD) for each region varies where regions that have progress in the industrial field and have abundant natural resources tend to have a much larger PAD than other regions, and vice versa. Because of this, there is an inequality in Regional Original Revenue. On the one hand, there are areas that are very rich because they have a high PAD and on the other hand there are areas that are left behind because they have a low PAD.

According to Halim (2009), the problems faced by the regions in general are related to the exploration of regional tax and levy sources, which is one of the components of PAD, still has not made a significant contribution to regional revenue as a whole. This can result in leaks that are very meaningful for the region. The distribution of taxes between regions is very unequal because the tax base between regions varies greatly. The role of regional taxes and levies in financing is very low and varied, this occurs because there is a huge difference in the number of population, geographical circumstances (impacting relatively expensive costs) and community capabilities, so that it can result in the cost of providing services to the community varies greatly. Regional taxes and regional levies are important sources of regional revenue to finance the implementation of local government and regional development to strengthen

regional autonomy that is real, dynamic, harmonious and responsible with an emphasis on Level I Regions, in this case, the East Java Provincial Government.

Regional taxes usually arise as a result of the process of decentralization (fiscal decentralization) carried out by a government. One of the conditions for the implementation of fiscal decentralization is that there is a fairly loose authority of local governments in collecting regional taxes. The issue of fiscal decentralization will be very important because it will be directly related to the level of welfare of the existing people. On the one hand, taxes will reduce people's income and purchasing power, but on the other hand, if the results are used well by the government to meet the needs of the community, in this case, the provision of public goods and services, it will also improve the welfare of the community as a whole. PAD is actually the main mainstay of local governments to support the implementation of government and regional development (Saragih, 2003). However, regional revenues from the PAD element alone have not been able to meet the needs of the regions, especially with the addition of regional authorities, it is clear that additional funds are needed for the regions (Saragih, 2003), so that the regions still need assistance or funds from the central government, in this case the balance fund from the central government to the regions.

Provisions regarding DAU (General Allocation Fund) are regulated in Law No. 1 of 2022 concerning Financial Balance between the Central and Regional Governments. The goal of the central government is to reduce the fiscal gap between governments and ensure the achievement of public service standards throughout the country, but in practice transfers from the central government are the main source of funds for local governments to finance their main day-to-day operations reported in the APBD calculations. The General Allocation Fund plays a very dominant role compared to other sources of funds such as special allocation funds and profit-sharing funds. For this reason, it is hoped that the General Allocation Fund can be used effectively and efficiently to improve services to the community as the goal of decentralization, namely to accelerate development and equitable distribution of development results, in addition to maximizing regional potential to finance regional needs.

The Regional Original Tax can be used as an indicator in measuring the level of dependence of a region on the central government. If the contribution of PAD to the APBD is increasing, it means that the level of dependence of a region on the central government is getting smaller, this is because the region has been able to cover all forms of regional financing only by relying only on PAD instead of funds from the central government or in this case the so-called balance fund. And vice versa, if the contribution of PAD to the APBD is getting smaller, it means that the region is still very dependent on the central government, this is

because the region to cover all forms of regional financing must rely on funds from the central government or in this case the so-called balance fund. With this small contribution of PAD, regional expenditure is still not able to encourage development in the area. So far, the source of regional revenue still depends on the transfer of funds from the central government in the form of DAU. By maximizing the economic potential of the existing community well, it will be able to spur an increase in PAD to finance regional spending. If the economic potential of the community can be maximized, regional independence will be realized. Increasing regional revenue sources will improve people's welfare without relying on receiving funds from the central government.

Based on this, this study aims to describe and analyze 1) The role of PAD and DAU as a source of revenue in APBD financing in East Java Province 2) How the East Java Provincial Government is trying to increase PAD through Regional Original Tax.

2. THEORETICAL STUDIES

Regional Autonomy based on article I point 6 of Law No. 23 of 2014 Regional Autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own Government Affairs and the interests of local communities in the Unitary State system of the Republic of Indonesia. The purpose of Regional Autonomy according to Makrifah (2007) is distinguished from two sides of interests, namely the interests of the central government and local governments. Independence that is realized through the readiness of resources in the era of regional autonomy is something that is demanded by the community. Regions must use their authority in regulating and managing their own households, including managing all forms of revenue and expenditure without having to depend on the central government, at least reducing this dependence. Of course, this authority is not absolute, this is because each region has different community economic potentials so that the role of the central government is still needed.

Regional autonomy must open the same and widest possible opportunities for every actor in mutually agreed signs as a guarantee for the implementation of social order. Beyond that, Regional Original Revenue should not be restricted in principle, especially in the mobility of production factors. Autonomy provides opportunities for healthy competition between regions, of course with safety nets, for the achievement of minimum requirements for regions that are still considered unable to align themselves at a level of playing field (Basri, 2002).

The granting of the widest possible autonomy to the Regions is directed to accelerate the realization of community welfare through improving services, empowerment, and

community participation. In addition, through broad autonomy, in the strategic environment of globalization, the regions are expected to be able to increase competitiveness by paying attention to the principles of democracy, equity, justice, privilege and specificity as well as the potential and diversity of the regions in the system of the Unitary State of the Republic of Indonesia.

Indicators that can determine the success of Regional Autonomy include four factors, including:

- a. The Human Development Index is a comparative measurement, the value of the Human Development Index is measured based on three indicators as a reference, namely life expectancy, literacy, education and living standards for all countries around the world. Human resources are someone who is ready, willing and able to contribute to the achievement of organizational goals (Arsyad, 2015).
- b. Finance. According to Government Regulation (PP) 58 of 2005 concerning Regional Financial Management, article 1 paragraph 5 what is meant by regional finance is all regional rights and obligations in the context of the implementation of local government, which can be assessed in money, including all forms of wealth related to the rights and obligations of the region in the framework of the Regional Revenue and Expenditure Budget (APBD).
- c. Equipment. Law number 38 of 2004 article 1 paragraph 4 says that roads are land transportation infrastructure that includes parts of the road, including complementary buildings and equipment intended for traffic, which are located on the ground, above the ground level, below the ground level or water above the water level, except for railways, truck roads and cable roads. The implementation of roads is based on the principles of utility, security and safety, harmony, harmony and balance, justice, transparency, and accountability, usefulness and success, as well as togetherness and partnership.
- d. Organization and Managerial. Organization and Managerial is a tool or forum for the government to make decisions and make policies on the tasks carried out.

To imply the readiness of regional resources and financial capabilities in regulating revenue and expenditure, a policy instrument is needed, namely the Regional Revenue and Expenditure Budget (APBD). The APBD is a policy instrument that has an important role in planning and controlling local government performance. It is hoped that the APBD will be able to accommodate regional needs, so that the local government development process runs in a balanced manner. In the APBD which is also explained in Law No. 23 of 2014 concerning Regional Government, it is stated that the sources of regional revenue consist of:

- a. Regional original revenues include: regional taxes, regional levies, the results of the management of separated regional wealth; and other legitimate local income.
- b. Transfer Revenue.
- c. other legitimate regional income.

Transfer income as intended in paragraph (1) b includes: a. Central Government transfers consist of: balance funds; special autonomy funds; privilege funds; and Village funds. Inter-Regional transfers consist of: revenue sharing; and financial aid.

Regional finance is urgently needed in the context of implementing regional autonomy. According to the explanation of Law No. 23 of 2014, Regional Finance is the handover of regional financial resources both in the form of regional taxes and regional levies as well as in the form of balance funds as a consequence of the handover of Government Affairs to the Regions which is held based on the Principle of Autonomy. In order to carry out Government Affairs under its authority, the Region must have financial resources so that the Region is able to provide services and welfare to the people in its Region. The provision of financial resources to the Regions must be balanced with the burden or Government Affairs handed over to the Regions. The balance of financial resources is a guarantee for the implementation of Government Affairs that is handed over to the Regions. When the Regions have insufficient financial capacity to finance Government Affairs and especially Compulsory Government Affairs related to Basic Services, the Central Government can use DAK instruments to assist the Regions in accordance with the national priorities to be achieved.

With this arrangement, the government applies the principle of "money follows function". The existence of new authority given to regions to organize regional autonomy is expected to be able to explore sources of Regional Original Revenue (PAD). This policy is an affirmation of the government's efforts so that the regions can creatively seek opportunities for investment sources outside the region so that the regional financial barn can be fulfilled which in turn government affairs can run well and smoothly. Based on Law No. 1 of 2022 Article 1, it is stated that Regional Original Revenue, hereinafter abbreviated as PAD, is regional revenue obtained from regional taxes, regional levies, the results of the management of separated regional wealth, and other legitimate regional original income in accordance with laws and regulations.

Based on Law No. 23 of 2014 Article 1, it is stated that PAD is revenue earned by the region which is collected based on regional regulations in accordance with laws and regulations. PAD is regional revenue derived from the utilization of the potential owned by the

region. In the era of regional autonomy, regions are required to find other alternatives that can be utilized optimally to increase their income.

Regions cannot continue to rely on the central government to fund all activities in the regions. If this is done, the planned regional autonomy program cannot run properly. The readiness of resources, both natural resources and human resources, is needed to develop the economic potential of a region effectively and efficiently. Regional Original Tax is revenue obtained by the region sourced from the regional tax sector, regional levies, the results of segregated regional wealth management and other legitimate regional original income (Mardiasmo, 2004).

The General Allocation Fund is a fund sourced from the State Budget which is allocated to local governments with the aim of equalizing regional financial capabilities in financing all expenditures. Based on article of Law No. 1 of 2022, DAU is meant by funds sourced from state budget revenues which are allocated with the aim of equalizing financial capabilities between regions to fund regional needs in the context of implementing decentralization. The General Allocation Fund (DAU) is a transfer from the central government that is very significant in helping regional finances, because this DAU is used to equalize regional financial capabilities, so the amount of DAU in each region is not the same. For regions with low Regional Original Revenue (PAD), the general allocation fund (DAU) will be high, and vice versa if a region has a high Regional Original Income (PAD), the General Allocation Fund (DAU) will be low.

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In the pattern of financial relations between the central and regional governments, an important thing to determine the strength and weight of regional finances is the combination of the allocation of responsibilities with sources of funds at each level and region. On the one hand: who makes the payment and the payment for what, while on the other: who gets what and from where? Arsyad (1990) defines the financial (fiscal) relationship between the government as a system that regulates how a certain amount of funds are divided between

various levels of government to support public sector activities at various levels. The system also regulates how to find sources of financing.

According to Kristiadi (1992), the factors that are the basis for the division or function of the Central Government and Regional Government are: First, functions that are national in nature and related to the existence of the state as a political unit are handed over to the Central Government. Second, functions related to community services that need to be provided uniformly or standard for the entire region. This service function is more suitable to be managed by the Central Government considering that it is more economical if it is pursued on a large scale (economy of scale). Third, the service function is local, this function involves the wider community and does not require a standard (uniform) level of service, such a function can be managed by the Regional Government. The Regional Government can adjust services to the needs and capabilities of each region.

The APBD is a Regional Revenue and Expenditure Plan (APBD) for one current year (1 period) stipulated by regional regulations (PERDA: *Peraturan Daerah*). Based on Government Regulation Number 12 of 2019, what is meant by regional financial management is the entire activity which includes planning, implementation, administration, reporting, accountability and supervision of regional finances. There are a lot of regional activities in the context of the implementation of decentralization financed by the APBD. The implementation of regional tasks in the context of the implementation of decentralization financed by the burden of the APBD within the scope of regional financial management according to Government Regulation Number 12 of 2019 is as follows:

- a. The right of the region to collect Regional Taxes and Regional Levies and make loans.
- b. regional obligations to organize local government affairs and pay third-party bills.
- c. regional revenue. District production.
- d. regional wealth managed by itself or by other parties in the form of money, securities, receivables, goods, and other rights that can be valued in money, including wealth separated from regional companies.
- e. the wealth of other parties controlled by the local government in the context of carrying out local government duties and/or public interest.

3. RESEARCH METHODS

The research is descriptive analysis, namely managing and describing the data that is studied systematically, understanding and analyzing the data. The type of research used is field research, in this case the data or sources obtained are sourced from the Regional Government

of East Java Province and the Regional Revenue Agency as primary data. The data analysis technique in the study uses techniques developed by McNabb (2002), namely Grouping the data according to key constructs, Identifying bases for interpretation, Developing generalizations from the data, Testing Alternative interpretations and Forming and/ or refining generalizable theory from case study.

4. RESULTS AND DISCUSSION

The role of PAD as a source of revenue in APBD financing in East Java Province.

In principle, the East Java Provincial Regional Revenue consists of: Regional Original Revenue (PAD), Balance Fund, and Other Revenue. Regional Original Revenue (PAD) Regional taxes, Regional levies, Results of segregated regional wealth management, Other valid PAD. Tax Revenue Sharing Balance Fund, Non-tax/natural resources Revenue Sharing, General Allocation Fund (DAU), Special Allocation Fund (DAK). Other Income Results of Regionally Owned Companies, Other Legitimate Income

The expenditure side consists of: Routine expenditure consists of: regional spending, regional revenue, and regional financing. The regional expenditure component consists of employee expenditure, goods and services expenditure, capital expenditure, other expenditure, operating expenditure, unexpected expenditure, transfer expenditure, grant expenditure and social assistance expenditure.

The level of expenditure from the East Java Provincial Government Budget in 2024 can be balanced with the increase in Regional Original Revenue. In this case, the development of the revenue of the agencies is sufficient, which proves that there are efforts from the East Java Provincial Government to create a balance in the APBD balance sheet by increasing revenue in the PAD component. The value of PAD in 2024 is Rp. 35,280,000,000,000, while Regional Expenditure in the APBD is Rp. 48,970,000,000,000. This is evidenced by the large value of PAD to the APBD around 72%.

Thoha (2002) argues that to finance household affairs from pure sources of income alone, the City/Regency Regional Government has difficulties, let alone to finance development. Obviously, development can only run in the City/Regency Regional Government if the area receives financing from the Central Government. Because financing comes from the Center, the planning, implementation and control process is largely determined by the Center. As also hinted at by Shaw quoted by Devas: "Regional financial resources are indeed inadequate, but the Regional Government does not have to stand alone in terms of finance in order to have a meaningful level of autonomy, the important thing is "authority at the edge",

meaning that it has a sufficient level of regional revenue if 20% of the expenditure comes from regional sources (Devas, 1999)

The condition that occurs in the East Java Provincial Government, Regional Original Revenue is able to contribute to the APBD in 2024 from 72%. This is indeed very ideal, if hinted at by the opinion expressed by Shaw above, but by looking at the development of the existing PAD, it can be said that there are positive efforts from the East Java Provincial Government in improving the level of regional revenue. This includes efforts to increase revenue from the regional tax sector and regional levies.

Regional Original Revenue (PAD) is the backbone for financing the implementation in the framework of Regional Autonomy, and in this context is the most important aspect in regional financial independence, especially in the case of the East Java Provincial Government. The Regional Original Revenue (PAD) component produced by the Regional Offices, at first glance, it will be seen that the sources of Regional Original Revenue (PAD) are quite adequate. Regions, now have autonomy, will have the authority and right to explore PAD sources. Because of this little freedom, it is possible for the Regions to exploit their resources to obtain large amounts of revenue.

The role of DAU as a source of revenue in APBD financing in East Java Province

The general allocation fund is a fund sourced from the state budget revenue which is allocated with the aim of equalizing financial capabilities between regions to fund regional needs in the context of implementing decentralization (Law No. 1 of 2022). The objectives of the General Allocation Fund (DAU) are mainly for: (a) horizontal equity and (b) sufficiency. The purpose of horizontal equity is the interest of the central government in order to distribute income fairly and evenly so that there is no wide gap between regions. Meanwhile, what is in the interest of the region is sufficiency, especially to close the fiscal gap. Sufficiency is influenced by several factors, namely burden authority and Minimum Service Standards (SPM: *Standar Pelayanan Minimum*).

DAU's contribution to the APBD in East Java Province in 2024 will reach Rp 41,070,000,000,000 trillion. This figure is the realization of DAU which increased by 14.77%. DAU's contribution to the APBD is 84%. This indicates that the local government of the East Java Provincial Government uses DAU more than PAD for Regional Expenditure. This means that there is fiscal dependence on the central government. This dependence is expressed in the ratio of regional financial dependence. The larger the regional financial dependency ratio, the greater the flypaper effect. This is inversely proportional to the size of the PAD. The higher

the PAD of a region, the greater the ability to finance regional expenditure and the smaller the regional financial dependency ratio and the flypaper effect also decreases. On the other hand, the lower the PAD of a region, the smaller the ability to finance regional expenditure and the greater the regional financial dependency ratio and the flypaper effect also increases.

Efforts of the East Java Provincial Government to increase PAD

The concept of Autonomy as a manifestation of the decentralization of the Unitary State cannot be separated from the phenomenon that unity is a logical reason why the Central Government still wants to control the Regional Government. In this case, it must be seen that the Regional Government as part of the Central Government must be given the freedom to regulate and take care of its household.

Although politically freedom is a vulnerable condition from disintegration, administratively it is a manifestation of the emphasis on autonomy in the Regional Government. The limitations and excess potential of regions to be independent should be the basis that Regional Autonomy or administrative decentralization needs to be realized. Because this will encourage a region to develop according to the development of its society, and is no longer based on the assumption that the region is not able to be independent both politically and administratively.

In addition, Indonesia is a country rich in diversity, therefore the Central Government's policies on the regions should be implemented in accordance with the conditions and capabilities concerned, without reducing the meaning that Indonesia is a unitary state, so that the concept of decentralization does not contradict the concept of a unitary state. At the very least, the regions are given the authority to formulate policies that concern their own regions without the intervention of the Central Government, which basically knows and understands the regions themselves better than the Central Government knows the regions based on mere data accumulation.

In the context of autonomy, the obstacle faced is the limited financial resources owned by the regions, therefore it must be a financial balance mechanism between the Central Government and the Regional Government or authority at the edge for the regions (Devas, 1999). Sources of revenue for the regions are a vital aspect that must exist in the regions, otherwise the emphasis on autonomy in the City/Regency Regional Government becomes blurred, because in the absence of sources of revenue for the regions, regional finances will be highly dependent on assistance and subsidies from the Central Government. With sufficient

revenue sources owned, the region will be able to organize government and services to the people of the area appropriately.

The increase in Regional Original Revenue is a consequence of the implementation of regional autonomy, for which the East Java Provincial Government has carried out various policies. The policy regarding the increase in Regional Original Revenue seems to be closely related to the pattern of fiscal relations between the Central Government and the Regional Government. The pattern of financial relations is nothing but about the authority of the regions to explore and manage their own sources of income, the balance system, and the tax and non-tax revenue sharing system. One of the sources of Regional Original Revenue in East Java Province is regional taxes.

The East Java Provincial Government (East Java) has increased Regional Original Revenue (PAD) with various efforts, such as: Synergy between the Provincial Government and Regency/City Government, Innovation in tax payment services, Re-collection of taxpayers, Cooperation with the private sector and NGOs, Improvement of tax management management. The East Java Provincial Government together with the Regional Governments of Regencies/Cities throughout East Java collaborate in the synergy of regional tax collection and regional tax options. The goal is to create effective regional financial management by prioritizing synergy in optimizing the increase in Regional Original Revenue (PAD) to encourage fiscal independence in the regions.

This is in accordance with Law (UU) Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments, which regulates the implementation of the Motor Vehicle Tax Option (PKB), the Motor Vehicle Name Return Duty Option (BBNKB), and the Non-Metallic Minerals and Rocks Tax Option (MBLB). The distribution of options is more beneficial for regional development, local governments are required to allocate at least 10 percent of the PKB Option revenue for road construction and maintenance, as well as improving the overall mode and means of public transportation.

In addition to the policy of increasing Regional Original Revenue through the Regional Tax sector as contained in the Regional Regulation, at the implementation level, of course, a series of decisions or in the form of actions of the implementers (periphery) are needed so that these policies become smoother to achieve their goals. The implementation of the Regional Original Revenue intensification policy in the tax sector does not ignore improvement decisions in the managerial field starting from planning to the control system.

For Regional Levies, intensification efforts can be made by the Regional Government by improving services and providing services to the community, so that the object of levy

collection can be effective and optimized. Due to the limited budget of the Regional Government, so that the provision of services to the community has not been maximized, the collection of levies is also limited. In the collection of Regional Levies, the services provided by the Regional Government are very decisive, because the collection of levies must be accompanied by service rewards (services) by the Regional Government

Regional financial capability is a key element in realizing Regional Autonomy. The East Java Provincial Government is trying to develop and utilize its potential to realize this condition, striving to be fully capable of carrying it on its own. These extensification efforts within the limits do not conflict with government regulations or similar rules that have been established by the Central Government or a higher government. In the context of extensification of regional revenues, in Regional Taxes by developing revenue objects for regions carried out by Regional Offices. The object of the revenue is not in the form of Regional Taxes or Regional Levies, but is in cooperation with third parties (farmers and aid recipients) and prioritizes the mechanism of revolving funds that can be used by the community at large.

CONCLUSION

The role of Regional Original Revenue in the APBD in the East Java Provincial Government is very high. The dependence of the East Java Provincial Government on the Central Government is relatively low. This is evidenced by the magnitude of the PAD value to the APBD around 72%. DAU's contribution to the APBD is quite high, in 2024 it will reach 82%. This indicates that the local government of the East Java Provincial Government uses DAU more than PAD for Regional Expenditure. This means that there is fiscal dependence on the central government and provincial governments. In general, the policy of increasing Regional Original Revenue from the Tax sector carried out by the East Java Provincial Government includes Synergy between the Provincial Government and Regency/City Government, Innovation in tax payment services, Re-data collection of taxpayers, Cooperation with the private sector and NGOs, Improvement of tax management management. The East Java Provincial Government together with the Regional Governments of Regencies/Cities throughout East Java collaborate in the synergy of regional tax collection and regional tax options. The goal is to create effective regional financial management by prioritizing synergy in optimizing the increase in Regional Original Revenue (PAD) to encourage fiscal independence in the regions.

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