

## Effectiveness of Revenue Budget Implementation and Regional Shopping in Lumajang Regency

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**Abstract** : This study aims to describe and analyze: the effectiveness of the implementation of the Revenue and Expenditure Budget policy and the implications of the implementation of the Regional Budget and Expenditure policy in Lumajang Regency. 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 regional financial policies in Lumajang Regency, especially the policy of increasing Regional Original Revenue (PAD), are inseparable from the Central Government's policies in the framework of financial relations between the Central and Regional Governments. Meanwhile, the Lumajang Regency Government's policies to increase Regional Original Revenue (PAD/Pendapatan Asli Daerah) include: Digitalization to increase the efficiency and transparency of financial management, Adjustment of regional taxes and levies, Re-collection of taxpayers, Cooperation with the private sector and NGOs in the management and collection of regional taxes and Improvement of regional tax management management. The model of the implementation of the Regional Original Revenue (PAD) policy implementation model in Lumajang Regency is Top Down. The Government of Lumajang Regency, East Java is committed to continuing to encourage an increase in Regional Original Revenue (PAD). The contribution of Lumajang Regency's PAD in 2024 compared to the APBD (*Anggaran Pendapatan Belanja Daerah*) structure only reaches 16 percent, so that to meet the needs of the expenditure budget in the APBD budgeting structure, it still depends on transfer funds, To reduce dependence on transfer funds, the government is optimizing regional tax revenues, especially from the Rural and Urban Land and Building Tax (PBB-P2). The implication is that to increase regional tax and levy revenues, efforts are needed to increase production and business capacity in the regions. Increasing production capacity and business activities is an important factor to increase regional tax and levy revenues. In addition, it is also necessary to increase the capacity of regional tax administration as one of the requirements to increase tax capacity and effort in the regions (taxable capacity and tax effort).

**Keywords:** APBD, Role, Regional, Original, Revenue.

### 1. INTRODUCTION

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/Kolusi Korupsi Nepotisme*) 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.

Regional autonomy is actually not only a matter of regulating government bureaucracy at various levels, but also contains the regulation of the relationship between the government and the people. Autonomy is the right of the people to govern the government in the region in their own way in accordance with the law, customs, and manners (Maskun, 1999). This kind of autonomy is called fundamental autonomy and indigenous. To the extent that the regulatory procedures can no longer meet the needs of regulating modern government or cannot solve government problems in the regions, then they can be immediately changed or perfected.

The basis for the drafting of Law No. 23, Year 2014 leads to the development of autonomy based on the initiative and participation of the people where the community has the right to provide input orally or in writing in the context of the preparation or discussion of the Draft Regional Regulation. This can be seen in one of the considerations of Law No. 23 of 2014 which reads: "that in the implementation of Regional Autonomy, it is necessary to place more emphasis on the principles of democracy, community participation, equality and justice, as well as paying attention to potential and diversity."

Another goal to be achieved with regional autonomy politics is to maintain the relationship between the central and regional governments within the Unitary State Framework. The broad autonomy granted to the regions can encourage and strengthen national integration. This paradigm is not only deductively inferred from a theory of national integration, but also inductively from the empirical experience of many countries that have experienced disintegration due to excessive centralization, and the experience of many countries that remain integrated in a system of federation or broad autonomy.

Furthermore, Law No. 23 of 2014 states that regional development is an integral part of national development which is carried out based on the principle of regional autonomy in the management of national resources in order to improve the welfare of the people who are free from corruption, collusion, and nepotism. Law No. 23 of 2014 also states that the Autonomous Region has the authority and responsibility to carry out the public interest based on the principles of openness, community participation, and accountability to the community.

In line with the delegation of greater authority and personnel to the regions, the central government provides general allocation funds (DAU) which are generally larger than the regional revenue and expenditure budget (APBD) in previous years. The allocation of DAU is entirely the responsibility of the regions. In reality, the DAU received is considered less than the need to be able to properly manage the government's authority in providing services to the community. In addition to the lack of funds, local officials who have been accustomed to

receiving "instructions" from the central government for more than three decades still need time to adapt to this new system of government administration.

With such conditions, will the ultimate goal of decentralization and otda, namely improving the welfare and independence of the community, be achieved? Or is the goal purely theoretical? Ideally, decentralization and otda can bring government services closer to the community because the service bureaucratic path is closer, so that people can more easily access government services, especially local government services.

Measurement of the impact of decentralization and otda on the performance of government services can be done by comparing the conditions before and after the implementation of the policy through certain measurable indicators. One of the aspects that can be measured is the level of community satisfaction with the services provided by the local government. For now, the impact is still difficult to observe, but the trend that has occurred can be evaluated through policies carried out by the local government, both directly and indirectly related to the indicators to be measured (Tjokroamidjojo, 2000).

The current performance of local government services will be reflected, among others, in the sectoral allocation policy in the APBD. The larger the budget allocated to a sector (both absolute and relative), the greater the attention of the local government to that sector, and the more opportunities are opened for the creation of good service performance for the sector. Meanwhile, one of the indicative approaches that can be used to see the impact of otda on efforts to create a clean and capable government is to look at the changes that occur in the procurement process and/or work on programs or projects funded by the APBD.

Meanwhile, regional independence (autonomy) is the process of reducing or eliminating the role and authority of the central government in order to empower local governments, local governments and communities to be able to develop their regions independently (Saragih, 2003).

The central position of regional finance in regional government also shows the position of the level of autonomy of a region because with regional financial capabilities, local governments can be declared capable or unable to take care of their own households (Ibnurejo, 1995). In other words, Regional Governments can carry out their functions in the framework of Regional Autonomy properly if they have sufficient financial resources. This is also as stated by Kaho (1991), one of the important criteria to know in real terms the ability of the region to manage and manage its own household is the ability to "Self Supporting" in the financial field. In other words, financial factors are one of the "essential factors" in measuring the level of ability to exercise autonomy.

In Indonesia, within the framework of a unitary state of regional financial independence, it does not seem to mean that each level of autonomous regional government must be able to finance the entire expenditure budget (routine expenditure and development expenditure) and Regional Original Revenue (PAD), PAD is only one component of the source of revenue in addition to other sources of regional revenue. Ideally, PAD sources are able to contribute the largest share of all regional revenue compared to other sources of income such as subsidies and aid. With such proportions, regions can freely exercise their autonomy rights, on the contrary, the limited sources of PAD show low autonomy

As is known, so far the sources of funds owned by the regions, especially the Regency and City Governments, are very limited, forming an inadequate regional financing pattern for the implementation of autonomy. Because Regional Original Revenue (PAD) is a measure of the power of autonomy, a strategy for the management and development of financial resources for PAD is needed in the context of developing Regional Autonomy.

Furthermore, with the flexibility it has, the Regional Government can work with various parties to develop its Regional Original Revenue and optimize existing sources of regional revenue for further regional development. Thus, the Regional Autonomy that wants to be developed is more emphasized on the aspect of community economic development.

The description above illustrates that local fiscal autonomy is one of the most important conditions. Regional fiscal autonomy describes the ability of Regional Governments to increase Regional Original Revenue. The increase in PAD does not only reflect the role of the regions in government financing and development but can also be directed to encourage the efficiency of the allocation of economic resources in the regions, equitable distribution and expansion of employment opportunities. Therefore, it is natural that PAD in regional finance is used as one of the benchmarks in the implementation of Regional Autonomy and Regional Governments must be financially independent of the Central Government by exploring as effectively as possible the sources of PAD such as taxes, levies and others.

In the implementation of government and development, the tasks and activities of the Regional Government in the future will increase in line with the increase in the number and needs of the population. The increase in duties and activities will certainly result in the increasing (increasing) of the Regional Government's expenditure budget, the increase in expenditure will certainly bring the consequence of increasing sources of financing that must absolutely be provided to finance these various expenditures. The government is required to play an active role in managing regional finances, especially exploring sources of regional

revenue that come from their own regions, commonly called Regional Original Revenue (PAD).

Mobilization of funds from the regions, especially taxes, is a central issue of fiscal policy. Maximum mobilization of funds in the form of various taxes, in addition to financing various routine expenditures, is also very necessary to finance various infrastructures that require large enough funds for the long term and the source of funds is impossible to depend continuously on the Central Government. Therefore, it is necessary to evaluate how effective and efficient the implementation of Budget and Revenue is, especially in Lumajang Regency. Based on this, this study aims to describe and analyze more broadly 1) How effective is the implementation of the Revenue and Expenditure Budget policy in Lumajang Regency 2) What are the implications of the implementation of the Regional Budget and Expenditure policy in Lumajang Regency.

## **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.

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)

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 pays 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.

### **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 in Lumajang Regency in particular and the Lumajang Regional Development Planning Agency as primary data. The informants in the study were authorized officials consisting of the Regional Secretary of the Lumajang Regency Government , the Head of the Lumajang

Regency Regional Revenue Agency. 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**

##### **Effectiveness of the implementation of the Revenue and Expenditure Budget policy in Lumajang Regency**

Regional financial policies in Lumajang Regency cannot be separated from the financial (fiscal) relationship framework between the Central Government and Regional Governments. In this framework, the relationship between the central and regional governments concerns the problem of financial distribution patterns between various levels of government which includes the pattern and system of subsidies, the implementation of central and regional taxes, revenue sharing or shared tax, or more broadly, how the fragmentation of the tax structure is comprehensive, collected and administered by various levels and units of government.

Financial policy within the regional scope which is identified as a fiscal or allocative policy is a policy that is formulated and implemented to affect the financial condition of the region, which in this case is revenue and expenditure as stated in the Regional Revenue and Expenditure Budget (APBD) of Lumajang Regency in each period.

Broadly speaking, in the framework of fiscal relations between the Central Government and the Regional Government of East Java Province and the Lumajang Regency Government, regional financial policy covers 3 (three) main areas, namely:

- (1) The policy of excavating and increasing sources of financing in the region, which in principle encourages the Lumajang Regency Government's greater ability to finance regional households.
- (2) Financing policy for the activities of the Lumajang Regency Regional Government, which is an effort for efficiency and productivity over existing costs, and
- (3) Institutional development and management policies (regional financial management in Lumajang Regency are efforts to improve regional financial institutions, the application of science and technology, financial systems and procedures, and regional financial.

The success or failure of the Lumajang Regency Government in obtaining various subsidies/financial assistance from the Central Government is through proposals based on funding needs and development needs (Fiscal Needs) which are submitted in stages starting from the Provincial Government to the Central Government through the Regency Government Rakorbang, Provincial Government Rakorbang, Regional Rakorbang, Rakorpus/National. The approval is highly dependent on the approach (lobby) and bargaining power carried out at each of these stages, in this process the ability of the regions is tested through the approach carried out and the bargaining power, the approval of the proposal will be very dependent on the Central Government and generally very rarely get the subsidy (assistance) as requested.

This condition shows that the fund transfer system in the context of financial balance which aims to increase the role of autonomous regions is not limited to efforts (policies) to link assistance/subsidies from the center/Lumajang Regency Government with tax efforts and tax performance and tax ability of Lumajang Regency. This also indicates a weakness in the financial transfer system as a result of the ineffective implementation of policies on financial balance because it is no longer in accordance with existing conditions.

The existence of development programs in Lumajang Regency shows that the program is actually one of the efforts to decentralize several functions of the Central Government and the Lumajang Regency Regional Government, especially the implementation of infrastructure development policies in the Lumajang Regency area and as is known that the development program is an important policy to carry out equitable development and reduce inequality between regions but ignore differences in capabilities in financing development based on one's own ability without considering regional needs, while also designed development program funds do not encourage the Lumajang Regency Government to increase PAD.

As is known, the essence of subsidies is to strengthen the level of autonomy of a region, especially the Lumajang Regency Government as one of the local governments that carry out regional autonomy. Thus, the provision of subsidies/assistance should strengthen activities in the regions. However, in reality, it leads to a pattern of attitude of the Regional Government (its officials) to always wait for transfers from the Central Government/Provincial Government, submit as many proposals as possible without paying attention to other supporting factors, further resulting from the dependence of the Lumajang Regency Regional Government on the Central Government/Provincial Government in terms of finances, both for the routine budget, especially the development budget.

In order to increase Regional Original Revenue (PAD), the Central Government enacts the Regional Revenue Manual (Mapatda) policy as a system and procedure for taxation and levies in the regions and other revenues and also enforces a new structure of the Regional Revenue Office (Dipenda) from a revenue-based structure model to a functional structure model, however, the implementation of this ii requires the support of staff (HR) who are tax experts and other supporting facilities which in fact until now has not been / lacked by the relevant Agency.

In addition to the policies of the Central Government and the Regency and City Governments, the Regional Government of Lumajang Regency as an autonomous region that has the right to regulate its own households has the authority to formulate and implement various policies related to regional finances, especially how the policy of increasing Regional Original Revenue as one of the mirrors of the ability to be autonomous.

The effectiveness of the implementation of regional tax and levy policies depends on the creativity and ability of the Lumajang Regency Government officials. How realistic are the local government officials in reformulating the policy in accordance with their capabilities and existing conditions so that the implementation of the policy will be effective in Lumajang Regency and the output of the policy can be seen from the increasing receipt of Regional Original Revenue.

Regional financial management in Lumajang Regency like other local governments is oriented towards the annual budget which in this case is contained in the Regional Revenue and Expenditure Budget (APBD) in each period, where the formulation of the budget to be implemented refers to the entire process of allocating local government resources as well as the preparation of certain documents that formulate revenue and expenditure figures for 1 budget year.

Budget formulation is a process that contains elements of planning, politics, economics and accounting. The planning process is intended because the preparation of the budget will have an impact in the future, the political process because according to the collective mechanism that determines the decision is made about who gets what and who bears the burden, and the economic process because resource allocation is an important economic function and the accounting process where information about receipts and expenditures is compiled to facilitate supervision, Budget evaluation and control.

The Regional Revenue and Expenditure Budget (APBD) of Lumajang Regency like other Regional Government Budgets is divided into 3 major parts, namely: revenue budget, routine expenditure budget and development expenditure budget. The preparation (planning) of these three budgets is carried out separately, namely: how much estimated revenue is likely to be obtained, how much allocation is needed for routine expenditure and the rest is for development expenditure allocation, thus the estimated revenue (especially those sourced from PAD) will ultimately affect development expenditure.

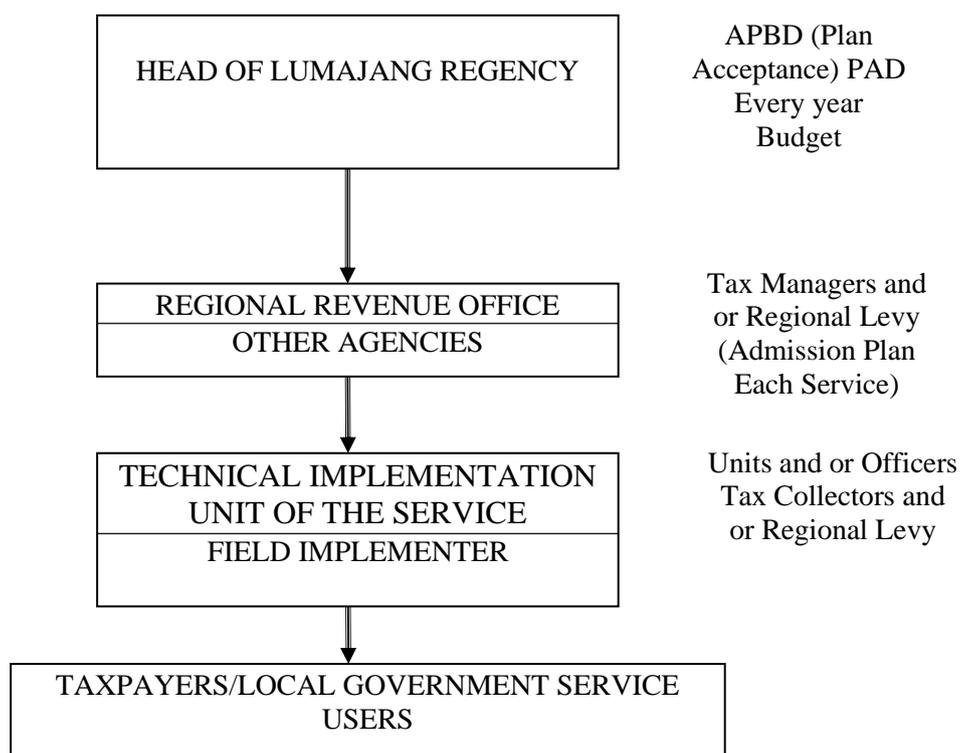
The preparation of the revenue budget (one of which is sourced from PAD) and routine expenditure is carried out with an incremental approach in the sense that the realization of the last year's budget is used as the basis for the preparation of the budget of the year concerned and the preparation of this year's budget is a continuation of the previous year's budget.

The revenue budget in the APBD, especially revenue sourced from Regional Original Revenue (PAD), is a collection/combination of revenue budgets formulated by each agency/agency/work unit of the Regional Government involved and as the manager of Regional Original Revenue (PAD) in this case is the agency/agency/work unit that has a source of PAD revenue. The revenue budget in this APBD is generally in the form of the revenue target figure for each Office/agency/work unit in each budget year. The preparation of the target number (revenue plan) of each agency/agency/work unit of the Regional Government is only based on the realization of revenue last year and the sources of revenue can still be expanded and the collection is not optimal and without using a certain formula and without taking into account other potential factors that may be affected, especially economic, development and other factors.

As a result of such a model of formulating the revenue plan, the determination of the target number (plan) becomes inconsistent, often too high or too low and even relatively fixed (constant). The result is that the realization of revenue often does not reach the target, the realization is very high and the achievement of realization is the same as planned, in fact most of what is planned can be realized. The inconsistency of the formulation of the revenue budget (target) is largely based on political considerations, there is a concern that if formulating/determining a high target number and not being achieved (cannot be realized) properly, it will have an impact on the person of the policy maker (Head of Service/Agency/Work Unit of the Regional Government managing PAD) concerned so that they formulate/determine the target number only based on the realization of last year's revenue. Work as optimally and effectively as possible, then the acceptance plan (target) can be achieved

easily. In addition, it is due to the absence of a data base on regional taxes and levies, making it difficult to determine targets.

In the implementation of this policy to increase Regional Original Revenue, most of the Lumajang Regency Government Offices/agencies/work units are involved in the management of Regional Original Revenue (PAD) in accordance with their authority and act not only as a formulator, but also implement the policy in stages according to the existing structure and generally top down. The policy of increasing Regional Original Revenue (PAD) is implemented after the Regional Revenue and Expenditure Budget is legitimized by the Lumajang Regency DPRD, the implementation of this policy is basically the realization of the plan (target) of Regional Original Revenue (PAD) revenue that has been formulated/planned previously. The flow of implementation of this policy is as illustrated in the following figure 2:



**Figure 1** Flow of Implementation of Regional Original Revenue Increase Policy and Institutions/Agencies/Local Government Units Involved

In stages, each structural level will try to influence the level/structure below it in order to realize/implement the policy of increasing Regional Original Revenue in accordance with the revenue budget (target) that has been planned in advance and in the end it is hoped that the

revenue target can be achieved as well as possible and not have a negative impact on the target group, which in this case is taxpayers and regional levies.

The implementation model of the Regional Original Revenue (PAD) policy is more Top Down, with the following mechanism: the revenue plan in the Regional Revenue and Expenditure Budget (APBD) which is a collection of revenue plans for each Service/Agency/Regional Government work unit is submitted back to the relevant Service/Agency/Work Unit to be realized and this is the revenue plan (target) of the relevant Service/Agency/Work Unit to be realized on the current fiscal year. The Regional Government Office/Agency/Work Unit then divides/breaks down the 1-year budget revenue plan (target) into quarterly, monthly and daily plans (targets). The targets that have been divided/broken down are used as guidelines by the Service Technical Implementation Unit (UPTD) and or field officers in carrying out their duties and these field officers are the ones who deal directly with taxpayers or levies.

The function of field officers in the implementation of this policy is as tax and levy collection officers as part of the Official Technical Implementation Unit (UPTD). The field officer and/or UPTD then deposits the collection results to the Special Revenue Treasurer (BKP) of their respective offices, then the Special Recipient Treasurer (BKP) deposits the tax/levy proceeds to the Regional Development Bank (BPD) as the holder of the Lumajang Regency Government Cash. In this process, there is actually a possibility of deviations (deviation from implementation) so that policy objectives are not achieved properly in the sense that policy implementation is ineffective.

### **Implications of the implementation of the Budget and Regional Expenditure Revenue policy in Lumajang Regency.**

Regional Original Revenue (PAD) is one of the sources of revenue that must always be triggered by growth. The number and increase of PAD in each period, especially in the future, will play a very important role in the regional independence plan in the framework of autonomy, especially autonomy in Dati II because PAD is one of the benchmarks to see the weight of the implementation of regional autonomy. The greater the Regional Original Revenue owned, the greater the ability of the Lumajang Regency Government to be able to take care of its various household affairs. On the other hand, the small size of PAD shows that there is little possibility for the Regional Government to be able to take care of its various household affairs.

To increase regional tax and levy revenues, efforts are needed to increase production and business capacity in the regions. Increasing production capacity and business activities is an important factor to increase regional tax and levy revenues. In addition, it is also necessary to increase the capacity of regional tax administration as one of the requirements to increase the capacity and tax effort in the regions (taxable capacity and tax effort). With the increasing facilities and quality of services provided by the Regional Government, it will provide a smooth process for the community to carry out their socio-economic activities as well as it is expected to increase public awareness in paying regional taxes and levies. The increase in regional taxes and levies, which are components of PAD, must be the result of increased social and economic activities.

With the promulgation of the autonomy era, the role of Lumajang Regency as the central point of autonomy is expected to be more meaningful, therefore the policy of increasing the role of the Regency Regional Government is an urgent thing to be carried out immediately if the realization of the implementation of autonomy is to be realized. With increasing power and authority, the City/Regency Government provides fusion and is an opportunity in order to increase Regional Original Revenue while improving the regional economy.

In the decentralization theorem, it is stated that the main advantage of decentralization is the physical proximity between local government institutions and their communities as well as the transfer of political and administrative power from the Central Government to the Regional Government which leads to an increase in economic efficiency in the provision of services in the regional public sector which ultimately increases growth at the regional and national levels. Meanwhile, according to the Tiebout mechanism, in the context of decentralization, local governments must be able to respond to public demand for public services effectively and efficiently, while from the community side, they will consider moving to other areas that better manage and serve public services.

Regional financial management is related to the Fiscal Decentralization Policy which broadly reflects regional revenues and expenditures. The fiscal decentralization policy is also a follow-up to the autonomy policy that gives the region the authority to explore sources of revenue derived from the region itself in addition to the transfer of central funds in financing government and development affairs that have become the authority of the region. which can be measured from the Ratio of Regional Original Revenue to the Total Balance Fund as well as to the Regional Revenue and Expenditure Budget in one fiscal year.

In terms of local government expenditure in the form of regional spending, it shows that the Lumajang Regency Government always has an increase in government spending from year to year. On a macro level, the increase in government expenditure will have an impact on regional economic growth through its contribution to increasing aggregate demand, which will further increase aggregate supply. This increase in aggregate supply is then expected to encourage the movement of the real sector in the region, which means that it will also increase the need for production factors such as labor, capital, technology, and others, which means that it will also create new jobs along with other multiplier effects.

Routine expenditure is generally allocated to finance expenditure posts that are fixed and unavoidable for the continuity of government apparatus services to the community, while Development Expenditure is aimed at financing development problems and meeting the development needs of the community, all of which boil down to the welfare of the people. The realization of the allocation of Regional Expenditure intended for Routine Expenditure and Development Expenditure follows the principles of a balanced and dynamic budget, which means that the Regional Expenditure allocation plan (Routine Expenditure and Development Expenditure) must be of the same value as the regional revenue plan for the relevant fiscal year. However, there are differences in principles and norms in management and plans for their use, where Regional Expenditure is the highest allocation or ceiling for each type and post of expenditure, while regional revenue is an estimate of the minimum amount that is measured rationally and the amount is predicted to be achieved at the end of the fiscal year for each part/post of revenue that has been determined.

The realization of Regional Expenditure for both Routine Expenditure and Development Expenditure turns out that at the end of each fiscal year it is always below the plan/target of the Regional Expenditure allocation that has been set previously. This means that the Lumajang Regency Government has made efforts to apply the principles of budget saving/economy and efficiency in regional financial management, including through:

- 1) Saving the use of each shopping post and reviewing the procurement needs of goods proposed by all regional apparatus organizations and readjusting to the priority of real needs, without reducing their quality and still in line with the needs of services to the community.
- 2) Strict control of official travel and its priority on the completion of key tasks and urgent functions to be carried out according to the policies that have been set until the end of the fiscal year

## 5. CONCLUSION

Regional financial policies in Lumajang Regency, especially the policy of increasing Regional Original Revenue (PAD), are inseparable from the Central Government's policies within the framework of financial relations between the Central and Regional Governments. Meanwhile, the Lumajang Regency Government's policies to increase Regional Original Revenue (PAD) include: Digitalization to increase the efficiency and transparency of financial management, Adjustment of regional taxes and levies, Re-collection of taxpayers, Cooperation with the private sector and NGOs in the management and collection of regional taxes and Improvement of regional tax management management. The model of the implementation of the Regional Original Revenue (PAD) policy implementation model in Lumajang Regency is Top Down. The Government of Lumajang Regency, East Java is committed to continuing to encourage an increase in Regional Original Revenue (PAD). The contribution of Lumajang Regency's PAD in 2024 compared to the APBD structure only reaches 16 percent, so that to meet the needs of the expenditure budget in the APBD budgeting structure, it still depends on transfer funds, To reduce dependence on transfer funds, the government is optimizing regional tax revenues, especially from the Rural and Urban Land and Building Tax (PBB-P2: *Pajak Bumi dan Bangunan Perdesaan dan Perkotaan*).

To increase regional tax and levy revenues, efforts are needed to increase production and business capacity in the regions. Increasing production capacity and business activities is an important factor to increase regional tax and levy revenues. In addition, it is also necessary to increase the capacity of regional tax administration as one of the requirements to increase the capacity and tax effort in the regions (taxable capacity and tax effort). With the increasing facilities and quality of services provided by the Regional Government, it will provide a smooth process for the community to carry out their socio-economic activities as well as it is expected to increase public awareness in paying regional taxes and levies. The increase in regional taxes and levies, which are components of PAD, must be the result of increased social and economic activities.

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