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## District/City Fiscal Dependence Analysis in Regional Development in Lampung Province

By

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**ABSTRACT:** The contribution of original local government revenue to total regional revenue in regencies and cities in Lampung Province is relatively low. This study aims to analyze regional fiscal dependence, analyze regional fiscal dependence related to the dominant business sector, and analyze the ratio of regional taxes and retribution to GRDP. This study uses a quantitative descriptive method. The analytical method used is descriptive quantitative analysis, through the calculation of the Fiscal Autonomy Index. The results of the study indicate that the value of the fiscal dependence of the regions studied is in a high dependency status or not yet independent, except for Metro City which in 2021 managed to increase its status to become self-reliant. Furthermore, all regions with dominant primary business sectors, have a high dependency status. The ratio of regional taxes and retribution to GRDP, in all regions studied is still very low. Efforts that need to be made by local governments to increase regional fiscal independence include calculating the real potential of regional taxes and retribution, developing potential sectors in increasing regional tax and retribution sector revenues, utilizing information technology, adjusting regional taxes and retribution, accelerating regional investment, developing local economy, and increased infrastructure capital spending.

**Keywords:** Fiscal Dependence, Regional Development, Ratio of Regional Taxes and Retribution to GRDP

**ABSTRAK:** Kontribusi pendapatan asli daerah terhadap total pendapatan daerah pada kabupaten dan kota di Provinsi Lampung tergolong rendah. Penelitian ini bertujuan untuk menganalisis ketergantungan fiskal daerah, menganalisis ketergantungan fiskal daerah terkait dengan sektor lapangan usaha dominan, dan menganalisis rasio pajak dan retribusi daerah terhadap PDRB. Penelitian ini menggunakan metode deskriptif kuantitatif. Pengambilan data pada kurun waktu tahun 2016-2021. Metode analisis yang digunakan yaitu analisis deskriptif kuantitatif, melalui penghitungan Fiscal Autonomy Index. Hasil penelitian menunjukkan bahwa nilai ketergantungan fiskal daerah yang diteliti berada pada status ketergantungan tinggi atau belum mandiri, kecuali Kota Metro yang pada tahun 2021 berhasil naik status menjadi menuju kemandirian. Selanjutnya, seluruh daerah dengan sektor lapangan usaha dominan sektor primer memiliki status ketergantungan tinggi. Lebih lanjut, bahwa rasio pajak dan retribusi daerah terhadap PDRB, di seluruh daerah yang diteliti masih sangat rendah. Upaya yang perlu dilakukan pemerintah daerah untuk meningkatkan kemandirian fiskal daerah meliputi penghitungan potensi riil pajak dan retribusi daerah, pengembangan sektor-sektor potensial dalam peningkatan pendapatan sektor pajak dan retribusi daerah, pemanfaatan teknologi informasi, penyesuaian tarif pajak dan retribusi daerah, percepatan investasi daerah, pengembangan ekonomi lokal, dan peningkatan belanja modal infrastruktur.

**Kata Kunci:** Ketergantungan Fiskal, Pembangunan Daerah, Rasio Pajak dan Retribusi Daerah terhadap PDRB.

## **INTRODUCTION**

Regional autonomy, which has been implemented since 1999, based on Undang-Undang Nomor 22 tahun 1999 concerning Regional Autonomy, gives the right and authority to the regions to regulate and manage their own government affairs to increase the efficiency and effectiveness of government administration and services to the community. The aim of regional governments to carry out autonomy is essentially in accordance with the goals of the state stated in the fourth paragraph of the preamble to the 1945 Constitution, namely "to protect the entire Indonesian nation and all of Indonesia's bloodshed and to promote public welfare, educate the life of the nation, and participate in carrying out world order that is based on freedom, eternal peace and social justice".

According to (Sjafrizal, 2014), with the start of the implementation of regional autonomy, the role of local governments is becoming increasingly important in encouraging the development process in their respective regions. The change in the regional government system has encouraged all regions to compete to speed up the regional development process in order to meet the general demand to be able to immediately improve the welfare of the people in the area concerned. To improve the welfare of the people after the era of autonomy, the regions are given the authority to explore their potential and sources of income in a fair and proportional manner.

Regional government efforts to increase regional taxes and fees (local revenue) continue to be carried out through various innovations. Based on the Peraturan Menteri Dalam Negeri Nomor 38 tahun 2018 concerning Guidelines for Compiling the 2019 Regional Revenue and Expenditure Budget, regional original revenues in regencies/cities in Indonesia have continued to increase. Even though it continues to increase, it is necessary to know the ratio of regional taxes and retribution to GRDP to measure the optimization of local government capacity in collecting regional tax and retribution revenue. According to Badan Pusat Statistik, the ratio of regional tax revenues and retribution to GRDP is used to estimate regional financing for implementing programs, supporting infrastructure development, goods and services, as well as supporting tax development and demonstrating the success of regional governance.

Efforts to explore the potential and sources of income that are owned along with increasing welfare are also expected to reduce dependence on the central government and increase the financial independence of local governments. In regional development science, potential or resources are the main pillars in regional development (Rustiadi et al., 2022). The potential and carrying capacity of resources can be utilized for various uses, especially economic activities in a region. In the context of regional government, economic activities that develop in an area will have an impact on the revenue that can be collected by the regional government. The higher and greater the economic activity in an area, the greater the income that region will receive, which at the same time will reduce dependence on central assistance.

Regional autonomy in 1999 gave authority to regions to explore the potential and sources of regional income. The amount of authority and the existence of regulations made regions that felt they had the potential and carrying capacity of resources then proposed the formation of a new autonomous region, as well as in Lampung Province. In 1999, at Lampung Province there were 2 regencies and 1 new autonomous city that came from the division of 2 main regencies. This new autonomous region has great authority to explore its potential and resources for the implementation of regional development. Based on Undang-Undang Nomor 12 tahun 1999, Central Lampung Regency and North Lampung Regency which were originally the main districts in Lampung Province were split into 3 regencies and 1 city. Central Lampung Regency was split into Central Lampung Regency, East Lampung Regency and Metro City, while North Lampung Regency was split into Way Kanan Regency. For more than two decades, these five regions have implemented regional administration within the framework of regional autonomy in order to realize the welfare of their people. These five regions have different characteristics, starting from the status of regional administration, natural and human resources, to the dominant sector of the economy.

Efforts to explore regional potentials and sources of income in order to increase regional fiscal independence in the last six years in the five regions have not been very successful. In terms of the contribution of regional original income to total regional income for the 2016-2021 period, it was found that the contribution of regional original income on average was still below 20 percent for Metro City and

on average below 8% for Central Lampung Regency, North Lampung Regency, East Lampung Regency and Way Kanan Regency.

Efforts to increase fiscal independence also depend heavily on the dominant business sector in the economic structure of a region. The dominant business field sector will greatly influence the authority of the local government in collecting taxes and retribution as a source of local revenue. The different characteristics of each sector will affect revenues sourced from regional taxes and retribution. In general, the agricultural sector is known as the most difficult sector to tax. This is a universal case, due to the small scale of the business and its activities are spread out spatially. This is even more difficult for developing regions, due to the absence of good and standard bookkeeping, especially for financial records and payment methods, which generally do not go directly through banks, as stated by (Ering et al., 2016). In the science of regional development, potential or resources are the main pillars in regional development, (Rustiadi et al., 2022), because they can be utilized for various uses, especially economic activities in an area. In the context of regional government, economic activities that develop in an area will have an impact on the revenue that can be collected by the regional government. The higher and greater the economic activity in an area, the greater the income that region will receive, which at the same time will reduce dependence on central assistance.

This is in line with research conducted by (Artaningtyas, 2020) which states that regions need to prioritize development by considering the potential of regional resources and local communities to deal with regional disparities. In addition, it is stated that fiscal decentralization has a positive and significant influence on development disparities and regional economic growth.

Similar research was conducted by (Samuel, 2006) who conducted an analysis of the effect of regional original income (PAD) on Gross Regional Domestic Product (GRDP) in the development of the Deli Serdang Regency. The purpose of this study was to determine the effect of PAD on the regional development of Deli Serdang Regency. The results of this study concluded that there was a significant influence between PAD on the regional development of Deli Serdang Regency. These results are in line with research conducted by (Sembiring, 2001) who analyzed the potential of PAD for regional development in Karo Regency. The research objective was to determine the effect of PAD on economic growth in Karo District. The results of this study concluded that PAD has a significant effect on GRDP and per capita income in Karo Regency.

Other research was conducted by (Panggabean, 2009) who conducted research on the effect of local revenue (PAD) on regional spending in Toba Samosir Regency. The aim of the research is to find out whether there is an effect of local taxes, regional fees, and other legitimate local revenues on regional spending in Toba Samosir Regency. The results of this study concluded that simultaneously regional taxes, regional retribution, and other legitimate PAD have a positive effect on regional spending in Toba Samosir Regency.

The next research that is related is research by Teguh Endaryanto, Muhammad Firdaus, Hermanto Siregar, and Dedi Budiman Hakim. This research was conducted in 2018, entitled Analysis of Regional Economic and Financial Performance in Lampung Province. The aim of this study is to determine the regional economic and financial performance in the era of autonomy. This research uses secondary data from 2004-2013. For the analysis of the autonomous era, 2 (two) main districts and 3 (three) newly formed districts were determined. Tanggamus and Tulang Bawang Regencies as main districts and Pringsewu Regency (division of Tanggamus Regency), Mesuji and Tulang Bawang Barat Regencies (expansion of Tulang Bawang Regency) as expansion districts. The results of this study stated that the economic and financial performance of the newly expanded districts (Pringsewu, Mesuji and Tulang Bawang Barat) based on analysis showed higher results than the parent districts (Tanggamus and Tulang Bawang).

Based on the results of observations of previous studies, it is certain that this research has never been conducted in Lampung Province, but in the use of analytical methods there are some similarities to those used by previous studies. The same analytical method used by previous researchers, namely using regional fiscal dependence analysis tools on the center and analysis of regional financial capacity in financing expenditures. The analytical tool used is in order to answer the objectives of the research conducted. The difference in this study compared to previous research is that this study aims to analyze fiscal dependence, regional fiscal dependence related to the dominant business sector, and the ratio of

regional taxes and retribution to GRDP in the regions formed based on Undang-Undang Nomor 12 Tahun 1999.

Based on the description above, in line with previous research, the research questions are how is regional fiscal dependence, how is fiscal dependence associated with the dominant regional business sector, and how is the ratio of regional taxes and retribution to GRDP in the regions related to Undang-Undang Nomor 12 Tahun 1999 concerning the Establishment of Level II Regional Districts of Way Kanan Regency, East Lampung Regency of East Lampung and Level II Metro Municipalities, namely Central Lampung Regency, East Lampung Regency, North Lampung Regency, Way Kanan Regency, and Metro City.

## METHODS

The analytical method used is descriptive statistics, namely a method that describes the state of the research object based on quantitative data presented in the form of tabulations and visualization in the form of graphs, with simple statistical measures such as the average (total) number, growth, percentage (%), proportion, the ratio applied as an analytical tool. The type of data used in this study is secondary data, in the form of data on the realization of the Regional Revenue and Expenditure Budget (APBD). Data were obtained from related agencies such as Badan Perencanaan Pembangunan Daerah, Badan Pendapatan Daerah, Badan Pengelolaan Keuangan dan Aset Daerah, Badan Pusat Statistik, as well as other agencies in the research area. The research period is focused on regional financial data for the period 2016-2021. The data obtained will be analyzed to measure regional fiscal dependence using the Fiscal Autonomy Index, which was developed by (Hunter, 1977) as shown below:

$$\text{Level of Fiscal Dependence} = 1 - \frac{\text{TrGP} + \text{TrSP} + \text{B} + \text{REV}_{SH}}{\text{EXP}_1}$$

Keterangan :

- EXP<sub>1</sub> : *Local Expenditure* (Pengeluaran Daerah)
- TrGP : *General Purposes Transfer* (Dana Alokasi Umum)
- TrSP : *Spesific Purpose Transfer* (Dana Alokasi Khusus)
- B : *Subnational Borrowing* (Pinjaman Daerah)
- REV<sub>SH</sub> : *Revenue Sharing* (Dana Bagi Hasil/DBH)

The Hunter Index was developed in 1977 in a federal country with a high degree of fiscal decentralization. This formula cannot be applied in countries with a low level of fiscal decentralization, because it can produce a negative index. The Hunter index can be negative if the total non-PAD income is higher than the total spending. Referring to the BPK RI review report, because the structure of the regional revenue and expenditure budget (APBD) in Indonesia is slightly different from the budget classification used in the Hunter formula, the calculation of the level of regional fiscal dependence is adjusted to the APBD structure in Indonesia, namely:

$$\text{Level of Fiscal Dependence} = 1 - \frac{\text{TrGP} + \text{TrSP} + \text{B} + \text{REV}_{SH}}{\text{REV}_{OR} + \text{TrGP} + \text{TrSP} + \text{B} + \text{REV}_{SH}}$$

Description :

- REV<sub>OR</sub> : *Locally-Generated Revenue*
- TrGP : *General Purpose Transfer*
- TrSP : *Spesific Purpose Transfer*
- B : *Subnational Borrowing*
- REV<sub>SH</sub> : *Profit Sharing Fund*

**Table 1.** Regional Fiscal Dependence Scale (Badan Pemeriksa Keuangan RI, 2022)

Score	Classification of Regional Fiscal Dependence
0,00 – 0,25	High Dependency / Not yet Independent
0,26 – 0,50	Towards Independent
0,51 – 0,75	Independent
0,76 – 1,00	Very Independent

Furthermore, an analysis was carried out on the dominant business sectors in Central Lampung Regency, East Lampung Regency, North Lampung Regency, Way Kanan Regency, and Metro City. After obtaining the dominant business sector of GRDP for each region, an analysis is then carried out to review the possibility of differences in the level of regional fiscal dependence related to differences in the dominant business sector in each of these regions. The business sector according to (Badan Pusat Statistik, 2022) is divided into three categories, namely the primary sector, the secondary sector and the tertiary sector.

The next stage is to analyze the ratio of regional original income originating from regional taxes and regional retribution (PDRD) to the total GRDP value of each region. The PDRD ratio figure is used to measure regional government capacity optimization in order to collect regional tax and retribution revenues. According to (Badan Pusat Statistik, 2022) the formula used to calculate the ratio of regional taxes and retribution to GRDP is as follows:

$$\text{PDRD Ratio} = \frac{PD (Rp.) + RD (Rp.)}{\text{Total GRDP (Rp.)}} \times 100\%$$

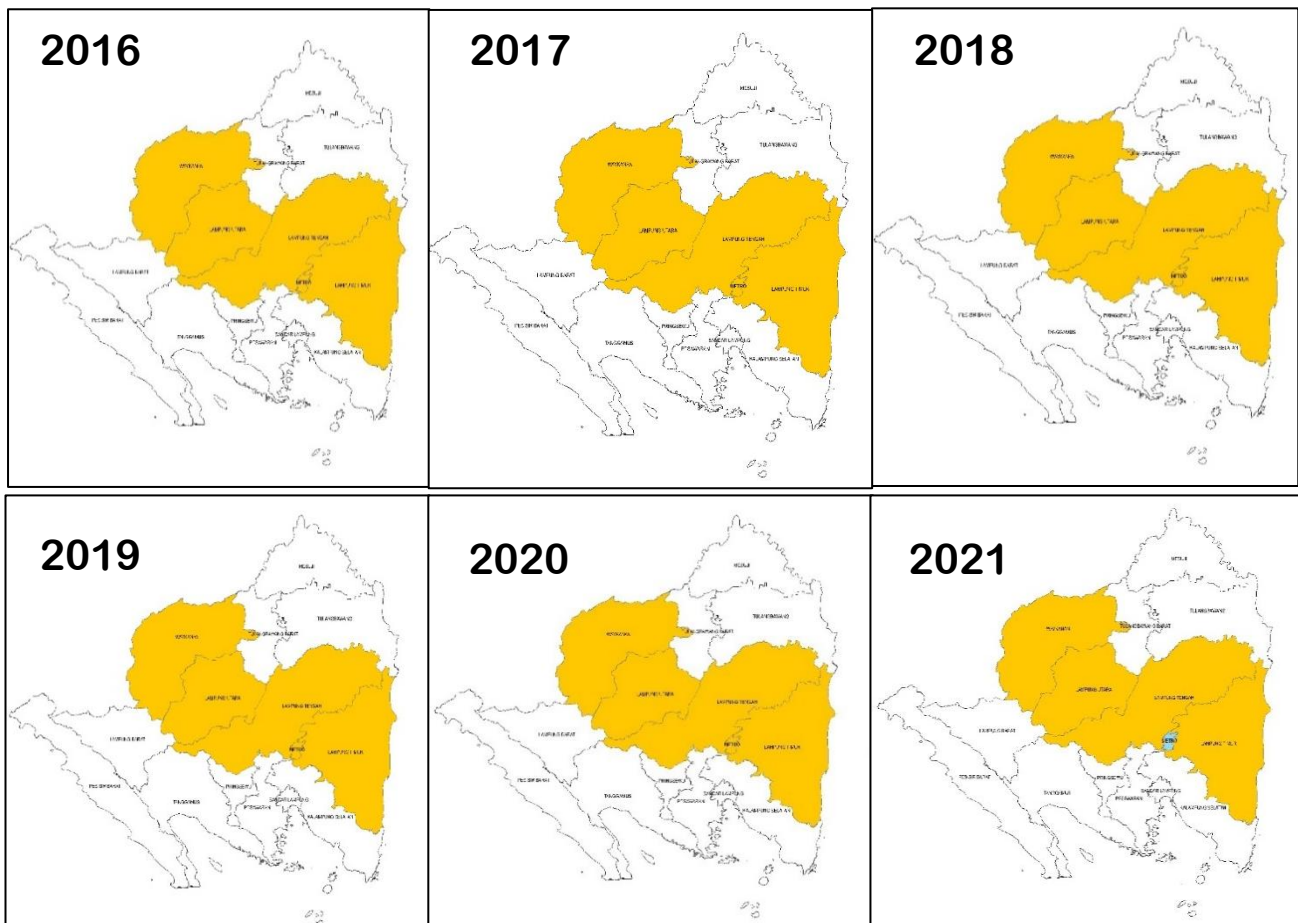
Description :

- PDRD Ratio : The ratio of Regional Taxes and Regional Retribution to GRDP  
 PD : Total local tax year n (Rp.)  
 RD : Total regional retribution year n (Rp.)  
 PDRB ADHB : Total GRDP Based on Current Prices year n (Rp.)

## RESULTS AND DISCUSSIONS

### Regional Fiscal Dependence

The value of regional fiscal dependence from 2016 to 2021, which was analyzed using the Hunter formula calculations which has been adjusted to the APBD structure, referring to the RI BPK analysis in 2022, shows that all research areas until 2021 are in a high dependency status or are not yet independent, except for Metro City which in 2021 has succeeded in increasing its status to towards independence.



Classification of Regional Fiscal Dependence :



Picture 1. Map of Development of Regional Fiscal Dependence for 2016-2021

In 2021, all regions except Metro City will still be in the high dependency category. In that year Metro City succeeded in moving up the category to become a status towards independence. Based on Hersey and Blanchard's theory in (Muta'ali, 2015), related to the status of regional fiscal dependence being analyzed, the pattern of financial relations between Central Lampung Regency, East Lampung Regency, North Lampung Regency, Way Kanan Regency, and Metro City in the period 2016-2020 is included in the category of instructive relationship patterns, namely the role of the central government is more dominant than the independence of regional governments (regions that are unable to implement regional autonomy).

In terms of the ability to implement autonomy, for the period of 2016-2020 Central Lampung Regency, East Lampung Regency, North Lampung Regency, Way Kanan Regency and Metro City have a dependency value below 0.25, or are in the high dependency category and are not yet independent. This high fiscal dependence reflects that the regions have not been able to implement autonomy in the area of regional finance. In 2021, Metro City managed to achieve a score of 0.30, which is included in the category towards independence. This achievement reflects that in 2021 Metro City will be able to implement regional autonomy in the area of regional finance.

Related to the research conducted, based on the results of the analysis conducted, this condition is caused by the low contribution of regional original income to transfer income to the regions. The contribution of regional original income for Central Lampung Regency, East Lampung Regency, North Lampung Regency, Way Kanan Regency, and Metro City to regional income for the period 2016-2021 is an

average of 10%. This low contribution causes the growth of regional original income which reaches 12.6% per year, unable to increase the value of regional fiscal dependence progressively.

The performance of the regional economic sector which tended to slow down in the 2016-2019 period, and the COVID-19 pandemic in early 2020 which limited people's economic activities, directly suppressed efforts to increase the contribution of the hotel tax sector, restaurant tax, entertainment tax, advertisement tax, parking tax, tax on non-metallic minerals and rocks, tax on groundwater, and fees for acquiring land and building rights to total regional revenues. These conditions also affect the realization of revenues sourced from regional retribution. Regional government efforts to transform the structure of the regional economy have not shown optimal performance. Investment realization, which has a downward trend in all regions, has put pressure on efforts to increase regional commodity downstream activities. Delays in the process of structural transformation of the regional economy will directly suppress regional tax and retribution revenues.

The process of structural transformation and improvement of the regional economy can be accelerated by increasing a conducive regional investment climate. This is in line with the results of research conducted in Central Java Province by (Ruhin, 2018) which states that in an effort to increase the economic growth of ten regencies/cities in Central Java Province, local governments can create a conducive investment climate and simplify the licensing process so that increase domestic or foreign investment can further increase and encourage economic growth.

Another factor that affects the low contribution of regional own-source revenues is that revenues sourced from regionally owned enterprises and regional public service agencies are still not maximized. This source of income should be able to be increased optimally. This is possible because the income earned is income that comes from the quality and quantity of public services. Increasing public services carried out by regionally owned enterprises and regional public service agencies will directly increase local revenue. All of the areas studied have regionally owned enterprises and regional public service agencies. The contribution of income from dividends from regionally owned enterprises in all the regions studied is still low. For regional public service agency revenues, only Metro City has a contribution of more than 50%.

The next factor is the existence of centralization in the field of taxation. Land and building tax on plantations, forestry and mining, individual income tax, petroleum tax, natural gas tax, geothermal business tax, coal mineral tax, and fishery resource tax, according to regulations cannot be collected by regional governments as regional original income, however, it is managed by the central government and will be transferred back to the producing regions through revenue-sharing funds which are a component of government transfer revenue. In addition, motor vehicle tax, motor vehicle transfer fee, motor vehicle fuel tax, surface water tax, and cigarette tax cannot be collected by the local government as regional original income, even though the tax object is a resident of the area. According to regulations, the authority to collect these taxes is the authority of the provincial government, through provincial government revenue-sharing funds which are a component of transfer income.

The existence of these factors is in line with the results of research conducted by (Hariwibowo, 2019), which states that in taxation efforts, information asymmetry occurs between principals or agents of the central government and local governments in Indonesia. The central government as the principal does not know about the local government's efforts to increase yield tax, whether it is because of the local government's hard work or other reasons such as tax regulations, taxpayer compliance, or the performance of tax officers. By knowing local tax efforts, it will be easier for the central government to formulate transfer funds as a fair incentive for local governments. Within the framework of the financial relationship between the central and regional governments, regional tax efforts can be increased by reformulating the balancing fund mechanism.

In response to the results of this analysis, efforts that can be carried out by the Central Lampung Regency, East Lampung Regency and Metro City Governments to continue to reduce regional fiscal dependence, guided by the planning documents for the regional medium-term development plan and regional spatial plans are shown in the table below:

Table 2. Policy Matrix that Needs to be Implemented by Regional Governments

No	Policy Description	Policies that Need to be Implemented in Reducing Regional Fiscal Dependence		
		Central Lampung Reg. (Main Region)	East Lampung Regency (Expansion Area)	Metro City (Expansion Area)
1	Regional Investment Acceleration	Development of industrial estates in Bangun Rejo and Sukobinangun Sub-Districts, utilization of information technology, assurance of business certainty, easy requirements, focus on developing agricultural-based industries, provision of business facilities and incentives, implementation of OSS	Development of industrial estates in Bandar Sribhawono and Sekampung Udik sub-districts, utilization of information technology, guaranteed business certainty, easy requirements, focus on developing agricultural-based industries, provision of business facilities and incentives, implementation of OSS	Development of urban strategic areas in the Subdistricts of Central Metro, Metro East, Metro West, and Banjar Sari, Purwoasri, Karangrejo, Margorejo, and Rejomulyo Subdistricts, utilization of information technology, guarantee of business certainty, easy requirements, provision of business facilities and incentives, implementation of OSS
2	Local Economic Development	development of trade and service areas in Kalirejo and Seputih Banyak Districts, economic expansion, community empowerment and community development, development of regional-scale industrial areas	development of trade and service areas in Way Jepara, Bandar Sribhawono, Pekalongan, Labuhan Maringgai, Pasir Sakti, and Sekampung Udik subdistricts, economic expansion, community empowerment and community development, development of regional scale industrial areas	development of 22 new entrepreneurial areas, and staple distribution centers in 5 sub-districts, economic expansion, community empowerment and community development, development of urban industrial areas
3	Increase in Capital Expenditures	focus on the allocation of road infrastructure capital spending, particularly the main routes of distribution of goods and services, routes to centers of trade and service activities, strategic areas, routes to production centers, and development of community information and communication technology infrastructure	focus on the allocation of road infrastructure capital spending, particularly the main routes of distribution of goods and services, routes to centers of trade and service activities, strategic areas, routes to production centers, and development of community information and communication technology infrastructure	focus on the allocation of capital spending for road infrastructure and the development of strategic areas earmarked for trade and urban services, and community information and communication technology infrastructure



No	Policy Description	Policies that Need to be Implemented in Reducing Regional Fiscal Dependence		
		Central Lampung Reg. (Main Region)	East Lampung Regency (Expansion Area)	Metro City (Expansion Area)
4	Increasing people's per capita income	education and skills training for job seekers based on competency clusters, and poverty alleviation	improve training, placement and supervision of labor and industrial relations, and alleviation of poverty	building a creative community as well as being a creative industry business incubator, and alleviating the poor
5	Harmonization of regional regulations regarding regional taxes and fees	drafting and stipulating revisions to regional regulations related to regional taxes and retribution as a follow-up to the stipulation of the UU Cipta Kerja	drafting and stipulating revisions to regional regulations related to regional taxes and retribution as a follow-up to the stipulation of the UU Cipta Kerja	drafting and stipulating revisions to regional regulations related to regional taxes and retribution as a follow-up to the stipulation of the UU Cipta Kerja

Source: Regional Mid-Term Development Plans Document and Spatial Plans Document of Central Lampung Regency, East Lampung Regency, and Metro City

In line with the efforts made by the Governments of Central Lampung Regency, East Lampung Regency and Metro City, the efforts that need to be carried out by North Lampung Regency and Way Kanan Regency to reduce regional fiscal dependence, are guided by the mid-term development plan document and regional spatial plan, shown in Table below:

Table 3. Policy Matrix that Needs to be Implemented by the Regional Government

No	Policy Description	Policies that Need to be Implemented in Reducing Regional Fiscal Dependence	
		North Lampung Regency (Main Area)	Way Kanan Regency (Expansion Area)
1	Regional Investment Acceleration	Development of industrial estates in North Kotabumi, South Abung, Bunga Mayang, North Sungkai and South Sungkai sub-districts, utilization of information technology, guarantee of business certainty, easy requirements, focus on developing agricultural-based industries, provision of business facilities and incentives, implementation of OSS	Development of industrial estates in the sub-districts of Way Tuba, Buay Bahuga and Bahuga, utilization of information technology, assurance of business certainty, easy requirements, focus on developing agricultural-based industries, provision of business facilities and incentives, implementation of OSS
2	Local Economic Development	Development of trade and service areas in Kotabumi, Sungkai Selatan, and Abung Surakarta sub-districts, economic expansion, community empowerment and community development, development of regional-scale industrial areas	Development of trade and service areas in the Districts of Blambangan Umpu and Baradatu, economic expansion, community empowerment and community development, development of regional-scale industrial areas
3	Increase in Capital Expenditures	Focus on the allocation of road infrastructure capital expenditure, especially the main routes of distribution of goods and services,	Focus on the allocation of road infrastructure capital expenditure, especially the main routes of distribution of goods and services,

No	Policy Description	Policies that Need to be Implemented in Reducing Regional Fiscal Dependence	
		North Lampung Regency (Main Area)	Way Kanan Regency (Expansion Area)
		routes to centers of trade and service activities, strategic areas, routes to production centers, and development of community information and communication technology infrastructure	routes to centers of trade and service activities, strategic areas, routes to production centers, and development of community information and communication technology infrastructure
4	Increasing people's per capita income	Provision of infrastructure (creative zone/creative space) as a space for expression, promotion and interaction for creative people in the regency area, and alleviation of the poor	Increasing job training and labor productivity, increasing the placement of workers, improving the quality of industrial relations, and alleviating the poor
5	Harmonization of regional regulations regarding regional taxes and fees	Compile and stipulate revisions to regional regulations related to regional taxes and retribution as a follow-up to the stipulation of the UU Cipta Kerja	Compile and stipulate revisions to regional regulations related to regional taxes and retribution as a follow-up to the stipulation of the UU Cipta Kerja

Source: Regional Mid-Term Development Plans Document and Spatial Plans Document of North Lampung Regency and Way Kanan Regency

**Regional Fiscal Dependence Related to the Dominant Business Field Sector of GRDP in the Regions.**

All regions with the dominant business sector as the primary sector, namely agriculture, forestry and fisheries and the mining and quarrying sector, have a high dependency status or are not yet independent. This condition occurred in Central Lampung Regency, East Lampung Regency, North Lampung Regency, and Way Kanan Regency in the 2016-2021 period. Whereas Metro City, which has a dominant business sector, the tertiary sector, it changed to towards independent status in 2021.

Table 4. Status of Fiscal Dependence and Dominant Business Field Sectors in Districts/Cities in Lampung Province 2016-2021

Daerah	Kategori	2016		2017		2018		2019		2020		2021	
		Status	Dominant Sector	Status	Dominant Sector	Status	Dominant Sector	Status	Dominant Sector	Status	Dominant Sector	Status	Dominant Sector
Central Lampung	<b>Main Area</b>	1	1	1	1	1	1	1	1	1	1	1	1
East Lampung	Expansion Area	1	1	1	1	1	1	1	1	1	1	1	1
Metro	Expansion Area	1	3	1	3	1	3	1	3	1	3	2	3
Nort Lampung	<b>Main Area</b>	1	1	1	1	1	1	1	1	1	1	1	1
Way Kanan	Expansion Area	1	1	1	1	1	1	1	1	1	1	1	1

Description :

Status : Status of Regional Fiscal Gaps

Status 1 : High Dependency / Not yet Independent

Status 2 : Towards Independence

Status 3 : Independent

Status 4 : Very Independent

Sektor Dominan : GRDP Dominant Business Sector

Sektor Dominan 1 : Primary Sector

Sektor Dominan 2 : Secondary Sector

Sektor Dominan 3 : Tertiary Sector

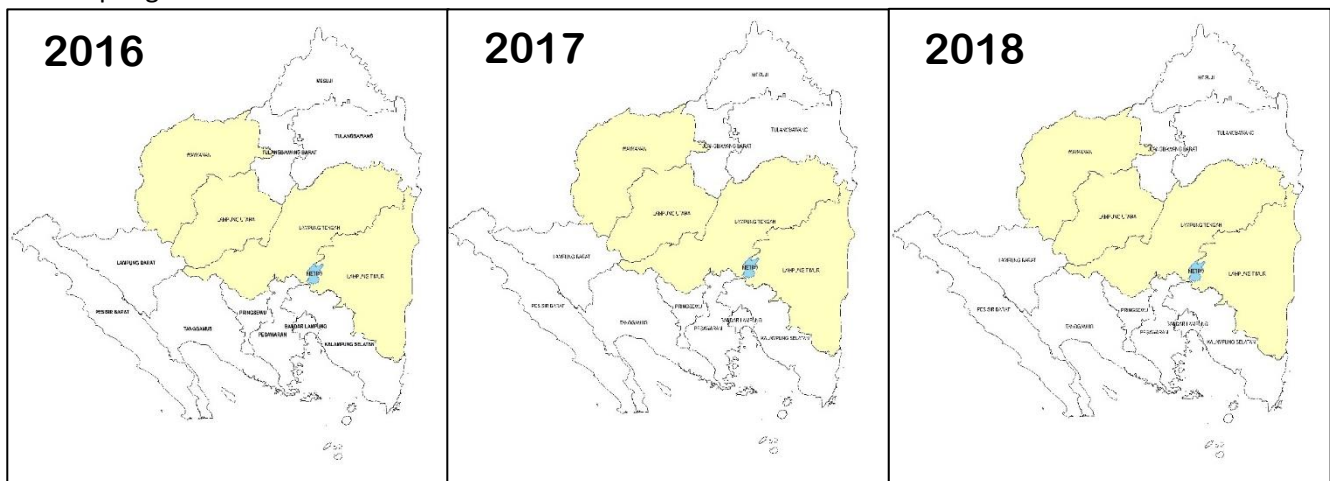
Refer to the table above, the dominant primary business sector does not have a significant effect on both the increase in local revenue and the value of regional fiscal dependence. Central Lampung Regencies, East Lampung Regencies, North Lampung Regencies, and Way Kanan Regencies which have dominant sectors of the agriculture, forestry and fisheries sectors and the mining and quarrying sectors are unable to significantly increase the contribution of local revenue and the value of fiscal dependence. This is because the sources of regional taxes and fees collected by local governments are mostly not related to the primary sector but are mostly related to activities in the secondary and tertiary sectors. In particular, agricultural activity is usually difficult to tax, especially in low-income areas, where most agricultural activity is on a small scale basis. Another condition is the exchange rate of farmers in Lampung Province, especially in the food crops sub-sector which was only 97.40, and horticulture which was 99.33.

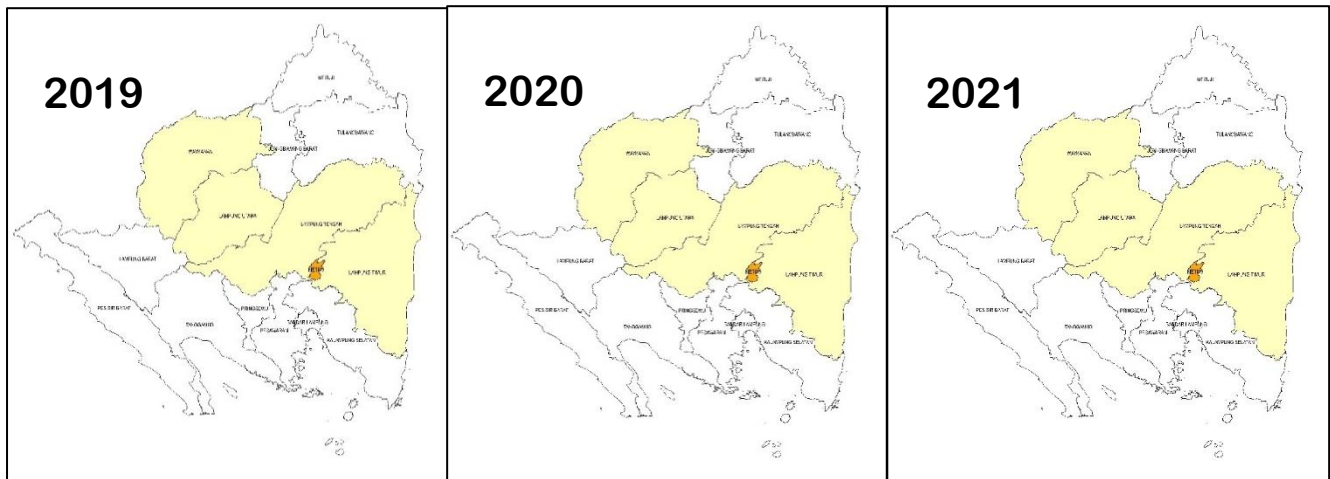
This condition is in line with research conducted by Ering, et al, 2016 that the agricultural sector is known as the most difficult sector to be taxed. This is a universal case, due to the small scale of the business and its activities are spread out spatially. This is even more difficult for developing regions, because there are two other difficulties, namely the absence of good and uniform bookkeeping standards, especially for financial records and payment methods which generally do not go directly through a bank. In contrast, specialization in industry has a positive effect on taxes because industry is easily taxable and factories can increase the tax base compared to agriculture.

Development policies that can be implemented by regional governments with primary dominant sectors are through product downstreaming to increase added value, with this change in form, the price level obtained is higher and can be enjoyed by farmers or the community. This change in form really requires a rural industry that is effective and easy to manage by farmers or farmer groups.

**The ratio of Regional Taxes and Retribution to GRDP**

The ratio of regional taxes and retribution to GRDP shows how big the portion of regional taxes and retribution is to the regional economy. Based on research conducted by (Sunarto and Sunyoto, 2016) supports that local taxes affect economic growth positively and significantly. Based on the calculation results, a distribution map of the ratio of regional taxes and retribution to GRDP of districts/cities in Lampung Province is shown below:





Classification of the Ratio of Regional Taxes and Retribution to GRDP :



Picture 2. Map of the Development of Regional Taxes and Retribution Ratio to GRDP Year 2016-2021

Based on the results of the analysis, the low PDRD ratio for the 2016-2021 period was due to the not very significant increase in regional taxes and retribution, so that it was not able to increase the PDRD ratio progressively. This can be seen from the PDRD ratio below 1% in all regions.

Table 5. Ratio of Regional Taxes and Retribution to GRDP in Lampung Province

Regency	Category	2016	2017	2018	2019	2020	2021
Central Lampung	Main Area	0,10	0,11	0,13	0,15	0,13	0,15
East Lampung	Expansion Area	0,10	0,12	0,15	0,16	0,16	0,16
Metro	Expansion Area	0,41	0,44	0,46	0,52	0,57	0,62
North Lampung	Main Area	0,11	0,12	0,12	0,12	0,11	0,13
Way Kanan	Expansion Area	0,11	0,13	0,15	0,16	0,13	0,14

In regions where the primary sector is dominant (Central Lampung Reg., East Lampung Reg., North Lampung Reg., and Way Kanan Reg.), this condition is related to the very dominant role of the primary sector in the regional economy, which has proven to have no significant impact on increasing regional tax and retribution revenues. This is because the sources of regional taxes and retribution that are directly related to primary sector activities have a very small contribution to regional tax and retribution revenue. This was coupled with the slowdown in primary sector growth in the regional economy. Regional government efforts to transform the structure of the regional economy have not shown optimal performance. The growth in the contribution of the secondary sector has not been very significant, so it has not had a significant impact on increasing regional tax and retribution revenues.

Where as in regions with tertiary dominant sectors (Metro City), which are theoretically easier to collect regional taxes and retribution, the low PDRD ratio is influenced by the small target of regional tax and retribution revenues. Regional governments need to make efforts to intensify and extensify regional tax and retribution objects. Another factor that greatly influences the low PDRD ratio is the high degree of centralization in the field of taxation. Very large sources of tax, namely motor vehicle tax, motor vehicle fuel tax, and cigarette tax are under the authority of the provincial government and are not included in the category of regional taxes and retribution. In addition, tax on plantation, forestry and mining, oil tax, geothermal tax, natural gas tax and income tax are still under the authority of the central government, and are not included in the regional tax revenue component.

The low ratio of regional taxes and fees to GRDP indicates the ability of local governments to collect local taxes and fees. The low ratio of regional taxes and fees indicates that there is still ample scope for

increasing revenues sourced from regional taxes and fees. The Ministry of Finance in its study stated that the average ratio of regional taxes and retribution to GRDP in Indonesia in 2020 will reach 1.20%. Based on these data, local governments have a very big opportunity to continue to increase their tax and retribution revenues.

Table 6. Policy Matrix that Needs to be Implemented to Increase the Ratio of Regional Taxes and Retribution to GRDP

No	Policy Description	Policies that need to be implemented by district/municipal governments to increase the ratio of regional taxes and retribution to GRDP		
		Central Lampung Regency (Main Region)	East Lampung Regency (Expansion Area)	Metro City (Expansion Area)
1	Calculation of the real potential of regional taxes and retribution	Accurate and real-time data collection on local taxes and charges	Accurate and real-time data collection on local taxes and charges	Accurate and real-time data collection on local taxes and charges
2	development of potential sectors in increasing regional tax and retribution revenues	development of the trade and service sector, especially in the trade and service area of Kalirejo and Seputih Banyak Districts, development of the MSME sector, development of the tourism and creative economy sector, development of the manufacturing industry sector, development of the mining sector in the Districts of Bandar Mataram, Bandar Surabaya, Seputih Surabaya, and Putra Rumbia	development of the trade and service sector, especially in the trade and service areas of Way Jepara, Bandar Sribhawono, Pekalongan, Labuhan Maringgai, Pasir Sakti, and Sekampung Udik districts, development of the MSME sector, development of the tourism and creative economy sectors, development of the manufacturing industry sector, development of the mining sector in Pasir Sakti, Labuhan Maringgai, and Marga Tiga subdistricts	development of the trade and service sector in 22 urban villages, development of the MSME sector, development of the tourism and creative economy sectors, development of the manufacturing industry sector.
3	Utilization of information technology	Use of tapping boxes in 82 restaurants/restaurants and 14 hotels	Use of tapping boxes in 137 restaurants/restaurants and 13 hotels	Use of tapping boxes in 115 restaurants/restaurants and 16 hotels
4	Adjustment of regional tax rates and retribution	Study of PDRD tariff adjustments aimed at facilitating investment and industrial growth	Study of PDRD tariff adjustments aimed at facilitating investment and industrial growth	PDRD rate adjustment study aimed at supporting ease of investment
5	Optimizing the potential of land tax on agricultural land	add tax objects with rates according to the provisions	add tax objects with rates according to the provisions	-

Source: Regional Mid-Term Development Plans Document and Spatial Plans Document of Central Lampung Regency, East Lampung Regency, and Metro City

The policies implemented in the areas resulting from the division of Central Lampung Regency can also be implemented in general in North Lampung Regency and Way Kanan Regency. The policy of increasing the ratio of regional taxes and retribution to GRDP in North Lampung Regency as the main region and Way Kanan Regency as a division area, is guided by the medium-term development plan and spatial planning for the two regions is shown below:

Table 7. Policy Matrix that Needs to be Implemented by the Regions to Increase the Ratio of Regional Taxes and Retribution to GRDP

No	Policy Description	Policies that need to be implemented by district/municipal governments to increase the ratio of regional taxes & retribution to GRDP	
		North Lampung Regency (Main Area)	Way Kanan Regency (Expansion Area)
1	Calculation of the real potential of regional taxes and retribution	Accurate and real-time data collection on local taxes and charges	Accurate and real-time data collection on local taxes and charges
2	Development of potential sectors in increasing regional tax and retribution revenues	Development of the trade and service sector, especially in the trade and service areas of Kotabumi, Sungkai Selatan, and Abung Surakarta Districts, development of the MSME sector, development of the tourism sector and creative economy, development of the manufacturing industry sector	Development of the trade and service sector, especially in the development of trade and service areas in Blambangan Umpu and Baradatu Districts, development of the MSME sector, development of the tourism and creative economy sectors, development of the manufacturing industry sector
3	Utilization of information technology	Use of tapping boxes in 154 restaurants/restaurants and 9 hotels	Use of tapping boxes in 214 restaurants/restaurants and 11 hotels
4	Adjustment of regional tax rates and retribution	Study of PDRD tariff adjustments aimed at facilitating investment and industrial growth	Study of PDRD tariff adjustments aimed at facilitating investment and industrial growth
5	Optimizing the potential of land tax on agricultural land	Adding tax objects with rates according to the provisions	Adding tax objects with rates according to the provisions

Source: Regional Mid-Term Development Plans Document and Spatial Plans Document of North Lampung Regency and Way Kanan Regency

## CONCLUSION

The value of fiscal dependence for Central Lampung Regency, East Lampung Regency, North Lampung Regency, Way Kanan Regency and Metro City for the period 2016-2021 is in a high dependency status or not yet independent, except for Metro City which in 2021 has succeeded in increasing its status to becoming towards independence. All regions with the dominant business sector as the primary sector, namely agriculture, forestry and fisheries and the mining and quarrying sector, have a high dependency status or are not yet independent. The ratio of regional taxes and fees to GRDP in all the regions analyzed is very small, below 1%.

Policies that need to be implemented by regional governments include: accelerating regional investment through simplifying licensing and increasing regional competitiveness; increasing added value through

downstream superior regional products; and local economic development through economic expansion, community empowerment, community development, and rural area development.

The ability of local governments to maximize their potential and resources to increase local revenue will affect the increase in the value of regional fiscal dependence; the ability of local governments to carry out agricultural revitalization for regions that are dominant in the primary sector will affect the increase in the value of regional fiscal dependence. The ability of local governments to identify and develop economic sectors that have a multiplier effect on the growth of other sectors will affect the increase in the ratio of regional taxes and fees.

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