THE EFFECTIVENESS OF THE INTENSIFICATION AND EXTENSIFICATION STRATEGY TO INCREASE THE REVENUE OF MAKASSAR CITY

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ABSTRACT

The purposes of this study are; 1. to measure the effectiveness of intensification and extension to increase Revenue government of Makassar, 2. to find out and determine the local resources that can be developed to improve the Revenue of Makassar City. The data used were; primary data that were the quantitative time series data on the development of the Revenue, the Gross Domestic Product (GDP) at the constant price, total government spending, and target and realization of Local Taxes and Levies in period of 2010-2015 in Makassar City. Secondary data that were collected in various types of data related to the Revenue variable (Y) and other variables (X1, X2) with the indicators from: Local Revenues Office of Makassar, Central Bureau of Statistic Office. The analysis method used was multiple linear regression. The population in this study was the entire of Regional Work Units of Makassar city. The sample was 22 of Regional Work Units in Makassar city associated with the revenue. The total of Regional Work Units were 41 units which consisted of 14 districts, 17 offices, 5 offices, and 5 institutions. Results showed that the variable of effectiveness of taxes intensification and retribution strategy (X1) a. Extra Reception Area, the response of respondents showed that there were 64 respondents rate fairly or 41.4%, and 82 respondents rate low or 52.9%.; b. Collection of Taxes and Levies Process, there were 59 respondents rate high or 38.2% and 84 respondents rate fairly or 54.8%; c. Supervision Taxes and Retribution, there were 101 respondents rate fairly or 65.7% and 54 respondents rate low or 35.0%. It was clearly showed that optimization of taxation and levies increased surveillance was quite low, it was shown by the average score of only 2.73, d. Orderly Administration of Tax Collection and Levies, there were 57 respondents rate fairly or 36.2 % and 77 respondents rate low or 49,8 %. It indicated that orderly administration was quite low. e. Supervision Taxes and Retribution, there were 66 respondents rate fairly or 42.6 % and 45 rate low or 29.3 %. The variable of effectiveness of taxes extensification and retribution strategy (X2) 1. The new tax determination by the authorities, there were 65 respondents rate fairly or 41.7 % and 40 rate low or 25.6 %. 2. The new levy determination by the authorities, there were 51 rate high or 32.7 % and 68 rate fairly or 43.6 %. 3.Diversion of Regional Center Taxes, there were 45 respondents rate fairly or 28,85 % and 79 rate low or 50,64 %. The increase of Local Revenue variable (Y), a. The level of target achievement of local revenue, there were 46 respondents rate fairly or 29.85 % and 80 rate low or 51.64 %. 2.The growth of local revenue, there were 62 respondents rate fairly or 40.1 % and 83 rate low or 53.6 %. It indicates that the independent variable have a significant affect on the dependent variable simultaneously. It is shown achievement of local revenue 2015 992.147.612.000,00, 2016 1.305.180.008.000,00 an increase 313.032.396.000,00 or 131,55 %.

Keywords: Local of revenue, intensification strategy, extensification strategy .

INTRODUCTION

The enactment of Law No. 22 of 1999 on Regional Government is a new form of local governance processes for the improvement of public services. Supporting the implementation of the Regional Government, then Law No. 25 of 1999 on Financial Balance between Central and Local Government. In the subsequent development of both these laws were replaced by law No. 32 on 2004 on local government and Law No. 33 of 2004 on Financial Balance between central and local government.

As a concequence of the implementation of the principle Law,

desentralization become the authority of local government, then all areas of government delegated to the regions in the framework of regional autonomy. The sources of local revenue is based on Law No. 25 of 1999, it is covering local revenue, Equalization Funds, Loan Region, and other legitimate acceptance. According to Law No. 33 of 2004, the sources of local revenue consist of revenue and finance. Regional income includes: Revenue, Equalization Funds, and other income. While the rest of the funding comes from the regional budget, reception area Loans, Regional reserve funds, and the sale of the wealth of separated areas.

Mardiasmo (2002: 147) stated that the effort of fiscal capacity is not only concerning the improvement of revenue. The improvement of fiscal capacity basically is optimizing the sources of regional income. One of the effort to optimize the management of financial resources of the area is by improving the local revenue management, by intensification and extension of taxes and levies strategy with no record of burdening the public with a variety of new taxes and levies or by raising tax rates and charges that already exist.

Hofman (2002), the largest source of income for most turns Regional Government is the General Allocation Fund (DAU) and Tax Revenue, which reached 65% and 23%. It means at least of 88% from the local revenue is still the transfer of the center. So eventhough the ministry has been delegated to Local Government Local Government but still very dependent on the Centre to finance the implementation of public service duties. In general donations and the help of the central government to the provincial government reached 54.54% of total revenues provinces throughout Indonesia. In addition, if listened to from 2004 to 2011, the average acquisition PAD in each province is not more than 25% of total revenues, except Jakarta which could reach 58.1% (Kuntjoro, 2012:335).

Makassar City is the fourth largest city in Indonesia and the largest in Eastern Indonesia has a total area of 175.79 km2 with a population of 1.112.688, so that this city has become a Metropolitan City. As a service center in eastern Indonesia, Makassar City serves as a center of trade and services, the center of industrial activity, the center of government activities, knot freight and passenger services by land, sea or air, and the center of education and health services.

From the revenue side budget of Makassar in 2016, local revenues derived from the Fund Balance is the largest is about 44% or about 1.617.trilyun of about 3,659 trillion, while revenues are derived from the original income accounts for about 35% or about .1.305 trillion. Between the income received from the fund balance and shows the percentage of local revenues are very much different as the government should optimize the receipt of the revenue.

PROBLEM STATEMENT

Based on the general background of the problems, this study will answer the following problems: 1) Does the intensification of taxation and levies strategy can improve the Local Revenue of Makassar; 2) Does the extensification of taxation and levies strategy can improve the Local Revenue of Makassar?

OBJECTIVES OF THE RESEARCH

The objectives of this research are: 1) To measure the effectiveness of intensification and extensification strategy on the improvement of local revenue Makassar city government; 2) To determine and specify the local resources that can be developed to improve the original income of Makassar city government.

METHODOLOGY OF THE RESEARCH

1. Research Variables

Variables proposed in this study were classified as follows:

a. The dependent variable (Y) is the development of Local Revenue Makassar Government, the indicators are; 1) the level of revenue achievement targets, 2) Revenue growth.

b. The independent variable (X), is the variable that affect the variable X1 and X2 namely the effectiveness of intensification strategy, the indicators are; 1) Extra Revenue Area, 2) Collection Process, 3). the Increase of Surveillance

4).Orderly Administration, 5) Task and Retribution of Revenue and X2 namely the effectiveness of extensification strategy, the indicators are; 1) the new tax assessment by the authorities 2). the new retribution assessment by the authorities, 3). Diversion of regional center tax.

b. Collection of Taxes and Levies Process, there were 59 respondents rate high or 38.2% and 84 respondents rate fairly or 54.8%;

c. Supervision Taxes and Retribution, there were 101 respondents rate fairly or 65.7% and 54 respondents rate low or 35.0%. It was clearly showed that the optimization of taxation and levies increased surveillance was quite low, it was shown by the average score of only 2.73, d. Orderly Administration of Tax Collection and Levies,

2. Research Approach

In this study, the researcher used a quantitative approach, quantitative approach is one way to scientific inquiry based on the philosophy of positivism logical that operates with rules strictly on logic, truth, laws, and predictions (Watson, in Danim 2002:59).

1. Time and Location of Research

The study was conducted in 3 (three) months and the location was at Government of Makassar city in South Sulawesi Province.

2. Types and Data Sources

The data used in this study was data in the form of:

a.Primary data that the data collection were conducted through a survey by using questionnaire to the respondents, the officials/ Head of Division in each SKPD in Makassar. The data were in the form of quantitative time series data about the increased of the realization of revenue, Gross Domestic Product at the constant prices, total of government spending, and targets and realization and Local Retribution in period of 2010-2015 in Makassar city.

b.Secondary Data that were collected gathered include in various data relating to revenue variable (Y) and others variables (X1, X2) along with their indicators. The data were in the form of quantitative namely understandings, definitions, theories that related to this writing.

While the sources of the data used in this study were:

a. Regional Revenue Office of Makassar

b. Central Bureau of Statistic Office of Makassar.

c. Literatures / books, and reports related to this writing.

3. Data Collection Techniques

To further facilitate research, information may be obtained through data collection techniques as follows:

1. Observation, which is by conducting a review directly to localized research to get the actual data.
2. Interview, which is a way to collect data by conducting a question and answer related to the object of research or to view materials related to the interview with respondents who are considered to provive accurate data.
3. Documentation, which is the collection of data obtained from the archives of being owned respondents considered capable of providing significant data to the object of research.
4. Questionnaire, which is the collection of data through a questionnaire containing with the object of the research.

6. Population and Sample
   a. This research was conducted in Government Office of Makassar. The population in this study was all the range of Regional Work Units of Makassar.
   b. The sample was taken from the population that was 22 of Regional Work Units of Makassar associated with Local Revenue. The total of of Regional Work Units of Makassar were 41 who were consisted of 14 districts, 17 office, 5 office, and 5 institution.
7. Data Analysis Method
   To determine the correlation between the independent variable with the dependent variable, the researcher used multiple linear regression analysis. This analysis is a quantitative analysis that used to prove the hyphothesis. The analysis model was chosen to determine the influence of the independent variable on the dependent variable either

simultaneously or partially. Multiple linear regression model are as follows:

$Y = b_o + b_1 X + b_2 X + e$, where :
Y = the Increase of Local Revenue
X_1 = the effectiveness of Intensification Strategy
X_2 = the effectiveness of Extensification Strategy
e = error
b = Constant
b_0, b_1, b_2, = regression coeficient

By using the least squares can be obtained coefficients b_0, b_1, b_2, b, so that the models that related between the dependent variable and indepnedent variable can be shown.
While the qualitative analysis used to observe, find the alternatives and strategies to improve the Local Revenue through SWOT (strength, weakness, opportunity, threat) analysis.

8. Data Analysis Technique.
   a. The test of Regression Simultaneously (F test)
   The simulatneoulsy test (synchronously) was conducted to determine whether the independent variables (X_1 and X_2) have a significant effect or not on the dependent variable (Y). In this test the F-test than the F-table in the significant degree of 0.05 or 5%. If the F-test > F-table then H_0 was rejected and H_1 was accepted, it means the hyphothesis was proven. The hyphotesis were:
   H_0 : acceptable when $b_i = b_2 = b_s = 0$ or $b_i = 0$, it means the independent variable (X) simultaneously has no effect to dependent variable (Y).
   H_1 : acceptable when at least one of the independent variable was not

equal to zero (b#0), it means the independent variable (X) has an effect on the dependent variable (Y).

b.The test of Regression Partially (t test)

The t test was conducted to find out the effect of each independent variable on the dependent variable and simultaneously to prove the hyphotesis. This test was done by comparing t-test and t-table at a significance level of 5% (a = 0,05), so that the t-test was higher than t-table, then H_0 was rejected and H_i was eccepted, it means the hyphotesis can be accepted or proven. The hyphothesis were:

Ho: acceptable if b1=0, it means the independent variable in partially has no effect on the dependent variable (Y).

Hi: acceptable if b1#0, it means the independent variable partially has effect on the dependent variable (Y).

DISCUSSION

1. Description of Research Variables

Variabel Efektivitas Strategi Intensifikasi Pajak dan Retribusi (X1)

a. Extra Revenue Area

The step to increase the revenue area which are potential, among others : identify the taxpayer, appraisal, calculation of levies.

However, despite having made fiscal decentralization, tax system in Indonesia is still likely centralization. Centralization of tax aims to reduce disparities between regions due to differences in the magnitude of the tax source. Thus, the efforts should also consider to the expanding of local tax based on the target.

The centralization of tax is primarily seen that the direct and indirect taxes is the most productive, such as Value Added Tax (VAT), excise, import and export duties, it is still handled by the central government. So the area is very limited in using their authirity in the determination of the types of taxes that can be handled. The response of respondents showed that there are 64 respondents rate fairly or 41.4%, and 82 respondents rate low or 52.9 %.

b. Collection of Taxes and Levies process

The intensification through the collection process, intended to make economic public is not heavy. The efforts that can be done are by accelerating regional regulations, changing tariffs, particularly for the retribution tariff, as well as upgrading the human resources, the publics response are there were 59 respondents rate high or 38.2% and 84 respondents rate fairly or 54.8%.

c. Supervision Tax and Levies

To improve oversight, among others by improving the system of supervision, inspection and periodic sudden, impose sanctions on tax arrears and penalties on the tax authorities, as well as increase the tax payments and the services provided by the regional, there are 101 respondents rate fairly or 65.7% and 54 respondents rate low or 35.0%. It is shown by the average score of only 2.73.

d. Orderly Administration of Tax Collection and Levies

The necessary action in improving the efficiency of tax collection and fees are by improving administration procedures of taxes and levies through the simplification of tax administration, by improving the efficiency of collection of any kind of collection, there are 57 respondents rate Fairly or 36.2% and 77 rate low or 49.8%. It indicates that the oerderly administration is quite low.

e. Supervision Taxes and Levies

Increasing the capacity of the reception is through better planning, especially in improving coordination with relevant agencies. Despite the efforts to increase the capacity of local taxes and charges have been made, but in general the Regency / City Government still complain about the lack of coordination with agencies and related UPT. Respondents assess; 66 rate fairly or 42.6% and 45 rate low or 29.3%.

The Variable of Extensification Texes and Levies Strategy (X2)

1. The new tax determination by the authorities

Extensification strategy is the approach or the way in an effort to increase revenue through expansion of new types of taxes and levies. Based on the new Law No. 34 of 2000, the government of District / City possible to add other types of taxes beyond those already set.

What about the implementation of the new regulations, following the results of respondents' answers regarding levels of authority in setting the new tax, there are 65 respondents rate fairly or 41.7 % and 40 respondents rate low or 25.6 %.

2. The new levy determination by the authorities.

The authority of the new levies for the District/ City more freely than with the authority of a new tax assessment. For more details about how the respondents to the authority of the new levies, there are 51 rate high or 32.7% and 68 rate fairly or 43.6 %

3. Diversion of Regional Center Taxes.

The regional authority to th elevy taxes and charges regulated by Law 34 of 2000 about Local retribution. By that Law, normative areas delegated to manage multiple types of taxes that used to be handled Centre into a local revenue sources. However, the area is only allowed in the implementation, to manage the types of taxes that have been determined by the centre government. There are 45 respondents rate fairly or 28.85% and 79 respondents rate lower or 50.64%.

Variable of Local Revenue Increase (Y)

a. The level of Local Revenue Targets

that may be levied by the Province and other types of taxes levied by Regency / City. Provincial Tax consists of four types of taxes are: motor vehicle taxes and vehicle on the water (PKB and KAA), transfer duties motor vehicle and water vehicle (BBKNKB and KAA), tax motor vehicle fuel (PBBKB), tax collection and utilization of ground water and surface water (P3ABT and AP). Meanwhile authority regency / municipal government includes: hotel tax, restaurant tax, entertainment tax, advertisement tax, street lighting tax, tax collection excavated materials category C, the parking tax (UU No.34 tahun 2000).

From the types of tax that can be levied by the government, the majority of respondents said that there is still a lot of potential that can be optimized to achieve the target so that the target achievement of taxes and levies can be incresed. There are 46 respondents rate fairly or 29.85 % and 80 respondents rate low or 51.64 %.

2. An increase / PAD growth.

The final result of strategies and pollicies that implemented so far will be realized in the acquisition of taxes and levies. However, there are some aspects that must be constantly observed that the increase of the acquisition taxes and levies. This data is important bacause by the increase of the acquisition taxes and levies could

reflect the process in all areas related to revenue. There were 62 respondents rate fairly or 40.1 % and 83 respondents rate low or 53.6 %.

2. Data Analysis

Test of Validity and and Reability data
The result of the calculation and processing data obtained from the results of SPSS (Statistical Product and Service Solution) program ver. 11.X11. The result of test showed that the whole grain item in question has a significant value smaller than the value of 0.05, thus it can be said that the whole grains are valid so that it can be done the realibility test.

3. Quantitative Analysis

a. Multiple Linear Regression Equation

Based on the results of SPSS that presented in the appendix in subsection Coefficients, column Unstandardized Coefficient B is obtained multiple linear regression as follows:

$$Y = 0.102 + 0.574X1 + 0.302.X2$$

The explanation of the equation above is as follows:

1. The value of constant is 0.102, it means if assumed the value of the variable equal to zero then the value of the dependent variable (Y) is 0.102.
2. The value of slope or regression coefficient from variable (X1) is 0.574, it means if the value of variable (X1) is increased to one unit then it will cause an increase in the value of variable (Y) amounted to 0.754 unit. Assuming that the value of the other independent variable is constant or zero.
3. The value of the slope or regression coefficient of variable (X2) is 0.302, it means if the value of variable (X2) is increased to one unit, it will cause an increase of variable (Y) namely 0.302 unit. Assuming that the value of the other independent variables are constant or zero.

The percentage of independent variables on the dependent variable indicated by the simultaneous determination coefficient (Rsquared) is 57.1%. While there is 41.9% affected by the other variables outside of this study. Because of this study do not use more than two independent variables, so that the value of determination used is R squared that is 0.571. If the independent variable is more than two variables, then it use the Adjusted R squared that is 0.565 or 56.5%. Adjusted Rsquared is a value of adjustment or correction of the value of Rsquared.

3. Interpret Results

Based on the result of F test by SPSS program, it is obtained that the values of F test is 101.676. The value of F test is higher than F table namely 3.3277. The value of significance is 0.0000, the value of significance is lower than the value of α namely 0.05. Thus, Ho is rejected and Hi is accepted, it means that the independent variable in simultaneously has a significant effect on the dependent variable. It indicates that the effectiveness of intensification and extensification strategy have a significant effect on the local revenue.

CONCLUSION

1. Variable (X1), the t test obtained 8.596. This t test was higher than t table = 1.9759 and the value of significance was 0.000, the significance value was lower than $\propto = 0.05$. Thus H_0 was rejected and H_1 was accepted → the variable of the effectiveness intensification strategy (X1) in

partially have a significant effect on the development of revenue (Y).

2. Variable (X2), the t test obtained 8.287, This t test was higher than t table = 1.9759 and the value of significance was 0.000, the significance value was lower than $\propto$ = 0.05. Thus H_0 was rejected and H_1 was accepted → the variable of the effectiveness extensification strategy (X1) in partially have a significant effect on the development of revenue (Y).

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