



DOI: <https://doi.org/10.38035/jgia.v3i4>
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Fiscal Decentralization Policy Analysis in Regional Budget Management in West Java Province

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Abstract: The process of transferring fiscal policy authority from the central government to local governments is referred to as fiscal decentralization, which includes aspects of revenue, expenditure, and regional financial management. The main purpose of this process is to regulate and supervise the source of revenue as well as the allocation of state expenditure. This study aims to evaluate the economic capabilities of the regions in West Java Province, especially in terms of Regional Original Revenue (PAD), which functions as the main source of financing for regional routine expenditure. In addition, the study also wants to measure the level of fiscal decentralization and the extent of dependence of the West Java regional government on funds from the central government. The research uses a qualitative approach with a focus on descriptive questions to describe phenomena based on existing facts. Data analysis was carried out by referring to various relevant literature. The results show that West Java has a fairly high level of fiscal decentralization, which is about 76% dependent on transfer funds from the central government. Most of the region's revenue still comes from central financial support. Therefore, effective budget management by the government is key to ensuring the welfare of the community and encouraging economic recovery.

Keyword: Fiscal Decentralization, APBD, West Java Regional Government.

INTRODUCTION

Regional governments develop annual financial plans, which are discussed and approved jointly with the Regional People's Representative Council (DPRD). These plans are called the Regional Revenue and Expenditure Budget (APBD). Besides being established through regional regulations, the APBD also serves as a guideline for regional government planning for the current year. The activities that can be implemented are those already outlined in the approved APBD. This is why the APBD is considered crucial for regional government.

In managing the economy, fiscal policy influences income distribution, public welfare, and economic activity through regional expenditures and revenues, which are regulated by the government. The use of fiscal policy also involves government budget management, primarily through taxes. Both state revenues and government expenditures,

such as infrastructure development, subsidies, education, and health care, derived from various taxes and levies, are aspects of fiscal policy.

West Java Provincial Budget Profile for 2022-2024
Based on Economic Classification (I-Account) (billion rupiah)

Uraian	2022			2023			2024			Growth
	Pagu	Realisasi	%	Pagu	Realisasi	%	Pagu	Realisasi	%	
PENDAPATAN DAERAH	121.122.141	103.090.167	85%	127.662,15	124.088,19	97,20%	141.081,76	136.580,42	96,81%	10,07%
PAD	48.140.180	34.822.592	72%	52.318,46	48.868,60	93,41%	56.303,68	54.476,21	96,75%	11,47%
Transfer Pemerintah Pusat	63.571.113	55.937.284	88%	65.059,65	61.531,02	94,58%	72.437,99	69.989,28	96,62%	13,75%
Transfer Antar Daerah	8.519.785	11.802.905	139%	9.684,87	13.231,06	136,62%	11.995,76	11.867,06	98,93%	-10,31%
Lain-lain Pendapatan Daerah yang Sah	891.062	527.385	59%	599,17	457,51	76,36%	344,33	247,87	71,99%	-45,82%
BELANJA DAERAH	137.234.280	107.804.482	79%	132.343,98	122.813,65	92,80%	148.068,25	133.436,46	90,12%	8,65%
Belanja Operasi	86.610.013	76.980.819	89%	92.610,27	85.221,74	92,02%	105.001,94	94.182,42	89,70%	10,51%
Belanja Pegawai	44.067.444	39.128.487	89%	45.685,86	41.108,37	89,98%	49.573,14	45.682,21	92,15%	11,13%
Belanja Barang	35.363.249	31.399.302	89%	38.509,18	36.413,59	94,56%	43.550,99	37.737,46	86,65%	3,64%
Belanja Bunga	20.526	25.685	125%	40,03	47,07	117,60%	72,78	43,69	60,03%	-7,19%
Belanja Subsidi	28.661	33.299	116%	27,87	25,42	91,20%	34,49	23,34	67,67%	-8,17%
Belanja Hibah	6.338.158	5.442.368	86%	7.474,61	6.764,79	90,50%	11.035,19	10.100,87	91,53%	49,32%
Belanja Bantuan sosial	791.975	951.677	120%	872,72	862,50	98,83%	735,35	594,85	80,89%	-31,03%
Belanja Modal	13.832.339	12.191.518	88%	14.296,86	14.947,01	104,55%	16.446,22	15.366,57	93,44%	2,81%
Belanja Modal	13.832.339	12.191.518	88%	14.296,86	14.947,01	104,55%	16.446,22	15.366,57	93,44%	2,81%
Belanja Tidak Terduga	13.832.339	374.391	3%	1.138,70	327,29	28,74%	1.277,84	197,21	15,43%	-39,75%
Belanja Tidak Terduga	13.832.339	374.391	3%	1.138,70	327,29	28,74%	1.277,84	197,21	15,43%	-39,75%
Belanja Transfer	22.959.589	18.257.754	80%	24.298,15	22.317,60	91,85%	25.342,25	23.690,26	93,48%	6,15%
Belanja Bagi Hasil	9.167.200	7.085.302	77%	10.314,56	9.507,64	92,18%	11.229,63	11.073,09	98,61%	16,47%
Belanja Bantuan Keuangan	13.792.389	11.172.452	81%	13.983,59	12.809,96	91,61%	14.112,62	12.617,18	89,40%	-1,50%
SURPLUS/DEFISIT	-16.112.139	-4.714.315	29%	-4.681,83	1.274,54	-27,22%	-6.986,49	3.143,96	-45,00%	146,67%
PEMBIAYAAN	4.458.681	5.573.648	125%	4.681,86	7.461,53	159,37%	6.986,49	3.464,08	49,58%	-53,57%
Penerimaan Pembiayaan	6.089.800	6.357.390	104%	7.042,07	9.637,75	136,86%	8.452,99	5.092,18	60,24%	-47,16%
Pengeluaran Pembiayaan Daerah	1.631.119	783.742	48%	2.360,21	2.176,22	92,20%	1.466,50	1.628,10	111,02%	-25,19%
Sisa Lebih/Kurang Pembiayaan Anggaran (SILPA/SIKPA)	-11.653.458	859.333		0,03	8.736,07		0,00	6.608,04		-24,36%

Source: SIKRI, GFS Preliminary West Java

The table shows that West Java regional government expenditures have increased annually, as has its revenue. Despite the continued increase in expenditures, the regional government is striving to reduce the budget deficit. As a means of managing finances and as an effort to balance government expenditures, budget financing is carried out (Dharmayanti & Aziz, 2024). Regional revenue is an increase in the value of net assets in a certain year period that is recognized as the right of the regional government. Regional revenue in West Java in 2024 consists of Regional Original Revenue (PAD), Transfer Revenue from both the central government and between regional governments, and Other Legitimate Revenue (Regional Fiscal Study of West Java Province, 2024).

The government must implement the regional government's financial performance during the initial budgeting process correctly and ensure its economy is effective and efficient (Ardila & Putri, 2015). Regional government financial performance is the result of activities or programs achieved regarding the use of regional budgets, measured in quality and quantity (Nurulafifah, 2012). The region's ability to provide services to the community can be measured by assessing the efficiency of its services. A persistent problem in the operation of the regional budget (APBD) is the persistence of a budget deficit, despite attempts to reduce its size. The emerging problem is how to maintain a controlled budget deficit so that financing can be sustainable.

Based on these problems, the author discusses the analysis of fiscal policy decentralization in the management of the APBD in West Java, with the aim that the results can be a source of up-to-date information regarding the problems faced.

METHOD

This research employed qualitative methods and a descriptive approach, where data was processed by collecting data from various sources (Rahma & Nurbaiti, 2021). The purpose of the descriptive approach is to describe phenomena with a focus on human, object, and institutional aspects, as well as the relationships and interactions between these factors (Syadza et al., 2021). The research results were then analyzed in a comprehensive manner (Silalahi & Ginting, 2020).

A research strategy using a literature review is a method that utilizes quotations from various sources, such as literary works, novels, journals, and other works relevant to the research topic. The authors relied on several of these sources to support their research (Indayani & Hartono, 2020). Data was analyzed by analyzing their content and interpreting texts related to the topic being studied.

The data analysis carried out was content analysis, where the researcher interpreted the texts obtained to find several main themes related to the topic to be researched.

RESULT AND DISCUSSION

West Java Province plays a strategic role in Indonesia's economic, social, and cultural development. With an area of approximately 35,377.76 km², West Java is one of the most densely populated regions in the country. West Java comprises 18 regencies and 9 cities, reflecting the diverse administrative structures and social and economic complexities of the region. Its territory West Java's population has reached 48.64 million, and 45.1% have a dependency ratio, indicating the proportion of the population that has not yet reached productive age (not yet working). This data is essential for development planning and economic policy formulation. Demographic and geographic data shed light on the dynamics of the region. A more comprehensive understanding of these factors is essential for resource management, development strategy development, and improving the well-being of the people of West Java.

Understanding Fiscal Policy

The term "fiscal" comes from Latin *fiscus*, which refers to the chief financial authority during the Ancient Roman Empire. According to the Big Indonesian Dictionary (KBBI), the word "fiscal" is defined as anything related to state revenue or taxation. The concept of fiscal policy was first introduced by British economist John Maynard Keynes in 1883. (Ardiansyah, 2020). Fiscal policy is implemented by the government by regulating state revenue and expenditure, either by increasing or decreasing it. Revenue generated from taxes is used to finance various expenditures arising from government activities. To achieve development goals, macroeconomic policy has several components, one of which is fiscal policy (Wikipedia, 2024).

Based on Law of the Republic of Indonesia Number 17 of 2003 concerning State Finance, the Ministry of Finance plays a role in formulating and implementing fiscal policy and managing state finances according to established provisions. The management of state finances and the management of separated public assets are the responsibility of the Minister of Finance (Samsudin et al., 2023). The Ministry of Finance also regulates state revenues and expenditures, state debt, which are regulated as part of development implementation and efforts to achieve economic stability, which are regulated in the State Budget (APBN), which ultimately serves as a guideline for the implementation of fiscal policy (Aziz & Nur'aisah, 2021). The implementation of fiscal policy in developing countries has different goals than in developed countries. Generally, these goals include job creation, price stability, increased economic growth, and optimizing the allocation of existing resources, such as employment, price stability, increased economic growth, etc. (Rahma & Nurbaiti, 2021).

Understanding the Degree of Fiscal Decentralization

The definition of the degree of fiscal policy decentralization is where a region, without relying on the central government, can finance its own needs and expenses (Fajri et al., 2019). The greater the Regional Original Income (PAD), the more independent the region is in financing its affairs. If a region has strong domestic revenue sources, such as from regional taxes, levies, and regional investment management results, this indicates a high PAD. Because of this, a region is fiscally capable of funding government operations and development without relying on the central government. Conversely, regions with low PAD will be highly dependent on the central government and can be said to have a low level of fiscal decentralization in carrying out regional economic activities (Kharisma, 2013). Understanding this concept is considered very important in regional autonomy and fiscal decentralization. Increasing fiscal decentralization is a way to create a responsive and effective regional government to meet the needs of the community.

Over the past three years, West Java Province has demonstrated stable or even increasing fiscal decentralization. This is a positive sign that the province has achieved a substantial level of fiscal independence and possesses strong potential to independently meet regional financing needs. However, it is important to recognize that fiscal independence is not the sole indicator of successful regional development. Effective budget utilization, transparency in financial management, and high accountability remain crucial factors in ensuring sustainable development and improving public welfare.

Regional Capacity to Finance Regional Routine Budgets

As explained in Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, the Regional Endowment Fund, established from consideration of regional fiscal capacity and the fulfillment of needs related to basic public services, is managed by the regional general treasurer or regional public service agency. In the financial sector, there is a correlation between the central and regional governments, including tax and levy revenue, regional regional expenditure management, granting authority to manage regional financing, and implementing national fiscal policy in a synergistic manner.

In 2023, West Java Province successfully funded approximately 24% of its routine expenditures through Regional Original Revenue (PAD), indicating the region's level of fiscal independence. This figure reflects the extent to which PAD is able to meet the operational needs of the regional government, including the provision of routine and sustainable public services. In other words, the greater the proportion of routine expenditures that a province can cover itself, the greater its fiscal capacity to run its government without over-reliance on transfer funds from the central government. This is a positive indicator of increasing regional financial autonomy. However, it is also important to assess the structure of routine expenditures and the efficiency of financial management. Fluctuations in regional financial conditions can be influenced by various factors, such as fiscal policy, changes in the economic structure, and external events such as the economic crisis or pandemic that have occurred in recent years. If West Java can continue to increase PAD and optimize the management of its economic and fiscal resources, dependence on the central government can be reduced, allowing development and public services in the region to be more independent and sustainable.

CONCLUSION

Fiscal decentralization has played a significant role over the past three years, with West Java Province demonstrating relatively strong financial capacity to manage its resources

independently. West Java is a province capable of meeting most of its own needs and is independent of the central government.

However, according to available data, fiscal decentralization is still not fully effective in optimally addressing various key issues. One reason is the continued high level of dependence on national economic stability. Properly optimized regional potential can increase its own revenue. Ultimately, these regions can finance development programs independently and not rely on central government assistance.

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