# INFLUENCE OF FUNDS FOR RESULTS OF APBD: STUDY IN THE OIL AND GAS INDUSTRY IN INDONESIA

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## ABSTRACT

Sharing fund is the proportion possesed by local governments as oil and migas producers. Along with fiscal decentralization and greater local autonomy presently, the sharing fund ought to be used for the wealth of these locals through APBD (Local Planning and Expendfture Budget). This study was aimed at identifying the effect of oil and gas upstream industry sharing fund on APBD. It was an explanative-associative study. Data were collected through interviews, questionairre, observation and Ifterature. Data were analyzed descriptively, and then treated by several assumption tests, approximated through path coefficient and confinnatory factor analysis. Subsequently, the author interpreted and modified the model. The results indicated that the effects of sharing fund on APBD was significant. It means that the greater sharing fund will cause larger amount of APBD.

**Key words**: Sharing Fund, APBD, oil and gas upstream industry

## PRELIMINARY

In addition to contributing income to the state, the oil and gas industry is a significant contributor to PAD for oil and gas producing regions, and is an opening frontier region. Oil and gas exploration is mostly done in remote areas and once oil and gas is discovered, the area develops. (Partowidagdo, W., 2002; 3).

Law Number 33 of 2004 concerning central and regional financial balances, has determined the amount of allocation for each producing region as in Table 1 below:

**Tabel 1 Persentase Bagl Hasil**

| No | Jenis Penerimaan | Sebelum UU PKPD | | | Sesudah UU PKPD | | | | UU Otonomi Khusus (NAD & Papua) |
|---|---|---|---|---|---|---|---|---|---|
| | | Pusat | Prop | Kab/Kota | Pusat | Prop | Kab/Kota | Kab/Kota Lainnya | |
| 1 | PBB | 10 | 16.2 | 68.8 | - | 16.2 | 64.8 (+) | + | 90 |
| 2 | BPHTB | 20 | 16 | 64 | - | 16 | 64 (+) | + | 80 |
| 3 | IHH | 55 | 30 | 15 | 20 | 16 | 64 | - | 80 |
| 4 | PSDH | 55 | 30 | 15 | 20 | 16 | 32 | 32 | 80 |
| 5 | Landrent | 20 | 16 | 64 | 20 | 16 | 64 | - | 80 |
| 6 | Royalti PU | 20 | 16 | 64 | 20 | 16 | 32 | 32 | 80 |
| 7 | Perikanan | 100 | - | - | 20 | - | - | 80 | 80 |
| 8 | Minyak | 100 | - | - | 85 | 3 | 6 | 6 | 70 |
| 9 | Gas Alam | 100 | - | - | 70 | 6 | 12 | 12 | 70 |
| 10 | Dana Reboisasi | 100 | - | - | 60 | - | 40 | - | 40 |
| 11 | PPh | 100 | - | - | 80 | 8 | 12 | - | 20 |

Source :. Processed from Law NO.33 of 2004

The division of regions based on the Regional Autonomy Law can be seen in Table 2 as follows:

**Tabel 2. Regional Development basedOTDA**

| PEMBAGIAN DAERAH BERDASARKAN OTDA (dalam miliar rupiah) | | |
|---|---|---|
| | APBN 2002 | RAPBN 2003 |
| **Dana Perimbangan** | **94,531.70** | **103,591.40** |
| Dana Bagi Hasil | **24,600.30** | **25,853.10** |
| Pajak | 11,945.50 | 14,802.60 |
| PPh Perseorangan | 4,071.00 | 5,250.10 |
| PBB | 5,669.50 | 7,141.80 |
| BPHTB | 2,205.00 | 2,410.70 |
| Sumber Daya Alam | 12,654.80 | 11,050.50 |
| Minyak Bumi | 5,784.60 | 4,724.00 |
| Gas Alam | 4,778.60 | 4,606.20 |
| Pertambangan Umum | 1,072.00 | 1,186.10 |
| Kehutanan | 786.20 | 300.80 |
| Perikanan | 233.40 | 233.40 |
| Dana Alokasi Umum | **69,114.10** | **75,414.30** |
| Provinsi | 6,911.40 | 7,541.40 |
| Kabupaten | 62,202.70 | 67,872.90 |
| Dana Alokasi Khusus | **817.30** | **2,324.00** |
| Dana Reboisasi | 817.30 | 324.00 |
| Dana Nonreboisasi | - | 2,000.00 |
| **Dana Otonomi Khusus dan Penyeimbang** | **3,437.00** | **9,624.90** |
| Dana Otonomi Khusus | 1,382.30 | 1,508.30 |
| Dana Penyeimbang | 2,054.70 | 8,116.60 |
| **Jumlah** | **97,968.70** | **113,216.30** |

Sumber : KONTAN No 49, Tahun VI, 9 September 2002 hal 30

The above table is a revenue sharing scenario to reduce conflicts between the center and the regions so it is necessary to: 1) provide an explanation and understanding of the oil and gas potentials that can be managed by the local government, 2) absorb various problems in the oil and gas producing regions. 3) provide enlightenment to the regions so that they can understand and understand the potential of oil and gas in their respective regions. 4) provide an understanding of the profit sharing calculation system that is now considered crucial. 5) so that the region understands the oil and gas industry as a whole in order

to increase revenue sharing funds. (KONTAN No. 49, 2002).

Crucial to the period of regional autonomy are: 1) the system of profit sharing calculation, 2) field reserves and 3) how the existing oil and gas potential can be managed well.

This paper aims to determine whether the revenue sharing funds obtained by oil and gas producing regions have a significant influence on the Regional Revenue and Expenditure Budget (APBD). The results of the study are expected to contribute to policy makers who are related to the upstream oil and gas industry.ni.

## RESEARCH METHODS

This research is associative explanatory. The hypothesis proposed in this study is: Fund for Sharing! The results of Indonesia's upstream oil and gas industry affect the regional budget.

Respondents' answers are categorized based on the iikert scale where each answer has a gradation from very positive (agree) to very negative (disagree) ranging from score 1 to very no effect to score 5 to very influential. Furthermore, to categorize the average respondent's answers, an interval scale is calculated which is calculated from the highest score minus the lowest score divided by five categories of answers, then the interval for each category is 0.8

Description of the conditions of research respondents can be seen in the results of descriptive analysis in the form of frequency tables and descriptive statistics including minimum values, maximum values, average values and standard deviations.

The population in this study is the Oil and Gas management agency abbreviated as BPMIGAS which oversees 95 Cooperation Contract Contractors (KKKS), 18 JOB / JOA and 5 TACs in which as many as 44 KKKS have produced

The population of this study is employees who work at KKKS and BPMIGAS at the managerial, professional and researcher levels of tertiary institutions, with the composition as shown in Table 3 below:

**Tabel 3 Research Population Composition**

| Populasi | Jumlah | Masa Kerja | | | |
|---|---|---|---|---|---|
| | | >20 | 15 - 20 | 10 - 15 | 5 - 10 |
| Level Manajer | 62 | 31 | 17 | 11 | 3 |
| Profesional | 51 | 21 | 6 | 16 | 8 |
| Perguruan Tinggi | 18 | 0 | 8 | 10 | 0 |
| Total Populasi | 131 | 52 | 31 | 37 | 11 |

The sample is determined through 3 stages, namely (1) cluster sampling, (2) quota sampling, and (3) random sampling.

The cooperation contract contractors that became the sampling area of this study all numbered 44 companies with three working areas (regions I, II and III)

Data was collected by means of observation, interviews, documentation and Likert scale questionnaires. Structural Equity Modeling (SEM) is used as a research model. Estimating the effect of variables on other variables using the path coefficient after data analysis and assumption testing simultaneously and simultaneously.

To test the predictive power of each indicator and hypothesis the CR (critical ratio) value of the regression weight with a minimum value of 2 (two) is used absolutely, and the value of p <0.05. Furthermore, to examine the variables that define a factor that cannot be measured directly, confirmatory factor analysis is used, in which this analysis is to give meaning to the latent variable that is confirmed. After that the model interpretation and modification is done.

## RESEARCH RESULT

### A. Descriptive Analysis

### A.1. Regional Budget of Revenue and Expenditure (Y.

Indicators of the Regional Budget for Revenue and Expenditure (Y.l) are regional own revenues (Yl. 1l), balancing funds (Yl.1.2), regional loans (Yl.l. 3). The results of tabulation of data from respondents obtained the percentage of respondents' answers to the variable Regional Budgeting and Expenditures which can be seen in Table 4.

**Tabel 4 Percentage of Respondents' Answers for Varlabel APBD Factors**

| Skor | Y1.1 | Y1.2 | Y1.3 |
|---|---|---|---|
| 1 | 0.00 | 0.00 | 0.00 |
| 2 | 0.00 | 0.80 | 1.50 |
| 3 | 8.40 | 13.70 | 19.10 |

| | | | |
|---|---|---|---|
| 4 | 61.80 | 58.00 | 67.20 |
| 5 | 29.80 | 27.50 | 12.20 |
| Total | 100.00 | 100.00 | 100.00 |

Sumber ; Hasil Olahan

Descriptive analysis of respondents' answers to regional income and expenditure budget variables (Yl) yields average values and standard deviations for each of the region's original revenues (Yl.l), balancing funds (Yl. 2), and regional loans ( Yl. 3), which can be seen in Table 5.

**Tabel 5 verage Value and Standard Deviation Each Indicator of the APBD Factor Variable**

| Indikator | Rata-Rata | Deviasi Standar |
|---|---|---|
| Y.1.1 | 4.21 | 0.583 |
| Y.1.2 | 4.12 | 0.657 |
| Y.1.3 | 3.90 | 0.606 |

Sumber : Hasil Olahan

Based on the table it can be said that basically the respondent has a good perception about the Regional Budget. In Table 4 it can be seen that more and 95% of respondents answered score 3, score 4 and score 5. In Table 5 it appears that the average value of each indicator and variable APBD factor is in the range of 4.

**Dana Bagl Hasll (Y2)**

Oil and gas revenue sharing (Y.2) which has been calculated in such a way is based on the total structure volume multiplied by the total production of WKP (Mining Working Area). constitutes revenue of a region and is one of the components and APBD of profit sharing fund (Y.2) indicators are oil and gas production (Y.2.1), oil and gas working area (Y.2.2.), oil and gas prices (Y.2.3).

The results of the data tabulation and the respondents obtained the percentage of respondents' answers for the vanabel profit sharing factors which can be seen in the following Table 6:

**Tabel 6 Percentage of Respondent Answers for Revenue Sharing Variable Factor**

| Skor | Y.2.1 | Y.2.2 | Y.2.3 |
|---|---|---|---|
| 1 | 0.00 | 0.00 | 0.00 |
| 2 | 0.80 | 1.50 | 1.50 |
| 3 | 14.50 | 14.50 | 16.80 |
| 4 | 50.30 | 70.30 | 54.20 |
| 5 | 24.40 | 13.70 | 27.50 |
| Total | 100.00 | 100.00 | 100.00 |

Sumber : Hasil Olahan

Descriptive analysis of the respondent's answer to the profit-sharing variable (Y.2) produces a standardized score and standard deviation for each production indicator (Y.2.1), work area indicator (Y.2.2), and

price indicator (Y .2.3), can be seen in the following Table 7:

**Tabel 7 he Average Value and Each Standard Deviation Indicator of Variable Factors for Profit Sharing Funds.**

| Indikator | Rata-Rata | Deviasi Standar |
|---|---|---|
| Y.2.1 | 4.08 | 0.645 |
| Y.2.2 | 3.96 | 0.587 |
| Y.2.3 | 4.08 | 0.708 |

Sumber : Hasil Olahan

Based on the table it can be said that basically the respondent has a good perception of revenue sharing. In Table 6 it can be seen that more than 95% of respondents answered score 3, score 4 and score 5. In Table 7 it appears that the average value of each indicator of the profit sharing fund variable is in the range of 4.

**B. Test Validity**

**Tabel 8 Test results for validity and reliability of research instruments for the APBD Factor variable.**

| Indikator | Uji Validitas | | | | Construct Reliability ($\rho_{\Pi}$) |
|---|---|---|---|---|---|
| | Estimate | P | Keterangan | GFI | |
| Y1.1 | 1.000 | Fix | Valid | 1.000 | 0.727 Reliabel |
| Y1.2 | 1.150 | 0 | Valid | Valid | |
| Y1.3 | 0.783 | 0 | Valid | Unidimensional | |

Sumber : Hasil Olahan SEM

The results of the validity and reliability test of the instruments in Table 8 show that the research instrument for the variable Regional Revenue and Expenditure Factors (APBD) with indicators of regional own-source revenue (Y.1.1), balancing fund indicators (Y.1.2), and regional loan indicators (Y1 . 3) is valid and reliable.

**Tabel 9. The results of the validity and reliability test of the research instrument for the Revenue Sharing variable.**

| Indikator | Uji Validitas | | | | Construct Reliability ($\rho_{\Pi}$) |
|---|---|---|---|---|---|
| | Estimate | P | Keterangan | GFI | |
| Y2.1 | 1.000 | Fix | Valid | 1.000 | 0.704 Reliabel |
| Y2.2 | 0.824 | 0 | Valid | Valid | |
| Y2.3 | 0.998 | 0 | Valid | Unidimensional | |

Sumber : Hasil Oiahan SEM

The results of the validity and reliability test of the instruments in Table 9 show that the research instrument for the profit sharing variable is valid and reliable.

**C. Test Assumptions Underlying SEM**

**C.1. Test Data Outliers**

Examination of data outliers is done by the Mahalanobis distance method. If the Mahalanobis distance is significant ($p < 0.05$), then the data is said to be outliers. The test is carried out simultaneously with SEM analysis using AMOS 4.01 software. The results of the examination using Mahalanobis distance show that statistically there are several observations that are outliers. Considering the results of descriptive analysis which show that all indicators have a minimum value of 1 and a maximum of 5 that is within the specified score limit, the observational data that the outliers are not discarded.

**C.2. Data Normality Test.**

Multivariate normality distribution testing is performed using AMOS 4.01 software. The results show that multivariate data are not normally distributed (c.r = 24,126; the Zcritical value for $\alpha = 0.05$ is 1.96; if c.r> Zcritical then it is not normally distributed). Referring to the central limit theorem (limit central theorem) when the sample size gets bigger, the statistics obtained will approach the normal distribution. The number of units of analysis in this study, namely n = 131, is considered to have fulfilled the central limit proposition so that the assumption of normality can be ignored.

**C.3. Linearity Test.**

Linearity assay testing using the Curve Fit method performed with SPSS 26.0 software. The reference used here is the parsimony principle which is when all models used as a basis for testing significant or non-significant means the model is said to be linear, quadratic, cubic, inverse, logarithmic, power, S, compound, growth and exponential.

**D. Test the Goodness of Fit Model**

**D.1. Early Phase SEM Analysis Results.**

The theoretical model in the conceptual framework of the study, said to be fit if it is supported by empirical data. To find out whether the hypothetical model is supported by empirical data or not, a goodness of fit overall model is tested.

Testing of structural equations to see the effect of the fiscal system and cost recovery of the National Budget, Regional Budget and Revenue Sharing is carried out using the structural equation model with the help of the AMOS 4.01 program.

The description of the results of testing the goodness of fit overall initial tahal model as presented in Table 10 below :

**Tabel 10. Goodness of Fit Testing Overall Early Stage Model**

| Goodness of Fit | Hasil Perhitungan | Cut-Off | Keterangan |
|---|---|---|---|
| Khi Kuadrat | 172.725 | Kecil | |
| P | 0.0000 | > 0.05 | Model Jelek |
| RMR | 0.034 | Kecil | |
| RMSEA | 0.066 | ≤ 0.08 | Model Baik |
| GFI | 0.867 | ≥ 0. 90 | Model Jelek |
| AGFI | 0.815 | ≥ 0. 90 | Model Jelek |
| CFI | 0.923 | ≥ 0 . 94 | Model Jelek |
| Khl Kuadrat/df | 1.570 | ≤ 2 | Model Baik |

Sumber : Hasil Olahan SEM

Table 10 shows that the goodness of fit test, especially Chi Square with P-value = 0.000, thus the model is said to be ugly. Based on modification indices, modifications are made to improve the model. Modification of the model is done by connecting between variables or errors and by not modifying the path of influence..

**D.2. Final Phase SEM Analysis Results**

The table above shows that the p-value and Chi Square test are greater and α = 0.05, so the hypothetical model is supported by empirical data or the model can be said to be good. Likewise, the other fit size values such as RMSEA, GFI, CFI and Chi square test show that the model can be said to be good.

The final result confirmatory factor analysis which is in addition to seeing the relationship between revenue sharing funds (Y2) and APBD (Yl), after the disposal of the oil and gas taxation system indicator (Xl.4) is as described in the following table:

**Tabel 11. Testing the Goodness of Fit Overall Final Stage Model**

| Goodness of Fit | Hasil Perhitungan | Cut-Off | Keterangan |
|---|---|---|---|
| Khi Kuadrat | 110.479 | Kecil | |
| P | 0.223 | > 0.05 | Model Baik |
| RMR | 0.029 | Kecil | |
| RMSEA | 0.028 | ≤ 0.08 | Model Baik |
| GFI | 0.916 | ≥ 0.90 | Model Baik |
| AGFI | 0.871 | ≥ 0.90 | Model Marginal |
| CFI | 0.987 | ≥ 0.94 | Model Baik |
| Khl Kuadrat/df | 1.105 | ≤ 2 | Model Baik |

Sumber : Hasil Olahan SEM

Tabel 11 menunjukkan bahwa *p-value* dan uji Khi Kuadrat lebih besar dan α = 0.05. sehingga model hipotetik didukung oleh data empink. atau model dapat dikatakan baik. Demlkian pula dengan nilai ukuran fit yang lain seperti RMSEA. GFI, CFI dan Khi Kuadrat/df menunjukkan model dapat dikatakan baik.

## DISCUSSION

### Funds for Results (Y.2)

One of the APBN contributions submitted to the regions is revenue derived from the Oil and Gas Revenue Sharing Fund which has been calculated in such a way based on the total volume of the structure multiplied by the total production of the mining work area.

The Ministry of Finance, especially the Directorate General of Central and Regional Financial Development, is only tasked with collecting data and not gathering data. Natural resource revenue sharing is carried out by the relevant technical ministries except for oil and natural gas which is a collaboration between the Department of Energy and Mineral Resources and the Ministry of Finance (Machfud, S., 2002: 134).

Profit sharing and oil mining funds as referred to in Paaa1 14 letter e number 2 is 15% (fifteen percent) divided by the following details:

• 3% (three percent) is distributed to the province concerned.

• 6% (six percent) distributed to producing districts / cities; and

• 6% (six percent) to other districts / cities in the province concerned.

Revenue from natural gas mining produced and the relevant regional area after deducting the components of taxes and other levies in accordance with statutory regulations, divided by the balance;

• 69.5% (sixty nine and a half percent) for the Government: and

• 30.5% (thirty and a half percent) for the region.

Profit sharing and natural gas mining funds as referred to in Article 14 letter f number 2 is 30% (league twenty percent) divided by the following details:

• 6% (six percent) distributed to the province concerned.

• 12% (twelve percent) distributed to producing districts / cities; and.

• 12% (twelve percent) to other districts / cities in the relevant province.

In accordance with Article 7 of Law No. 33 of 2004 that to allocate DAU, a formula whose basic variable formulation is stipulated in the Act is intended, which is based on the estimation of Regional financing needs and Regional economic potential, in this case the potential revenue of the region concerned. This is in line with the concept of calculating a fiscal gap based on financing fiscal needs and fiscal capacity (Machfud 5., 2002: 95).

If we consider what was revealed by Richardson, W., that the regional analysis approach can be called interregional macroeconimics, this is a determination of the national income model and the national growth model towards the regional level, although it must be noted that each the region is also treated as an open economy and thus these models determine trade and interregional factor flows and also regional income (Sanusi, B., 2002: 79).

The income of an area depends on the available natural resources, the technology that processes it so that it becomes an goods of production and innovative human resources so that these natural resources can become economic goods for this management a decentralized policy is put into effect.

One of the old doctrines of determining the right source of income for each level of government hierarchy is what is known as the doctrine of revenue sources. The purpose of decentralization is to improve the efficiency of public services for all members of society spread across the country. Each place has its own specifications, which require different public service contents, bound to what is called local human and resources.

Revenue-sharing funds are funds provided to increase regional income in the context of financing the implementation of functions which become the authority carried out with a pattern of revenue sharing from tax and non-tax (SDA) revenue between the center and the regions. In accordance with Law No. 33 of 2004, the revenue sharing

pattern is carried out with certain percentages based on the originating area (by origin).

The revenue sharing from the state includes revenue from land and building tax, land and building acquisition tax (BPHTB), and natural resource revenue sharing (SDA) consisting of the forestry sector, general mining, oil and natural gas, and fisheries. The revenue sharing is to the regions with a certain percentage regulated in Law Number 33 of 2004 and PP Number 104 of 2000 concerning equalization funds as amended by PP Number 84 of 2001.

Netzer on Simarmata Dj.A 1994: 210 gives three arguments on the intergovernmental mechanism namely:

1. Buchanan's argument for justice demands that based on consideration of geographical differences in income and wealth, the central government is responsible for equalization efforts. This can be termed an equalization budget.
2. Fiscal imbalance or fiscal imbalance argues that the allocation of spending responsibilities between levels of government should be based on the principle of economies of scale. On the basis of observing the data, it was concluded that many public services were included in the constant scale economic activity group. This means that many aspects of expenditure must be left to the local government or the lowest level of government, in areas where internal benefits are the largest. This means that decentralization is getting lower in the hierarchy of government. On the other hand, the other side which concerns income collection, or in the usual sense of tax collection, has different levels of government conclusions. The principle of scale economics and the revenue side generally requires a higher level of government hierarchy than the expenditure side demands. This is the basis of the previous statement that the same level of government coincidence for revenues and expenditures for a particular program is very small. This conclusion, which was obtained from a theoretical and practical analysis, led to an imbalance between revenue and expenditure for one BKU program at each level, with

general tendencies; the amount of revenue at one of the highest levels of the hierarchy and maybe so at the next level is greater than the responsibility of expenditure. So the principle of fiscal imbalance arises from different economic justifications at each level of government in the collection of costs and expenses, which are caused by the existence of external geographical effects of each government program, or every provision of BKU.

3. The third argument is that unconditional grants are based on the problem of equity and also the return of externalities. If from the point of view of the national interest it is desirable to spread economic activities and equitable distribution of income and wealth in all national spaces, while a precise calculation of external impacts cannot be carried out, then the granting of unconditional grants is one of the recommended instruments. But this method should be used as a temporary effort, which should be completed later, if the problem of the magnitude of the BKU's impact can have an external impact and even distribution, then the unconditional grant instrument in the BKU will be more specifically determined.

**Regional Budget of Revenue and Expenditure (Y.1)**

The government's determination to enhance the role of regional governments in managing their own regions is reinforced by the birth of the Regional Autonomy Law which consists of Law of the Republic of Indonesia No. 22 of 1999 concerning Regional Government and Law of the Republic of Indonesia No. 33 of 2004 concerning Financial Balance between Central and Regional Governments.

Prior to the enactment of Law No. 33/2004, the statutory regulations governing the financial balance between the central and regional governments were Law No. 32/1956 concerning Fiscal Balance between the State and Regions which had the right to manage their own households. This law stipulates among other things the regional financial resources as follows:

1. Sources of genuine local revenue, consisting of local taxes, regional levies, and the

results of regional companies. The eight types of central tax are submitted to the regions to become local taxes, namely the verponding tax, Indonesian verponding tax, household tax, motor vehicle tax, road tax, animal slaughter tax, copra tax and Development Tax I.

2. The majority (of a certain percentage) from the collection of certain State taxes, import duties, export duties and customs duties are transferred to the regions. Certain state taxes are transitional taxes, wage taxes, stamp tax, wealth tax and company tax. The portion of the central revenue for this region shall be added together into one revenue group and then distributed to the regions based on factors, namely: I) Area of Area; II) Total population; III) Economic potential; IV) Level of intelligence; V) Expensiveness The length of the roads managed by the area; VI) The length of irrigation canals that are managed by the region; VII) This is whether the area is wholly or partly composed of islands.
3. Rewards for subsidies and assistance given to regions in certain cases.

It turned out that the implementation of this Law had difficulties, especially in implementing the state tax revenue sharing system (item b above). The distribution of financial resources to regions based on these eight factors is difficult to calculate, while the data needed to calculate them is also obtained on time (Doli D Siregar 2004; 300)

To overcome this difficulty, from 1956 to the fiscal year 1999/2000 the financial balance between the Central and Regional Governments was based on various ad hoc government policies.

Republic of Indonesia Law No. 22 of 1999 concerning Regional Government and Law of the Republic of Indonesia No. 33 of 2004 concerning Fiscal Balance between the Central and Regional Governments is thus ready for the government system in Indonesia to implement a government system that places the role of the regional government in a very crucial position in improving the welfare of its citizens. The role of taxes and levies as the main source of local revenue besides the balance funds obtained from the exploitation of natural resources

will greatly determine the strength of the APBD (M. Suparmoko 2002: 111).

One of the effects of regional autonomy and fiscal decentralization is the need to reform local financial management (Mardiasmo 2002; 140).

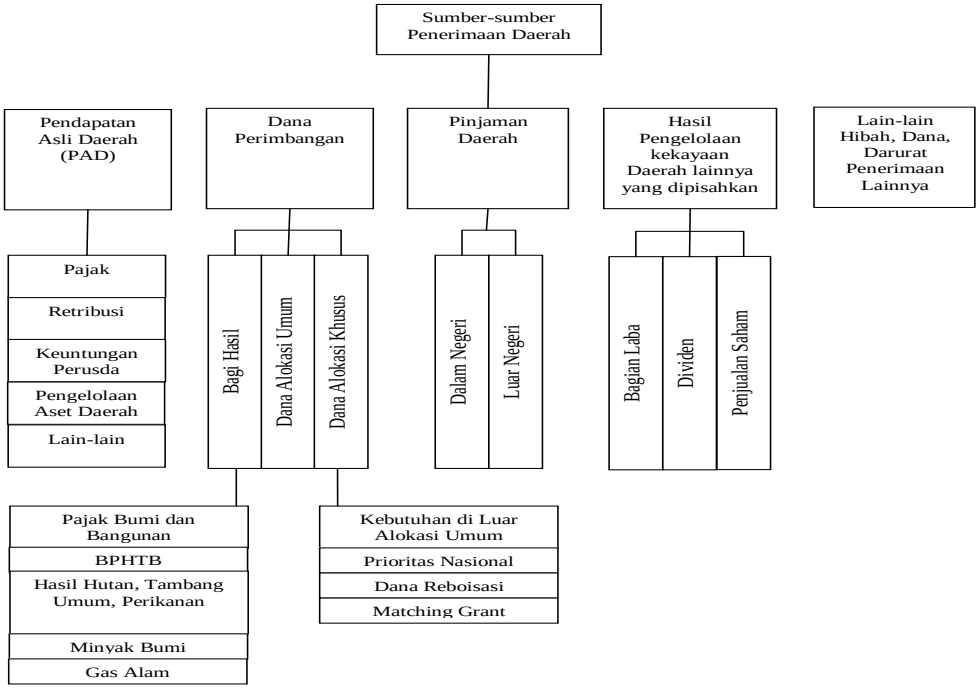
Doli D Siregar (2004; 304) "Various empirical studies prove that decentralization has not only failed to improve public sector services at the local level but has even resulted in the risk of national instability in the political, social and economic fields". The greatest risk when the main source of government revenue is handed over to the regional government without followed by policy measures that guarantee the mobilization of regional revenue to finance various public services that are the responsibility of the local government. Theoretically, the policy regarding financial relations between the central and regional governments can basically be seen from 3 (three) aspects, namely:

1. It is an effort to bring together financial / financing sources with the tasks, responsibilities, and functions of the government which are charged to the regions.
2. Is the allocation / reallocation of financial resources between the central and regional governments.
3. Is a way of financing for an autonomous public legal entity with various types of funding sources, such as regional taxation, balance funds and some of them (D Siregar, 2004: 307).

In the implementation of fiscal decentralization, sources of regional revenue are based on Law No. 25 of 99 concerning financial balance between

The Central and Regional Governments can be seen in Gamber as following:

**Figure 2. Sources of Regional Revenue**




**Local Own Revenue (Y.1.1)**

Regional Original Revenue is revenue obtained by the Region from sources within its own territory which is collected based on Regional Regulations in accordance with applicable laws and regulations.

Sources of Original Local Revenue as referred to in article 3 letter a of Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments shall consist of:

a. Regional tax proceeds
b. Regional retribution results
c. results of regionally owned companies and results of management of other separated regional assets.
d. other valid Local Original Revenue.

**Balance Funds (Y.1.2)**

Financial balance between the center and the region is a system of government financing within the framework of a unitary state, which includes the distribution of finance between the central and regional governments as well as equal distribution between regions proportionally, democratically, fairly and transparently by taking into account the potential, conditions and needs of the region, in line with the obligations and division of authority and procedures for the implementation of that authority, including

management and financial oversight. (Doli D Siregar, 2004: 305).

From the understanding of the central and regional financial developments it contains quite a broad scope of understanding, namely:

1. Whereas in the implementation of regional autonomy it is desirable to realize a form of horizontal and vertical justice.
2. Trying to realize a better governance arrangement (from the financial side) towards the realization of clean government and good governance.

This central and regional financial balance is the main tool in the implementation of fiscal decentralization, as a consequence and the implementation of regional autonomy. In full fiscal decentralization implies that to support the implementation of regional autonomy that is broad, real and responsible, given to the regions:

1. Authority to utilize its own financial resources and be supported with
2. Financial balance between the center and the regions (Doli D Siregar (2004: 306)

In other words, the balance fund is a contribution of the State Budget (APBN) to the Regional budget.

This Balancing Fund consists of:

1. Regional portion of revenue from land and building tax, fees for obtaining land and building rights and revenue from natural resources.
2. General Allocation Funds.
3. Special Allocation Funds

**Regional Loans (Y, 1,3)**

Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments (PKPD) stipulates that regional loans are one of the sources of regional revenue in the context of the implementation of decentralization, which is recorded and managed in the Regional Budget (APBD).

Loan funds are a complement to existing regional revenue sources and are intended to finance the procurement of regional infrastructure or other fixed assets related to activities that increase revenue that can be used to repay loans, and provide benefits for community services.

Regional loans need to be adjusted to the ability of the region, because it can create a burden on the Regional Budget and Expenditure (APBD) in the following years which is quite heavy so it needs to be supported by the skills of regional apparatus in managing regional loans.

**The Effect of Profit Sharing Funds (Y.2) on the Regional Budget (Y.1)**

The analysis shows that Revenue Sharing has a significant effect on the APBD is received. Standardize path coefficient = 0.389 with P-value = 0.084, thus decided significant. This shows that the positive effect of revenue sharing funds on the positive APBD is significant. The higher the share of revenue-sharing funds, the higher the revenue for the APBD sourced from revenue-sharing funds for producing regions.

The effective implementation of fiscal decentralization took effect on January 1, 2001 in accordance with Law Number 22 of 1999 and Law Number 33 of 2004 concerning Central and Regional Financial Balances. Sasuai with these two laws, in the context of implementing fiscal decentralization, the regions are given the authority to utilize their own financial resources and are supported by financial balance between the center and the regions (Jane, 0 .. 2002: 72).

Sajalan with the division of authority, the regional financing arrangements are based on the principle of government administration. Financing of government administration based on the principle of decentralization is carried out at the expense of the APBD, financing of government administration in the framework of implementing the principle of deconcentration is carried out at the expense of the APBN and financing of government administration in the framework of co-administration is financed on the level of the government-level budget (Jane, 0., 2002: 74).

The results of the study indicate that the revenue sharing fund greatly influences the reception of APBD from the producing regions, because the greater the portion of the allocation of balancing funds originating from oil and gas natural resources, the greater the portion of the producing regions.

This Revenue Sharing Fund gives the biggest contribution to the regional budget producer.

## CONCLUSION

Revenue sharing has a significant effect on the APBD. This shows that the positive effect of revenue sharing funds on the positive regional budget is significant. The higher the portion of the allocation of revenue-sharing funds, the higher the revenue for APBD sourced from revenue-sharing funds for producing regions. With the increase in the APBD, the prosperity of producing regions is expected to increase due to equitable and equitable accounting mechanisms.

## SUGGESTION

1) In preparing the fiscal system for oil and gas sector cooperation contracts, regional aspirations regarding royalty

or lease interest should be considered in the cooperation contract clause, so that producing regions feel they have a business in this oil and gas sector.

2) To the Central Government in this case the Department of Energy and Mineral Resources, the Ministry of Finance and BPMIGAS in calculating the allocation of revenue-sharing funds should use standard and transparent allocation formulas and involving producing regions.

3) To the Central Government in this case the Department of Energy and Mineral Resources and BPMIGAS should deliver the production produced by each producing region based on the production or lifting report which actually occurs quarterly to the producing region.

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