

Analysis of regional financial independence, the potential for growth, and health services: A case study of regencies/cities in South Sulawesi

Azwar Iskandar

Masters Program in Public Administration, Universitas Terbuka, Indonesia

azwar.iskandar@gmail.com

ABSTRACT

This study aims to analyze: (1) the financial independence and commitment of health services in the region; (2) the potential for growth in supporting health services in the region; and (3) the relationship pattern between financial independence and regional potential for growth in order to achieve the goal of fulfilling health service commitments in the region. This study is explanatory research using a quantitative approach. The results show that: (1) the average level of financial independence of regencies/cities in South Sulawesi Province fall under the high category and relatively independent in terms of source and allocation of regional budgets; (2) the average growth of all regencies/cities in South Sulawesi Province shows positive figures which implies that the prospect of their economic growth has accelerated along with several problems in each regency/city; (3) some regencies/cities with large APBD do not have an increased allocation of resources for health expenditure. On the contrary, some regencies/cities that fall under the category of low budget and financial independence have a better commitment to health service and expenditure. In addition, almost all regencies/cities categorized as having good potential for growth ended up having low performance in health expenditure. The local government has carried out fiscal decentralization, which is defined as the freedom for regions in carrying out policies related to budget politics in the region. Notwithstanding the preceding, the role of the central government is still greatly expected to advocate for the improvement of health expenditure quality.

KEYWORDS:

Fiscal; financial independence; growth; health expenditure.

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INTRODUCTION

The fiscal decentralization policy in Indonesia has been implemented since 2001 in line with the implementation of regional autonomy policies. Decentralization is the transfer of responsibilities, authorities, and resources for personnel, funding, and several other items from the central to local Government (Khusaini, 2006). Decentralization can also be interpreted as delegating authority, budget receipt or finance both administratively and utilization purposes (Adi & Puspa, 2009). Therefore, one of the definitions of fiscal decentralization in the format of handing over autonomy in the financial sector to regions is the process of testing the role and empowerment of regions in development (Oates, 1972; 1993; 2011; Christia & Ispriyarsa, 2019; Ali & Maisyuri, 2018). The implementation of regional autonomy policy responds to various regional aspirations in Indonesia that want to increase their role and independence in managing its authority and responsibilities for community services and regional development.

The implementation of fiscal decentralization aims to achieve regional independence, especially in supporting the implementation of regional development, accelerating growth, and delivering excellent service to the community (Agustina, 2013; Haryanto, 2019; Azimi, 2020). By achieving this aspect of self-reliance, regions will develop their potential in optimal capacity (Litvack & Seddon, 1999). The financial independence of the region will have a positive impact on reducing the dependence of the State Budget (Anggaran Pendapatan dan Belanja Negara, APBN), especially through the Transfer to Regions and Village Funds (Transfer ke Daerah dan Dana Desa, TKDD) components. The region is expected to be able to allocate this source of funds to productive sectors to encourage increased investment in the region as well as in sectors that have an impact

on improving public services and can increase public contribution to Regional Own-source Revenue (Pendapatan Asli Daerah, PAD) (Urip & Indahyani, 2017). TKDD is one of the components of the central government expenditure that plays a significant role as an instrument of fiscal policy in strengthening the implementation of fiscal decentralization. It accelerates regional development to improve the quality of public service delivery and social welfare. Within the APBN's structure for government expenditure, TKDD consists of two significant components: Transfer to Regions (Transfer ke Daerah, TKD) allocated to provinces, regencies, cities, and Village Funds earmarked to villages.

TKDD consists of four main elements: First, the Balance Fund. Balance fund consists of: (i) General Transfer Fund (Dana Transfer Umum, DTU), a type of transfer funds allocated to fund the implementation of government affairs that become regional authorities, taking into account aspects of autonomy, as well as balance and equitable regional financial capabilities, including the General Allocation Fund (Dana Alokasi Umum, DAU) and the Revenue Sharing Fund (Dana Bagi Hasil, DBH); (ii) Special Transfer Fund (Dana Transfer Khusus, DTK), i.e., funds allocated to regions to fund activities that have been directed or set to be used to improve public services and achieve national priorities. Such fund consists of Physical Special Allocation Fund (Dana Alokasi Khusus, DAK) and Non-physical DAK. Second, the Regional Incentive Fund (Dana Insentif Daerah, DID) is allocated to provide incentives and at the same time as an instrument to spur improvement of regional performance in financial management, governance, development, basic public services, and community welfare. Third, the Special Autonomy Fund (Otonomi Khusus, Otsus), Additional Infrastructure Fund (Dana Tambahan Infrastruktur, DTI), and Privilege Fund (Dana

Keistimewaan), notably the type of transfer funds allocated specifically for regions that receive asymmetric autonomy policies under the law, such as Provinces of Papua, West Papua, Aceh, and D. I. Yogyakarta. Fourth, the Village Fund is allocated to villages as one of the sources of village revenue from the APBN to fund village development and community empowerment under the Law on Villages (Kementerian Keuangan, 2018).

Fiscal decentralization then developed into the core of the implementation of regional autonomy. Through a responsible fiscal decentralization process, local governments will be able to increase economic growth and the welfare of their communities. Therefore, regional autonomy is not just a delegation of authority but rather increased community participation in the process of regional economic development (Kaloh, 2002). Although considered to be best practice, there are still some weaknesses related to fiscal decentralization. Some of the weaknesses that are likely to present themselves include: (1) the creation of a gap between rich and poor regions; (2) threat to economic stabilization due to inefficient macroeconomic policies; (3) reduced efficiency due to lack of representation of the people's representative institutions with indicators showing that public hearing mechanism is still weak; and (4) expansion of corruption network from the central level to the region (Haryanto, 2019).

In the implementation of fiscal decentralization itself, it is known that the philosophy of "money follows function" as the main principle must be taken into account and implemented (Fatoni, 2020; Haryanto, 2018; Mudayen & Maridjo, 2018; Siregar & Badrudin, 2017). The principle means that all forms of handover of the central government's authority to local governments should include the submission of funding sources (Bahl, 2000; Korompot & Warongan, 2017). At the implementation level, the principle of

"money follows function" is then aligned into the form of a policy framework through Law Number 33 of 2004 on Financial Balance between national and local governments. In the regulation, the central government prepares TKDD mechanism as a follow-up to this philosophy. It becomes one way to maintain the balance of growth between regions in fiscal decentralization when the inter-regional competition system is perfect (Kharisma, 2013).

The concept of decentralization in this regulation is also expected to achieve development goals by granting control rights to people with information and incentives. Therefore, such decisions that suit their needs can be made and expected to improve public services' quality and efficiency to fulfill sectoral services and commitments to the community (Hirawan, 2007; Bardhan & Christopher, 1999). Health services are seen as fulfilling sectoral commitments in the region and constitute a government affair. Such commitment has been delegated from the central government to the local government following the mandate of Article 10 paragraph (1) and (3) Law Number 32 of 2004 concerning Local Government and Government Regulation Number 38 of 2007 concerning the Division of Government Affairs. According to the Law, delivery of health services is a commitment that the local government must perform to its people (Fajar & Indrawati, 2020; Muliza, Zulham & Seftarita, 2017; Bandiyono, 2018).

The problem concerning the mechanism of fulfilling regional commitments related to health services is exciting to analyze. Although no longer viewed as a new issue, the study on evaluating the implementation of decentralization has always been a discussion that draws the attention of various parties, including researchers and related policy-holders. Various studies continue to be developed, following the many weaknesses and

problems of managing the Regional Budget (Anggaran Pendapatan dan Belanja Daerah, APBD). The APBD revenues of most regions are still heavily dependent on transfer funds from the central government, and APBD expenditure is less qualified as it is mostly used for employee and operational expenditures. Furthermore, many regions have not succeeded in meeting the minimum allocation of expenditure directly related to essential public services, such as education, health, and infrastructure (Kementerian Keuangan, 2018).

Several studies have examined and analyzed the financial independence of the region and its potential economic development. Haryanto (2017) analyzed mapping regional financial independence in exercising its authority by comparing natural resources producing regions (Sumber Daya Alam, SDA) and non-SDA, using quadrant methods, share analysis, and growth. Based on the analysis of the quadrant method, it was found that only Badung Regency falls under quadrant I. All non-SDA regions are in quadrant II, while the entire SDA producing region falls into quadrant III minus Indragiri Hilir Regency. In quadrant IV, of all the research locus, there is only Indragiri Hilir Regency. Based on these results, the government is obliged to focus the policy of transfer to regions located in quadrant IV so that these regions can make various improvements towards better conditions in the future. Based on the results of share calculation, it can be seen that the share value of SDA-producing regions during the period of 2010-2014 is higher on average than the share value of non-SDA regions, except Badung Regency, which has an average share of 88.47. Meanwhile, from the results of growth calculation, non-SDA regions have a higher growth value than SDA-producing regions.

Pilat and Morasa (2017) examined the financial capabilities of a region, namely Manado

City, using share and growth calculation methods. This study concluded that the financial capability condition of Manado City was far from ideal. Based on the calculation of share and growth results during the period of 2011-2015, an average value of a share of 18.792% and average growth of 120.503% is obtained. Thus the position of Manado City falls under quadrant II which means that the condition was nowhere near. This implies that the Government of Manado City is required to dig deeper into the region's potential to increase PAD further, which plays a significant role in APBD. Based on the calculation of the Manado Financial Capability Index over five years, the index scale shows the figure of 0.577, which indicates that the financial capability of Manado City is relatively high. The high level of financial capability of the Government of Manado City results from a large amount of financial assistance from the central government, which is depicted in the analysis of the independence ratio. This is in stark contrast to the mandate of regional autonomy that demands independence and authority of the Local Government in carrying out its domestic affairs.

Haryanto (2019) analyzed fiscal capacity and expenditure of environmental functions with case studies in provinces throughout Indonesia from 2010 to 2017. This study discovered that regions that still fall into the category of low financial independence consist of West Sulawesi Province, East Nusa Tenggara Province, Maluku Province, Papua Province, and Gorontalo Province. Gorontalo and West Sulawesi Provinces are examples of new autonomous regions formed in the era of fiscal decentralization. The inclusion of the two regions is fascinating to be reviewed as an evaluation of whether the formation of the new area is appropriate or not. What requires thorough attention is the inclusion of Papua Province in this category because the central funds held by the government so far have been very significant in terms of the

amount. In the growth analysis, in general, the average growth of all provinces across Indonesia showed negative figures from 2010-2017. The condition suggests that the prospect of economic growth is slowing due to several problems. Some relatively small regions with a decrease in economic growth rate are Gorontalo Province by -0.27%; South Sulawesi Province is about -0.38%; South Kalimantan Province with -0.44%; and Special Province of Yogyakarta of -0.67. Only Central Sulawesi Province recorded an average positive economic growth of 1.48% among other regions in Indonesia from 2010 to 2017.

However, studies and references focusing on evaluating the decentralization implementation, financial independence, and public services as outlined before are still limited to national scope. Studies on decentralization implementation and its relation with public services at the regional level are very few. Therefore, it should be a crucial agenda to prioritize. Each region has different characteristics and geographical conditions that can affect the performance of its regional finance. Moreover, when the regulation states that regional financing must be supported from the mechanism of APBD, findings show that the realization of APBD utilization in many regions is more dominated by a routine expenditure of government apparatus than the allocation of capital expenditure and development (Haryanto, 2019; Rahmawati & Fauziah, 2020). The main problem related to regional independence is the key to success, especially at the regional level.

This study was conducted to analyze the independence of each regency/city through share indicators and prospects of regional economic development through growth indicators to address the problem as mentioned earlier. This analysis using share and growth is then mapped into regional quadrants to see their respective positions in the overall

scope at the provincial level. This study will evaluate the implementation of fiscal decentralization and public services at the regional level, especially in regencies/cities in eastern Indonesia. Data was collected from regencies/cities in South Sulawesi Province as a case study to represent the region. This study is different from previous studies which still review decentralization on a national scale (Badan Kebijakan Fiskal, 2011; Direktorat Jenderal Perimbangan Keuangan/DJPK, 2018; Haryanto, 2019). This study chooses South Sulawesi Province as the object for three reasons: (i) its achievement of having a relatively high Gini Index (second highest) in Eastern Indonesia, where economic inequality greatly affects the quality of government public services in the region, especially in health services; (ii) availability and completeness of data compared to other provinces related to research models and analysis; and (iii) it is one of the main representations of the Eastern Indonesia economy and records a relatively dynamic economic growth rate in Sulawesi, Maluku, and Papua compared to other provinces in the region.

In detail, some of the research questions include what is the province's financial independence status as an aggregate of regencies/cities, both derived from PAD (tax and non-tax), DAU, and DAK, in supporting regional financial independence? How is the province's potential growth as an aggregate of regencies/cities supporting health services in the region? Or how is the relationship between fiscal capacity and regional potential for growth with the fulfillment of health service commitments in the region?

By considering those questions, the aim of this study are:

1. Analyze the financial independence and commitment of health services in the region;
2. Analyze the potential for growth in sup-

- porting health services in the region;
3. Analyze the relationship pattern between financial independence and regional growth potential with the fulfillment of health service commitments in the region.

Academically, this study is expected to provide information about the regional fiscal capacity to fulfill health service commitments, especially in implementing fiscal decentralization in the region (South Sulawesi Province). This study is also expected to add research references in the financial balance between central and local government, especially in studies related to regional transfer funds and public services. In practical terms, the results of this study are expected to be used as consideration for policymakers related to central and regional financial balance policies and the improvement of health services in the region.

RESEARCH METHOD

Based on its objectives, this study is classified as explanatory research that aims to explain the relationship between two or more variables or research based on the theory that will be used to test a phenomenon that occurs (Creswell, 2010; Hamdi & Ismaryati, 2019). This study will explain the relationship between regional independence and the future economic prospects of the behavior of APBD constituent variables by analyzing the level of regional financial independence and its growth prospects at the first level.

When viewed from the approach side, this study is classified as a type of quantitative research with different characteristics with qualitative research that emphasizes the depth of data. Quantitative research emphasizes the analysis of numerical figures be processed using statistical methods (Creswell, 2010; Hamdi & Ismaryati, 2019). The quantitative approach uses shared data

represented by PAD, Balanced Fund, and APBD expenditure of each regency/city in this study. Numeric numbers are also used to calculate the rate of growth or growth of APBD in the future. Thus, quantitative data from this study is indeed entirely produced from APBD analysis.

The data used in this study includes secondary data as it is collected from APBD presented by official government agencies, namely the Directorate General of Financial Balance, Ministry of Finance (<http://www.djpk.kemenkeu.go.id/>). The secondary data are in the form of APBD expenditure realization data for 2015 to 2019. The year 2015 was selected based on the consideration that five years is considered sufficient time for regencies/cities to carry out the concept of decentralization in an improved, mature and effective manner since 2010, the beginning of fiscal decentralization. Thus, 24 regencies/cities will be analyzed. In order to explain the characteristics of each region, a quadrant analysis is applied.

The analysis method used is a Share Analysis to explain the condition of APBD independence in the region and a growth method to see aspects of growth that reflect the future economic prospects in a region. The use of Share Analysis serves to analyze the APBD strength of each region in financing various expenditures. At the same time, the use of Growth Analysis will help provide direction and signals for the future economic growth of a region. Mathematically, the share indicator is calculated using the following comparison or ratio (Haryanto, 2019).

$$Share = \frac{(PAD + DPR)}{Total\ Expenditure} \times 100\%$$

$$Growth = \frac{(PAD + DPR)_t - (PAD + DPR)_{t-1}}{(PAD + DPR)_{t-1}} \times 100\%$$

Description:

PAD : Regional Own-source Revenue

DPR : Balanced Fund (Fiscal Balance

Transfers)

t : Current Period

t-1 : Previous Period

Total Expenditure : Total of Government (Regencies/Cities) Expenditure in APBD

Based on the formulation of share and growth and analysis of the relationship between district/city health function expenditures in South Sulawesi Province, the variables used and their definitions are presented in Table 1.

There are 24 districts/cities to be analyzed. The Quadrant analysis method is used to explain the characteristics of each region. The quadrant analysis method divides each region into equal quadrants with the following

explanation:

1. Quadrant I describes the superior area with a high share and growth value. The amount of share value implies that the region has qualified regional independence, while positive growth means that the region has economic growth prospects in the future;
2. Quadrant II describes areas with high growth values, although with inadequate share value. The large value of growth indicates that this group of regions has a good expectation of improving economic conditions in the future. While the low share value can be caused by some cases, either because the budget expenditure burden is too large or weak revenue capability in the budget;

Table 1. Research Variables

No.	Variable	Description
1.	PAD	The Value of Regional Own-source Revenue in regencies/cities consists of: a. Local Tax Revenue b. Regional Retribution Revenue c. Local own Source Assets Revenue d. Other Legitimate Local Own-source Revenue
2.	DPR	Value of Balance Fund (Fiscal Balance Transfers) or TKDD in regencies/cities consists of: a. Tax Revenue Sharing Fund/Non-Tax Revenue Sharing Fund b. General Allocation Fund c. Special Allocation Fund
3.	Total of Local Expenditure	The total value of local expenditures in regencies/cities consists of: a. Indirect Expenditure 1) Employee Expenditure 2) Interest Expenditure 3) Subsidies Expenditure 4) Grant Expenditure 5) Social Assistance Expenditure 6) Revenue Sharing Fund Expenditure to the Province/Regency/City and Village Governments 7) Financial Assistance Expenditure to the Province/Regency/City and Village Governments 8) Unexpected Expenditure b. Direct Expenditure 1) Employee Expenditure 2) Goods and Services Expenditure 3) Capital Expenditure
4.	Health Function Expenditure	The total value of regional expenditure on health functions/services in the regencies/cities.

Source: DJPK, 2018

3. Quadrant III describes groups of regions with large share numbers but low growth. Thus, this third quadrant is the opposite of quadrant II. The amount of share in the area in the third quadrant is due to the remaining large contribution of revenues in the budget, but in the future, begin to show a negative growth rate. If associated with regional characteristics, this group of quadrant III can represent the condition of mining areas that have entered the twilight period;
4. Quadrant IV describes the most unsatisfactory regional group as it represents underdeveloped areas with low regional independence and relies heavily on the central government with no positive economic growth prospect in the future. Based on these characteristics, it can be seen that the regions in quadrant IV must be treated as the top priority of all forms of development policy in the region, both from the central and local governments. The policy in question includes policy improvement, which includes planning and budgeting.

Meanwhile, to see the pattern of relationships between regional capacity or fiscal space, potential for growth, and commitment to fulfilling health service through expenditure on health functions in the region, this study used Scatter Plot and Pearson Correlation techniques through the IBM SPSS Statistics 22 application. The correlation coefficient (r) shows the degree of correlation between the variables in the range -1 to $+1$ ($-1 < r \leq +1$). The significance test level of influence and relationships between variables, this study uses an alpha or significance level of 0.05 . If the significance value of each variable is smaller than the alpha value (0.05), then the influence or relationship is considered significant.

RESULT AND DISCUSSION

The first analysis used is the Share analysis to determine the strength of the APBD of each region. The results of the share analysis presented in Table 2 show that in general the average level of independence of districts/cities in South Sulawesi Province during the 2015-2019 period is included in the high category with a share value of 86.07% . So in general, districts/cities in South Sulawesi Province are quite independent in terms of sources and budget allocations.

The five regencies/cities with the largest independence between 2015 and 2019, notably Luwu Timur regency with an independence rate of 127.88% , which falls under the very high category, followed by the city of Makassar by 121.59% , the city of Pare-Pare by 94.57% , Tana Toraja regency by 91.29% , and Soppeng Regency with 87.06% . Regencies/cities that still fall into regions with low financial independence consist of regencies/cities such as Wajo, Palopo, Pinrang, Luwu, and Bone.

Based on the condition of each region, the majority of regions still depend on revenue derived from Other Legitimate Regional Own-source Revenue (Lain-lain Pendapatan Asli Daerah yang Sah, Lain-lain PAD yang sah) consists of (a) the proceeds of not segregated regional assets; (b) the result of employment or utilization of not segregated regional assets; (c) demand deposit revenue; (d) interest revenue; (e) indemnity claims; (f) gains from foreign exchange; and (g) commissions, deductions, or other forms as the proceeds and/or procurement of goods and/or services by regions. Meanwhile, some regencies/cities depend on regional tariffs, such as Bantaeng, Gowa, Jeneponto, Luwu, Sidenreng Rappang, and Tana Toraja. While others, depending on the revenue derived from local tax, notably Maros, Pangkajene and Islands, Makassar, and Luwu Timur.

Bone, Luwu, and Palopo require serious attention as these regencies/cities have been at the level of dependence on receiving aid from the central government for a long time. These three regencies have obtained significant central government funds and are included in the top 10 regencies with the largest average balance fund value during 2015-2019. Bone with Rp1.489 trillion, Luwu Rp1.364 trillion, and Palopo with Rp940.906 billion. This fact is a fascinating subject to be examined more thoroughly to identify whether the distribution of transfer funds to the region has been effective or not. One issue that warrants attention is the funds invested by the central government. Although such funds have been very significant in terms of amount, it has not

been able to bring financial independence to all the regions in an equitable manner.

The results of the Growth analysis, as presented in Table 3, show that, in general, the average growth of all regencies/cities in South Sulawesi Province from 2015–2019 is positive. Thus, the prospect of economic growth is increasing along with several problems in each district/city. In 2017, the growth of South Sulawesi Province experienced a slowdown with a negative growth value but could continue to grow in the following years.

The five regencies/cities that recorded the largest average positive economic growth among other regions in South Sulawesi

Table 2. Share Analysis Results of Regency/City in South Sulawesi Province during 2015-2019

No.	Regency/City	Year/Share (%)					Mean
		2015	2016	2017	2018	2019	
1	Bantaeng	85.90	87.64	79.54	88.25	85.93	85.45
2	Barru	83.42	93.06	92.85	84.48	81.33	87.03
3	Bone	76.15	84.14	80.04	78.70	77.55	79.31
4	Bulukumba	72.94	86.73	84.60	84.09	82.14	82.10
5	Enrekang	84.83	81.51	87.55	83.90	81.30	83.82
6	Gowa	75.30	88.17	91.00	79.57	80.23	82.86
7	Jeneponto	83.68	84.18	85.15	87.08	83.39	84.70
8	Selayar Islands	64.54	66.20	93.40	91.59	89.47	81.04
9	Luwu	80.13	73.57	79.04	77.18	79.86	77.96
10	Luwu Timur	104.30	122.01	136.12	136.37	140.59	127.88
11	Luwu Utara	73.62	87.32	83.44	80.83	76.36	80.31
12	Makassar	188.17	215.60	73.81	63.32	67.04	121.59
13	Maros	80.50	92.04	86.15	87.56	87.27	86.70
14	Palopo	62.17	74.90	87.38	75.17	84.83	76.89
15	Pangkajene Islands	82.03	90.65	87.65	86.58	86.74	86.73
16	Pare-pare	92.35	82.91	89.81	104.84	102.91	94.57
17	Pinrang	90.79	94.77	67.47	64.96	66.50	76.90
18	Sidenreng Rappang	88.02	82.92	81.99	90.76	89.72	86.68
19	Sinjai	86.07	87.05	87.48	84.83	86.26	86.34
20	Soppeng	89.39	112.19	72.83	83.29	77.59	87.06
21	Takalar	65.53	67.02	102.68	93.13	96.65	85.00
22	Tana Toraja	100.36	87.05	93.11	88.49	87.45	91.29
23	Toraja Utara	77.26	80.69	80.82	82.58	75.83	79.44
24	Wajo	33.38	35.05	67.95	70.21	63.94	54.10
Mean		84.20	89.89	86.33	85.32	84.62	86.07

Province between 2015 and 2019 were Luwu Timur Regency (26.82%), followed by Bantaeng Regency (12.79%), Jeneponto Regency (11.14%), Sidenreng Rappang Regency (10.93%), and Pare-Pare city (10.46%). In contrast, Wajo Regency/city, Pinrang, Makassar, Luwu Utara, and North Toraja are regencies/cities that have a regional composition with a large economic growth slowdown rate.

Wajo Regency again falls into the category of regencies with relatively low economic growth prospects. The status of Wajo regency becomes very interesting to look at further when it is classified as a region with a significant dependency on the central government's assistance while having a low future econom-

ic growth rate. Concerning the fact that the main source of PAD of Wajo regency comes from Other Legitimate Regional Own-source Revenue, the achievement of public service commitments, especially in health service delivery, also seems to still depend heavily on central government's assistance.

Based on the Regional Fiscal Review Report of South Sulawesi Province year 2019 the composition of local government consolidated employee expenditures of 41.52% dominated expenditures, both state budget and regional budget in 2019. Then followed by Consolidated Goods Expenditure of 31.56% and Consolidated Capital Expenditure of 19.80%. This demonstrates that expenditure on productive sectors, namely capital ex-

Table 3. Growth Analysis Results of Regency/City in South Sulawesi Province During 2015-2019

No.	Regency/City	Year/Share (%)					Mean
		2015	2016	2017	2018	2019	
1	Luwu Timur	6.85	37.08	79.56	7.53	3.1	26.82
2	Bantaeng	24.08	41.07	-24.25	15.15	7.89	12.79
3	Jeneponto	24.38	23.3	-7.67	6.73	8.96	11.14
4	Sidenreng Rappang	25.95	26.35	-0.72	1.08	1.99	10.93
5	Pare-pare	18.82	23.13	0.53	-4.89	14.69	10.46
6	Tana Toraja	21.26	9.14	24.38	-7.02	2.61	10.07
7	Luwu	22.97	18.74	-6.9	1.48	12.42	9.74
8	Selayar Islands	10.49	23.45	1.75	15.96	-3.64	9.6
9	Takalar	13.91	25.8	7.41	-6.53	7.01	9.52
10	Sinjai	24.18	28.1	-4.26	-1.86	1.02	9.43
11	Maros	8.3	36.76	-10.88	10.01	1.63	9.17
12	Gowa	11.34	27.47	11.28	-7.52	2.95	9.1
13	Enrekang	30.77	16.11	-2.79	-2.35	1.16	8.58
14	Bone	13.19	22.7	4.2	-1.7	4.05	8.49
15	Palopo	22.72	31	-10.51	-12.27	9.81	8.15
16	Soppeng	16.36	36.54	-24.42	14.89	-3.8	7.91
17	Bulukumba	18.89	23.08	2.46	-6.48	1.48	7.89
18	Pangkajene Islands	18.24	25.85	-7.64	2.81	-0.83	7.69
19	Barru	25.96	19.82	5.83	-10.28	-3.74	7.52
20	Toraja Utara	5.88	13.92	5.62	12.86	-2.36	7.18
21	Luwu Utara	1.6	29.17	-0.3	1.83	1.07	6.67
22	Makassar	12.55	32.84	-17.5	-8.71	6.56	5.15
23	Pinrang	18.76	20.01	-27.42	6.27	-2	3.12
24	Wajo	15.03	12.43	-12.32	-0.45	-1.04	2.73
Mean		17.19	25.16	-0.61	1.11	2.96	9.16

penditures and goods expenditures, are not optimum enough to boost economic growth in South Sulawesi Province. The fiscal challenge in south Sulawesi's regional economy is how to improve the leading sector and potential sector in the development and strengthening of the economy in the future (Kementerian Keuangan, 2019).

After conducting a partial analysis using the Share Analysis and Growth Analysis, all regencies/cities are reanalyzed using quadrant methods. According to their quadrants, the Quadrant Analysis method calculates and divides all regencies/cities in South Sulawesi Province into four quadrants of regions with their respective characteristics. The results of the quadrant analysis for all regencies/cities in South Sulawesi Province are presented in Table 4.

The analysis entails several regions in quadrant I with regional details: Luwu Timur, Tana Toraja, Sidenreng Rappang, Sinjai, Pare-Pare, and Maros. As explained earlier, regencies/cities in quadrant I are the ready area and deemed feasible to be an area with great regional independence, and followed by a positive prospect or economic potential in the future. Its readiness and feasibility can be measured based on APBD independence and relatively good economic prospects. The region within quadrant I, as not only is the capacity of the APBD is substantial, expendi-

ture is also being rationally managed. These favorable conditions must be maintained and developed in the future in order to create independent areas and reduce the burden of dependency on assistance from the central government. The success of some regencies/cities, of course, must be replicated in other regencies/cities while bearing in mind the aspects of locality and characteristics of each regency/city.

Regencies/cities located in quadrant II are Bantaeng, Takalar, Jeneponto, Selayar Islands, and Luwu. Regions in quadrant II are areas with the potential for growth in good economic conditions. Relating the results in quadrant II with the Share Analysis results, almost all regions in quadrant II are not included in the lowest share group, except for Wajo Regency. The strategy that needs to be taken to reduce the regions in quadrant II is primarily to create a rational budget expenditure burden because the economic outlook in the future is still positive. The positive future economic outlook must be maintained and developed to be the main driving force for regional economic development. Local governments must be able to create a positive investment climate to attract private investors to invest their capital and accelerate economic growth in the region.

There are four regencies/cities in this third quadrant: Makassar, Soppeng, Barru, and

Table 4. Quadrant Analysis Results of Regency/City in South Sulawesi Province During 2015-2019

Quadrant			
I	II	III	IV
Luwu Timur	Bantaeng	Makassar	Gowa
Tana Toraja	Takalar	Soppeng	Enrekang
Sidenreng Rappang	Jeneponto	Barru	Bone
Sinjai	Selayar Islands	Pangkajene Islands	Palopo
Pare-pare	Luwu		Bulukumba
Maros			Toraja Utara
			Luwu Utara
			Pinrang
			Wajo

Pangkajene Islands. Quadrant III comprises regencies/cities with a high average share. However, due to the high share capability, it began to face a slowdown in the outlook for economic growth in the future. While in quadrant II, the region’s strategy is the rationalization of APBD expenditure, quadrant III necessitates a strategy of an immediate shift of sector by applying ample funds from the oil and gas sector. Through a shift of priority sector, the region is expected to restore its positive growth in support of future sustainable regional economic growth. The issue in quadrant III is how the region can avoid a “natural curse” to make sure that its wealth of natural resources can benefit the communities within the region.

Similar to regions in other provinces, most regencies/cities fall into quadrant IV (Haryanto, 2019). In this study, 9 out of a total of 24 regencies/cities are included in the fourth quadrant. This quadrant illustrates the most unattractive regional conditions. On the one hand, the regions lack adequate fiscal capacity and financial capability, and on the other hand, the region does not have a good future economic outlook. For the government itself, the regions in quadrant IV

can be the main recommendations for policy-making and the implementation of policies to accelerate economic growth and development in the region. Looking at the characteristics of regions in quadrant IV, they are mostly regions that have long existed and have the authority to carry out. The central government can also see the regions in quadrant IV as the main target of various policies so that in the future, these regions can be moved to a better quadrant.

From the results of mapping the fiscal capacity of South Sulawesi Province and the results of data consolidation for all districts/cities, the analysis is continued by looking at the realization of expenditure on health functions in districts/cities during 2015–2019 and related patterns for development. The observation data can be seen in Figure 1, where the provincial average threshold is Rp188.3 billion. Based on the provincial threshold, several regions with the realization of expenditure on health functions in the APBD are above average, such as regencies/cities of Bone, Gowa, Luwu Utara, Makassar, Maros, Pangkajene Selayar Islands, Pare-Pare, Pinrang, Takalar, and Wajo. Meanwhile, regencies/cities such as Bantaeng,

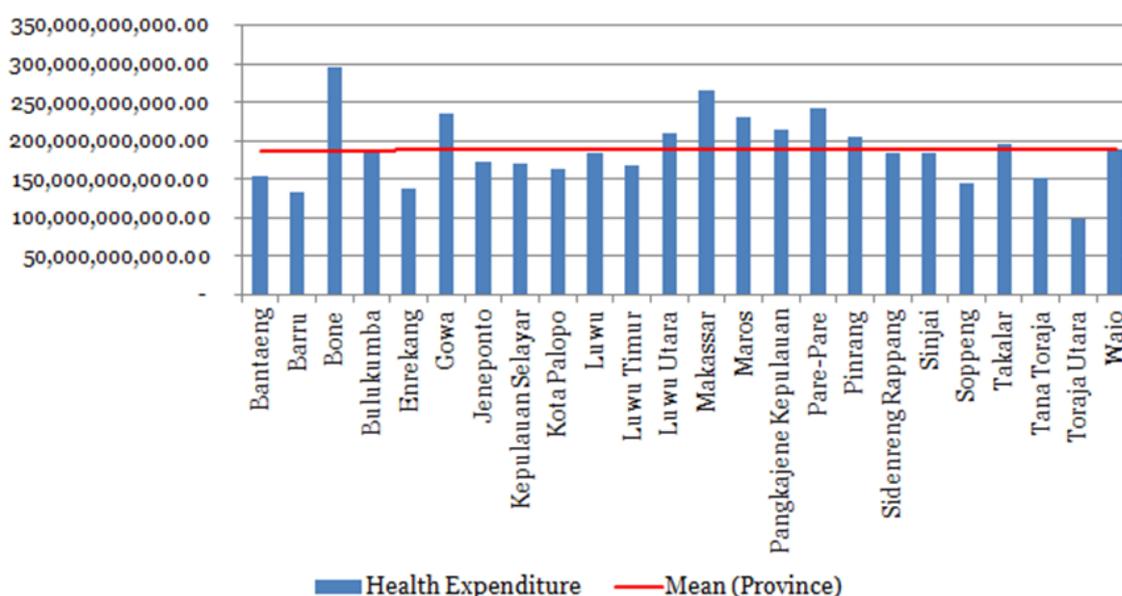


Figure 1. Average Expenditure for Health Functions of Regencies/Cities in South Sulawesi Province During 2015-2019

Barru, Bulukumba, Enrekang, Jeneponto, Selayar Islands, Palopo City, Luwu, Luwu Timur, Sidenreng Rappang, Sinjai, Soppeng, Tana Toraja, and North Toraja have allocations that are below the provincial threshold value.

Interestingly, if traced further, there is a premise that links these areas with the relatively large fiscal capacity of APBD. Some regencies/cities that fall into the large APBD category are not spending expenditures for large health functions, such as Luwu Timur, Tana Toraja, Sidenreng Rappang, and Sinjai. Politics and APBD commitment in the regional Medium Term Development Plan (Rencana Pembangunan Jangka Menengah Daerah, RPJMD) seems to be the determining factor. Therefore, the government must constantly remind the importance of fulfilling the budget of functions and health services in the region embedded in the government's plan and budgeting documents. In contrast, some regencies/cities that fall into low budget fiscal capacity have better health care commitment in areas with a considerable average expenditure of health functions, such as Bone, Gowa, Luwu Utara, Pinrang, and Wajo Regency.

When associated with previous analyses, almost all the areas in quadrant I had relatively low average health function expenditure. It is noted that only the regencies/cities of Maros

and Pare-Pare become areas in quadrant I, having a relatively large allocation of health functions expenditure. The findings are otherwise precisely out of sync when passed down to detail areas in quadrants II, III, and IV. Areas in quadrant IV, such as Bone, Gowa, Luwu Utara, Pinrang, and Wajo, do not have large fiscal and APBD capacity but have a good commitment to health expenditure. This is confirmed by the correlation analysis's result between health function expenditure and share levels in regencies/cities with negative relationship patterns/directions presented in Table 5 and Figure 2.

Table 5. Pearson Correlation Results

Variable	Health Expenditure	Share	Growth
Health Expenditure	1	-0.099 (0.647)	0.120 (0.577)
N	24	24	24

* Ratio of Health Expenditure to Total Local Government Expenditure

**Correlation is significant at the 0.01 level (2-tailed)

In line with the results showing areas with high growth potential, almost all districts/cities included in the top five categories have low performance related to the amount of health function expenditure allocation in the budget. A slight deviation occurs in this case only in the city of Pare-Pare. It should be considered in the future that the issue of sustainability and a high commitment to health should be the main aspects of concern in forming a healthy structure for regional eco-

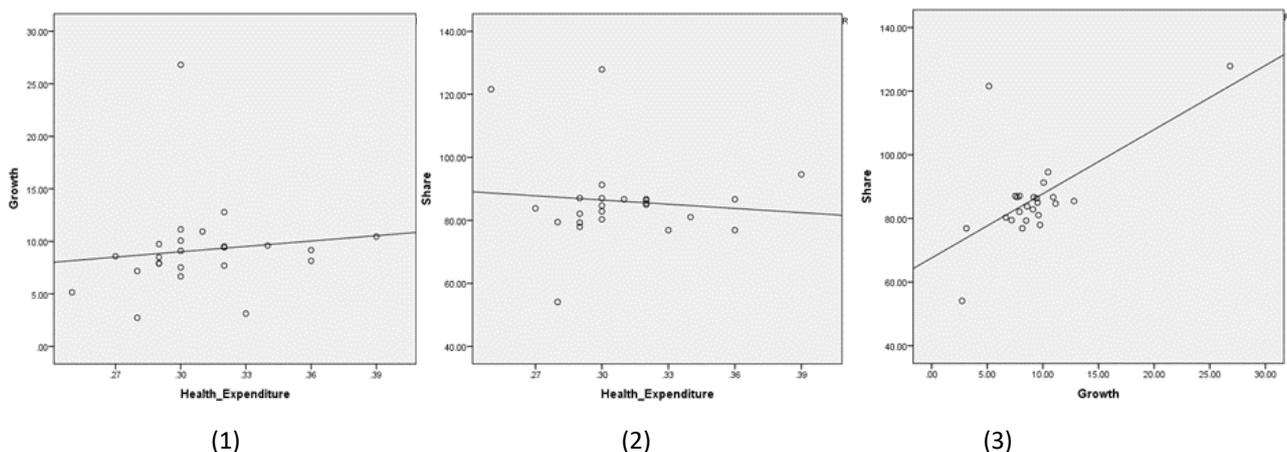


Figure 2. Relationships Between Health Expenditure, Share and Growth

conomic development. This is confirmed by the results of the correlation analysis between health function spending and the growth rate of districts/cities, which have a positive, although not strong, relationship pattern/direction.

In an effort to accelerate regional development and TKDD, it is also necessary to strengthen and increase funding sources derived from PAD that have not been optimally utilized, especially to increase regional independence. Considering that there is still much potential for PAD, especially from local taxes and local levies that have not been managed effectively and efficiently, especially in regencies/cities that still depend on Other Legitimate Regional Own-source Revenue. Efforts to strengthen the extraction of PAD resources are undertaken, among others, through strengthening local taxing power by expanding the levy base and providing discretion in the determination of tariffs by regions according to the community's ability.

Furthermore, to accelerate the development and provision of infrastructure, improve the quality of public services and support the improvement of regional economic growth, policies for the development of regional financing sources should be established. Such policy is notably the Local Government Cooperation with Business Entities (Public-Private Partnership, PPP). In addition to the development of regional funding sources, other essential aspects require priority and handling to improve public service delivery quality, especially health. By prioritizing these other aspects, it is expected that the efficiency, effectiveness, and productivity of APBD expenditure and regional financial management can be improved. This is because the quality of regional expenditure thus far has remained unsatisfactory, which is shown among others from:

1. most of the regional expenditures are used for the employee rather than capital expenditures;
2. most regional expenditures use cost standards, both Standard Input Cost (Standar Biaya Masukan, SBM), Standard Output Cost (Standar Biaya Keluaran, SBK), in trillion Rupiah and Unit Price Standard (Standar Satuan Harga, SSH), which are higher than the central cost standard;
3. programs/activities in regional budgeting, over-budgeting, and lack of focus;
4. many regions have not met the mandatory expenditure allocation for education, health, and infrastructure;
5. regional expenditure management has not used an integrated and transparent electronic-based planning, budgeting, and implementation system; and
6. uneven output achievement, as reflected by the high inequality of public services between regions.

These conditions are problems and challenges that will be used as the basis for policy improvement. Such policy improvement can enhance the quality of regional expenditure assignments and regional revenue management policies from PAD and TKDD (revenue assignment), which is in line with budgeting reform measures and the improvement of regional financial management policies.

After all, the results of this study have powerful policy implications, mainly if it is associated with several critical issues of regional development and fiscal decentralization. Some findings on regional self-reliance indicators and future economic prospects are the best inputs for improving fiscal decentralization policies at the provincial and national levels. Other policy implications are also related to the region's commitment to delivering quality health services by allocating health function expenditures in the budget. The proposed hypothesis is that some areas with high fiscal capacity in the APBD auto-

matically have a large allocation of health function expenditures. However, the findings of the study did not prove this to be appropriate. Some findings ought to be an outlier when some areas with large fiscal capacity in the budget do not have a high budget commitment. On the contrary, some regions with low fiscal capacity in the APBD have a big commitment in allocating funds for health function expenditures. Although these regions have freedom in carrying out policies related to budget politics in the region due to decentralization, the role of the central government is still highly expected in providing various advocacy for improving expenditure patterns, especially in the health sector.

CONCLUSION

Based on the results of the analysis and discussion, several conclusions have been drawn. First, in general, the average level of independence of regencies/cities in South Sulawesi Province during the period of 2015-2019 fall into a high category with a share value of 86.07%. This implies that, in general, regencies/cities in South Sulawesi Province are relatively independent in the source and allocation of regional budgets. However, some regencies/cities still fall into the category of regions with low financial independence, such as Wajo, Palopo, Pinrang, Luwu, and Bone Regencies.

Second, the average growth of all regencies/cities in South Sulawesi Province showed positive figures from 2015–2019. The prospect of economic growth has accelerated with several problems in each regency/city. East Luwu regency is recorded as the regency with the highest growth of 26.82%. Interestingly, Wajo Regency is classified as an area with significant dependence on central assistance and a low economic growth rate going forward.

Third, some regencies/cities that fall into large APBD do not have large expenditures on health functions, such as East Luwu, Tana Toraja, Sidenreng Rappang, and Sinjai Regency. In contrast, some regencies/cities that fall into the category of low fiscal capacity APBD precisely commit to improving health services in areas with a large average expenditure of health functions, such as Bone, Gowa, North Luwu, Pinrang, and Wajo. Almost all of the areas in quadrant I have relatively low average health function expenditure. Areas in quadrant IV, such as Bone, Gowa, North Luwu, Pinrang, and Wajo Regency that do not have large fiscal and APBD capacity, have a good commitment to health expenditure. This is confirmed by the analysis results on the correlation/relationship between health function expenditure and share levels in regencies/cities with negative relationship patterns/directions. In addition, almost all regencies/cities that fall into the good category in the growth potential turned out to have low performance in terms of the amount of health function expenditure and allocation in the budget.

The realization of government expenditure as an economic stimulus needs to be continuously encouraged. The absorption of the budget as an economic stimulus in the future becomes the key to increasing fiscal independence, given the size of the infrastructure budget. Therefore, connectivity, essential services, and increased production will be added value in various business fields. Real sector activities that continue to grow will improve the quality of growth and increase fiscal independence from local governments.

Data limitations are an obstacle in this study. The data was collected from the period of 2015–2019. The update of the 2020 budget data is also seen as an interesting issue to address in further research. Furthermore, there is a need to expand the content of the

discussion, which involves non-APBD aspects and some other thematic issues in development, such as the impact on poverty alleviation, gender, and inclusivity. Since 2020, the central and local governments have been actively working in handling the impact of the COVID-19 pandemic that has hit the world, where the role and contribution of the government through regional expenditure instruments, mainly health functions, is crucial.

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