JURNAL EKONOMI DAN BISNIS

Policy regime and policy change: Comparing the phenomenon of local government before and after regional autonomy

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ABSTRAK

Penelitian ini bertujuan untuk mengevaluasi kinerja laporan keuangan pemerintah daerah (LKPD) yang berhubungan dengan implementasi otonomi daerah di Provinsi Bengkulu, Indonesia. Penelitian ini juga, identifikasi mengenai kontribusi variabel keuangan sebelum dan sesudah otonomi daerah (OTDA) secara rinci dilakukan terhadap empat daerah otonomi yaitu, kota Bengkulu, Rejang Lebong, Bengkulu Selatan, dan Kabupaten Bengkulu Utara. Secara teori, keempat wilayah otonomi tersebut seharusnya memiliki kinerja yang baik dalam pengorganisasian sumber pendapatan asli daerah (PAD) yang diperoleh dari pengalaman pengelolaan sumber daya secara mandiri. Tetapi, beberapa temuan pada riset ini secara khusus menunjukkan bahwa keempat wilayah ini memiliki ketergantungan yang cukup tinggi pada pemerintah pusat dan dana perimbangan fiskal. Di samping itu, kontribusi penerimaan asli daerah masih rendah. Temuan penelitian ini menunjukkan bahwa rasio efisiensi sudah cukup bagus, tetapi rasio pertumbuhan pendapatan asli daerah berfluktuasi, terutama pada beberapa daerah otonomi utama sebelum terjadinya penambahan kabupaten baru. Lebih lanjut, variabel utama yang mengukur derajat desentralisasi keuangan, otonomi keuangan daerah, efisiensi, dan pertumbuhan pendapatan asli daerah tidak secara signifikan berelasi dengan kondisi sebelum dan sesudah diberlakukanya kebijakan otonomi daerah.

ABSTRACT

This research aims to evaluate the financial performance of four municipalities (Bengkulu City, Rejang Lebong Regency, South Bengkulu Regency, and North Bengkulu Regency) in Bengkulu Province, Indonesia. The study also identifies the contribution of several financial variables before and after the implementation of regional autonomy. Theoretically, regional autonomy enables these four municipalities to manage their Local Own-Source Revenue (LOSR or PAD - Pendapatan Asli Daerah) better because

these municipalities now have to learn to manage their financial resources independently. However, the findings indicate that these four municipalities still exhibit a high financial dependency on the central government or the fiscal balance fund. Consequently, the contribution of LOSR to the total income is still low. Besides, the study finds that these four municipalities exhibit a sufficiently good efficiency ratio but a fluctuating LOSR growth ratio, especially in some municipalities before the proliferation of new municipalities. Further, the main variables of the degree of financial decentralization, local financial autonomy, efficiency, and LOSR growth do not exhibit significant differences between the pre- and post- regional autonomy implementation.

INTRODUCTION

In Indonesia, the stipulation of the autonomous region had been burgeoning prior to the Southeast Asian Crisis in 1997, and the collapse of President Soeharto's regime who had been in charge for more than 30 years. Regional Autonomy (RA) not only demands on the implementation of power decentralization, but also focus on the financial decentralization in the regional government beneath the provincial level. At least, there are two reasons as perceived by the public regarding to the importance of RA. First, public intervention in the past has caused the problem of low capability and effectiveness of the local government in developing the process of democratic in the region. Second, the statutory requirements from the central government are too dominant. It leads to the low initiative from the local governments, in which the regulatory compliance commonly implemented as the only goal and not focus on improving public service. Hereby, the granted autonomy as given to the regencies and cities are conducted by giving broad discretion, responsibly, and proportionately reported to the regional government. It means that the transfer of responsibilities should be followed by a good arrangement and equitable utilization of national resources, in which the synergy of financial balance between central and regional governments can be properly achieved (Brodjonegoro, 2009; Butt, 2010; Cederman, Hug, Schädel, & Wucherpfennig, 2015; Eilenberg, 2011; Mardiasmo, 2004).

In the campaign of autonomy laws, several dubious questions about the implementation of these laws towards RA appear due to its ongoing efficiency, effectivity, transparency, and accountability (Iimi, 2005; Sambanis & Milanovic, 2014; Waluyo, 2007; Wibowo, 2011). Since RA was enacted, most of the public officials in the local governments entangled by law case. According to the previous study as reported by SMERU (2002a, 2002b), there are only five regions that have not trapped over a legal case. This indicates that most of the implementation of financial decentralization, and the four principles of laws in the local government has not been well-implemented yet. On the other circumstance, during the enactment of RA,

virtually all of autonomous regions try as much as possible to recruit civil servants under the pretext of improving their public services. Yet, this activity is kind of public secret where the procedures of recruitment are fully loaded with corruption, collusion, and nepotism (Fisman & Gatti, 2002; Legge, 2009).

Regional autonomy (RA) delegates the authorities from the central government to the local government. The objective is to regulate and administer the concerns and the initiative of local communities. Indeed, the initiatives should be based on the aspirations of the communities in regard to the rules of applicable legislation (Filippetti & Cerulli, 2014; Freinkman & Yossifov, 1999). RA has many implications, such as decentralization of financial resources and its authority (Blunt & Turner, 2005; Brown, 2009; Duncan, 2007; Mohamed, 2011; Nurazi & Usman, 2017; Sacchi & Salotti, 2012; Wenner, 2013). Financial decentralization and the devolution of authority have sometimes made several areas more focus on their own individual interests and groups rather than prioritizing the community aspiration. Hereby, in terms of managing local finance, local government is no longer focus on the base of a value of money in supporting the welfare of community. There is an indication of wasting regional budgets to support financing some improper programs. For instance, this budget is utilized in terms of social assistance grants before the local election is conducted (Bird & Rodriguez, 1999; Gagliano, 2013; Hearfield & Sorensen, 2009; Hooghe, Marks, & Schakel, 2010; Kamaludin & Rahmayanti, 2013).

The recent experiences of public financial management in most of the region displays that it has great concern. The regional budgets, particularly in regional spending has not been able to effectively participate in boosting the pace of development in mostly areas (Alesina & Rodrik, 1994; Chen & Fleisher, 1996; Hopland, 2013; Luja, 2009). On the other side, it is found that the budget allocation is not in accordance with the needs and priorities (Ahadiyati, 2005; Duncan, 2007; Larin & Süssmuth, 2014; Novi, Piacenza, Robone, & Turati, 2015; Wibowo, 2011). It also reflects the relatively weak aspects of the economy, efficiency, and effectiveness due to the quality of the regional budget planning. Weak budget planning is also followed by the inability of regional governments to increase local own-source revenues on an ongoing basis. Meanwhile, Fisman and Gatti (2002) also argue that the regional expenditure continues to increase, which results in the increasing fiscal gap. This situation will eventually lead to underfinancing or overfinancing which in turn will affect the level of the economy, efficiency, and effectiveness of the work units in the local governments. Also, in particular, it will show and effect to the broader economic indicators, where the local economic performance in terms of financial resource distribution from the central to the local government, is also reflected through the country macro-level indicators such as GDP, inflation and banking industry indicators

(Kamaludin, Darmansyah, & Usman, 2015; Nurazi & Usman, 2016).

Law No. 22 in the year of 1999 Republic of Indonesia and Law No. 32 in 2004 about Regional Government, Law No. 25 in 1999 and Law No. 33 in 2004 about Financial Balance between Central and Local Government are the cornerstone of decentralization in the fields of politics, administrative and fiscal in order to realize the autonomous areas. Law No. 22 in 1999 and Law No. 32 in 2004 explain the issues of authority and functions of power sharing between the central and local governments. While Law No. 25 and Law No. 33 in 2004 regulate the distribution of financial resources and or financial sharing between the central and the local government as a consequence of the division of authority (Sijabat, 2016). Both of these laws emphasize that the development of RA was held with regard to the principles of democracy, participation, equity, justice, and considering the potential and diversity of local resources.

Before the Law No. 22 and No. 25 in the year of 1999 were enacted, the various activities of government services, particularly the development program more decided and even carried out by the central government through the vertical institution in the region, such as the local office and department office. Since both of the laws were effectively implemented in the first January 2001, the local government has received a huge authority from the central government. In order to carry out all of the authority, central government providing General Allocation Fund (GAF) which is generally bigger than Local Government Budget (LGB) in the previous years (Mardiasmo, 2004; Munir, Djuanda, & Tangkilisan, 2004; Nurazi & Usman, 2017). The responsibility for allocating the general allocation fund is entirely given to each region (Masini & Caldari, 2012; Matic & Markovic, 2008). In fact, the received general allocation fund is less than the required number of fund used in order to decently manage the government services. In spite of the lack of funds, the local government officials who for more than three decades earlier had been accustomed to receiving orders from the central government, still need time to adapt to the new system of administration. As reported by Kamaludin and Rahmayanti (2013) the required time to adapt from one region to another region is diverse (the time needed depends on the how fast the elected regent or governor implement their policy). Thereby, delays in the implementation of legislation can be discovered.

The implementation of decentralization policy and or RA (in Indonesia, the definition of RA and decentralization is commonly interchangeably) that has lasted for more than ten years, is still doubted by many parties. Doubts exist due to various inhibiting factors and negative indications which can be found in the field. Therefore, the implementation of RA policies is supposed to not to be enacted in accordance with the mandate of legislation. Until now, the central government has not yet completed

its responsibility to create specific laws and regulations in order to support the implementation of Law No. 22 in the year of 1999. However, on the other hand, the central government has issued several contradictory laws and regulations. Provinces, regencies, and cities in the meanwhile still have no alligned perception in outlining its authority (e.g. see the report of SMERU (2002a, 2002b)). Similarly, the shades of corruption, collusion, and nepotism in various areas of government are considered to be more fertile. Meanwhile, the wide space of participation that should be given to the public has not been consistently implemented (SMERU, 2002a).

This study contributes to the burgeoning number of academic literature relating to the concept of evaluation on the policy of regional autonomy (RA). Particularly, this study continues the discussion of the implementation and evaluation of RA based on the result of financial performance before and after the RA is enacted. To our best of knowledge, this is a novel approach as it is the first study which is conducted in the Sumatra setting, especially in Bengkulu province. It may encourage future research in this area. Furthermore, the contextual setting of this study is autonomous regions in Bengkulu Province − Indonesia. Specifically, the contextual setting will also enable this study to appreciate the findings about the evaluation of policy regime and policy change with respect to the phenomenon of local government before and after the RA is implemented.

In particular, we note that our study focuses on several objectives. First, our study tries to determine the degree of fiscal decentralization in the autonomous regions in Bengkulu province. Second, assessing the financial independency. Third, assessing the efficiency of local own-source revenue (LOSR). Fourth, assessing the revenue growth of autonomous regions in Bengkulu. Fifth, assessing the impact of RA policy towards the financial performance of the autonomous regions in Bengkulu before and after the implementation of RA. Sixth, assessing the financial performance ratios that can be used to distinguish the impact of before and after RA was implemented in Bengkulu province.

LITERATURE REVIEW

In the field of financial for public sector management, some researchers indicate that financial circumstance before and after the RA has been implemented showing diverse results among the different local administration. The studies of Akai and Sakata (2002), Iimi (2005), Thiessen (2005) and Waluyo (2007) argue that financial decentralization in the period of RA has a positive impact toward economic growth. While other researchers had just reported the opposite results (Kamaludin & Rahmayanti, 2013; Xie, Zou, & Davoodi, 1999; Zhang & Zou, 1998). Likewise, the

financial performance of autonomous regions, some studies which measure the performance before and after the RA was also reported in mixed results. Some reveal that it has a statistical difference, while others find that there is no statistical difference before and after the enactment of autonomous regions in Indonesia.

Currently, the recent literature review is devoted to the problem of financial autonomy. As study of Łyszkiewicz (2015), financial is understood as the freedom of local government to shape revenues from the central government in relation to the level of expenditures incurred by the community during the completion of public task. The existing studies have focused on measuring the inequalities among the regions. Jin and Zou (2005) and Wu (2002) note that rural and urban areas, and within the rural and urban households in the context of China's studies broadly divided into two groups. First, it concentrates on the condition of pre-reforms period, and the second focuses on the post-reform period. The partition of these groups is due to regional disparity which considerably has been fluctuated for more than 45 years. Therefore, his study concerns on elaborating the gaps among coastal, central and western China.

Ahadiyati (2005) point out that the impact of RA policy on the success of local government varies widely from one autonomous region to other autonomous regions. It can be inferred that the level of achievements in the implementation of RA from the period of 1999 to 2003 was still low, even though the major indicators of measurements show positive change. Moreover, according to the study as conducted by Azhar (2008), there are differences in the performance before and after RA in the province of Nanggroe Aceh Darussalam and Sumatra Utara - Indonesia. However, the efficiency of budget utilization is insignificantly different. It denotes that after RA, inefficiency in term of spending has increased due to the authority of financial decentralization. Findings of (SMERU, 2002a) in Lampung Province - Indonesia regarding the budget realization continues to rise. Based on the result of observation, there is insignificant change relating to the effectiveness of local government expenditure. Further, Hofman, Kadjatmiko, Kaiser and Sjahrir (2006) argue that the fiscal decentralization in Indonesia has an impact on the budget allocation errors, and there is no focus on the principle of budgetary efficiency. Shleifer and Vishny (1993) mention that the structure of government and the political process are the most decisive factor which determines the level of corruption. Hereby, the weak of governance will hardly bring negative impact toward the control of bureaucracy. Also, it can be noted that the weak supervisions and collusion institutionally exist.

In more specific case, fiscal decentralization in the Philippines is supposed to be a major political concern. Bird and Rodriguez (1999) point out that after the regime of Marcos was ousted in 1986, the concept of new local government is approved by the Acquino's administration in 1991. This resulted in the proliferation of two more

regions in the Philippines. First in Luzon (Cordillera Administrative Region) and second in Mindanao (Autonomous Region of Muslim Mindanao). Hereby, Bird and Rodriguez (1999) report that in the early of 1990s the central government in the Philippines eliminated mandatory local contributions from the local revenues to central government. Moreover, a particular form of RA policy in the post-conflict can be identified through the experience of Cambodia. Blunt and Turner (2005) report that RA in terms of decentralization has faltered due to a lack of fit Cambodia's socio-cultural and its institutional context. Unconducive of RA execution was caused by the lack of real political enthusiasm about the idea and government agendas in the pragmatic short-term political gains. Hereby, Blunt and Turner (2005) give more attention on the political gains which are meant as the consolidation of political party interest. Therefore, there has been relatively little devolution of decision-making power to commune councils in Cambodia.

Further, indigenous ethnic minorities in Indonesia are also being influenced by the execution of regional autonomy and decentralization policies. Duncan (2007) notes that responsibility and authority gained from the new legislation are followed by the resource extraction of local governance. Hereby, most of the ethnic minorities hope that the decentralization and RA policy would allow them in retaining or regaining control over the abundance of natural resources through the local-level politics. However, on the other hand, minority communities adversely affected as local government disregards their resources in effort to raise income. In this case, the point is several minorities saw the execution of decentralization policy as a way of local government in gaining back the disparaged resources which have previously been ruled over by the central government.

As previously mentioned, the goal of reform is demanding the autonomous rights over a wider area in order to organize and autonomously manage the local financial management and natural resources of every region, in which it is focused on the right target and expected to increase the welfare of local communities by the existence of budget allocations (Cederman et al., 2015; Nurazi & Usman, 2017). However, in reality, the local government is commonly not ready to manage an extensive autonomy and the independency as given by the central government. This happens in regard to the connection with the abundance of regional budget, which leads to the unwell-targeted expenditure. Thereby, the low effectiveness, financial independency and inefficiency of the budget utilization are easy to be detected. It can be observed through the low rate of budget absorption which is previousy proposed by the local government to the central government.

RESEARCH METHOD

The population in this study is all autonomous regencies and or city in Bengkulu province. Totally, there are ten autonomous regions namely; Bengkulu city, Bengkulu Utara, Bengkulu Selatan, Rejang Lebong, Muko-Muko, Kaur, Bengkulu Tengah, Kepahyang, Lebong and Seluma regency. Given that, not all of these ten regencies and city have been taken as sample due to their new status as new autonomous regions. Also, we consider that the data before RA for the new autonomous regions is not available. Therefore, the sampling is conducted by employing judgement sampling method. The criterion for the judgement sampling is each autonomous region must have had regional government budget report before (1996-2000) and after (2001-2012) the implementation of RA policy. Due to this criterion, we truncate six autonomous regions which not meet the criteria as required by the judgement sampling. Hereby, we finally note that there are only four regions which meet the criterion, namely Bengkulu city, Bengkulu Utara, Bengkulu Selatan and Rejang Lebong. We consider that the administrative boundaries of the regional area after the enactment of RA would be changed. Therefore, we limit our analysis according to the obtained sample as noted in the purposive sampling criteria. In general, the new autonomous area should adopt different policies in which the regent of governor will have their own priority as manifested in their short-term, medium or long-term development program. However, these areas should adopt the same model of format, layout and rules concerning the budget expenditure and its accountability as noted in the regulation.

Variable Definition

As previously elaborated, our study is based on the notion that the financial autonomy regarding the proliferation of autonomous regions units is not defined unequivocally. Thereby, unambiguous evaluation with respect to the degree of financial autonomy before and after RA policy is difficult due to the fact that a set of basic indicators which surrogate the level of autonomy in a synthetic way. Therefore, the measurement of variables in our study is essential in order to clear the process of data generation. Hereby, we focus our measurements with formulas which are commonly used in the context of financial management for public sector as written in Table 1.

Table 1
Variable Measurements

No	Variables	Operational Definition	Measurements
1	Degree of fiscal decentralization (DFD)	This indicator shows the level of authority and responsibility which is given to local government by the central government in order to gain more revenue.	X_{11} = LOSR:TLR X_{12} = RSFTNT:TLR X_{13} = DCG:TLR
2	Regional financial independency ratio ($RFIR$)	This indicator reflects the proportion of revenue from the region itself in fulfilling its needs.	X_{21} = LOSR:TLE X_{22} = LOSR:TRouE X_{23} = LOSR+RSFTNT:TLE
3	Ratio of local own-source revenue efficiency ($RLOSRE$)	This indicator shows the level of efficiency from each spending of local budget in developing its region.	X_{31} = UF:TRE X_{32} = TOE:TRE
4	Ratio of local own-source revenue growth ($RLOSRG$)	This indicator denotes the ability of local government in keeping and increasing the achievement for the next period.	X_{41} = RLOSRXn - RLOSRX$_{N-1}$: RLOSRX$_{N-1}$

Source: Munir *et al*., (2004); Tangkilisan (2005)

Description:

$RLOSR$	: Realized Local Own-Source Revenue
$TLOSR$	: Targeted Local Own-Source Revenue
$RLOSRXn$	: Realized Local Own-Source Revenue in this year
$RLOSRX_{N-1}$	: Realized Local Own-Source Revenue in the previous year
UF	: Unspent Funds
TRE	: Total of Regional Expenditure
TOE	: Total of Other Expenditure
DCG	: Donation from Central Government
LOSR	: Local Own-Source Revenue
TLR	: Total of Local Revenue
TLE	: Total of Local Expenditure
$TRouE$	: Total Routine Expenditure
RSFTNT	: Revenue Sharing Fund Tax/NonTax

The objective of our study is explained by using some descriptive analysis which employed several financial ratios. Otherwise, in order to investigate the variables that can be used to distinguish the performance of local government before and after the implementation of RA, discriminant analysis is employed. Since the utilized number of variable is more than one, we used multiple discriminant models in order to select the best models. The equation of discriminant analysis model is available as follows.

$$D = \beta_0 + \beta_1 X_{DFD} + \beta_2 X_{RFIR} + \beta_3 X_{RLOSRE} + \beta_4 X_{RLOSRG}$$ 1

Where:

D	:	is the discriminant score before and after regional autonomy (RA)
$\beta_1, \beta_2, \beta_3, \beta_4$	:	are the coefficients of determinant variables predictor for X_{DFD}, X_{RFIR}, X_{RLOSRE}, X_{RLOSRG}
X_{DFD}	:	is the indicator variable for the degree of fiscal decentralization
X_{RFIR}	:	is the indicator variable for the regional financial independency ratio
X_{RLOSRE}	:	is the indicator variable for the ratio of local own-source revenue efficiency
X_{RLOSRG}	:	is the indicator variable for the ratio of local own-source revenue growth

ANALYSIS AND DISCUSSION

Degrees of Fiscal Decentralization (DFD)

The ratio with respect to the degree of fiscal decentralization is measured by using three indicators. The first indicator (X_{11}) is measured by dividing local own-source revenue (LOSR) to total local revenue (TLR). The second indicator (X_{12}) is calculated by dividing revenue sharing fund tax and nontax (RSFTNT) to the total of local revenue (TLR). The third indicator (X_{13}) is calculated by dividing donation from central government (DCG) to the total of local revenue (TLR). The higher ratio of LOSR means that local governments rely on the revenue from LOSR in financing the regional development. The local government plans the LOSR in the regional budget as one of the sources in funding the development. Otherwise, the lower LOSR denotes that local governments less relies on LOSR in financing its regional development activity.

Referring to the results in Table 2, financial ability after the RA in Bengkulu city, Bengkulu Selatan, Bengkulu Utara and Rejang Lebong are categorized as worse. In Bengkulu city, all three indicators of fiscal decentralization were experiencing worse condition after the implementation of autonomous region. While all three other regions namely Bengkulu Selatan, Bengkulu Utara and Rejang Lebong for the indicator of LOSR:TLR after the implementation of RA performed better conditions than before the RA was implemented. However, information from the other two indicators has implied that after the autonomous region was enacted, the condition was even worse.

The annual increased of LOSR is insignificant when it is compared to the increase of transferred funds from the central government. A number of revenue leakages as reported by some local medias have been relatively caused by the low contribution of fund toward region development (SMERU, 2002b). This also indicates that the implementation of RA which gives the huge possibility in managing its financial management was not able to significantly increase the local own-source revenue.

Table 2 also reflects the general information regarding to financial capability

in the category of worse. The low contribution of LOSR is also due to the expansion of new autonomous regions. Take, for examples, Bengkulu Selatan had been divided into three autonomous regions. Two of them are the new autonomous regions namely Seluma and Kaur regencies. Rejang Lebong and Bengkulu Utara had also been experienced the likewise condition, in which the region of Rejang Lebong regency was divided into two new autonomous regions namely Kepahyang and Lebong. Further, Bengkulu Utara regency had also been divided into two autonomous regions namely Muko-Muko and Bengkulu Tengah. However, this factor is not entirely proper, because Bengkulu city which has no additional autonomous region in fact relatively still in worse condition compared to all other three regencies. Bengkulu city which relies on services and trade sector seems not been able to significantly improve its economic progress due to the budget leakage as previously described.

Table 2
Degree of Fiscal Decentralization (DFD) before and after Regional Autonomy (RA)

Regencies / City	Indicators	Before RA (%)			After RA (%)			Description
		Mean	Max	Min	Mean	Max	Min	
Bengkulu	X_{11} LOSR:TLR	9.39	14.72	4.26	5.38	7.59	2.8	Worse
	X_{12} RSFTNT:TLR	7.78	10.74	4.64	5.47	6.06	4.69	Worse
	X_{13} DCG:TLR	75.88	87.61	64.54	83.84	92.40	74.03	Worse
After the RA, Bengkulu City's financial capability is classified as worse.								
Bengkulu Selatan	X_{11} LOSR:TLR	3.42	8.97	0.90	3.45	6.00	1.79	Better
	X_{12} RSFTNT:TLR	9.93	15.34	7.26	5.72	10.03	1.88	Worse
	X_{13} DCG:TLR	83.47	88.62	67.49	87.80	92.33	80.79	Worse
After RA, Bengkulu Selatan's financial capability is classified as worse.								
Bengkulu Utara	X_{11} LOSR:TLR	2.39	2.63	1.98	3.72	8.84	2.06	Better
	X_{12} RSFTNT:TLR	8.86	10.74	7.74	5.91	11.47	1.89	Worse
	X_{13} DCG:TLR	85.75	87.65	83.19	85.99	95.14	71.28	Worse
After RA, Bengkulu Utara's financial capability is classified as worse.								
Rejang Lebong	X_{11} LOSR:TLR	3.73	4.55	2.02	4.10	7.48	2.71	Better
	X_{12} RSFTNT:TLR	7.37	11.27	5.20	5.09	7.81	3.65	Worse
	X_{13} DCG:TLR	86.25	87.64	83.61	86.50	91.02	76.43	Worse
After RA, Rejang Lebong's financial capability is classified as worse.								

Note: The classification regarding to the degree of fiscal decentralization (DFD) is determined based on the comparison between the mean of each ratio before and after the RA. In case of the mean of the specific ratio before the RA is bigger than after RA, we note that the condition of fiscal decentralization is classified as worse, and vice versa. However, particularly for indicator X_{13} (DCG:TLR), in case of the mean after RA for this indicator is bigger than before RA, it is described as worse and vice versa.

Regional Financial Independence Ratio (RFIR)

The condition of Bengkulu city in post regional autonomy (RA) which is measured by employing three indicators of financial self-sufficiency, shows worse condition before the RA policy was implemented. Moreover, the regency of Bengkulu Selatan reflects better condition after the enactment of RA. It can be seen through the second (X_{22}) and the third indicator (X_{23}). However, the first indicator (X_{21}) suggests

the same conclusion that there is insignificant difference after the RA. Bengkulu Utara has performed better financial independence after RA was enacted. This regency has experienced better financial independence for all the three indicators (X_{21}, X_{22}, X_{23}). Meanwhile, the regency of Rejang Lebong, only shows better performance for the indicator of LOSR:TLE. It denotes that there is only one indicator which performed better results after the implementation of autonomous regions in Bengkulu province.

Table 3
Regional Financial Independency Ratio (RFIR) before and after
Regional Autonomy (RA)

Regencies/ City	Indicators	Before RA (%)			After RA (%)			Description
		Mean	Max	Min	Mean	Max	Min	
Bengkulu	X_{21} LOSR:TLE	9.98	16.14	4.43	5.48	7.27	2.70	Worse
	X_{22} LOSR:TRouE	16.37	26.43	6.76	7.09	10.29	3.47	Worse
	X_{23}(LOSR+ RSFTNT) : TLE	10.40	16.80	5.06	7.46	12.74	2.84	Worse
Bengkulu Selatan	X_{21} LOSR:TLE	3.64	9.92	0.93	3.36	5.88	1.63	Worse
	X_{22} LOSR:TRouE	5.45	14.20	1.22	5.74	17.02	2.29	Better
	X_{23} (LOSR+ RSFTNT) : TLE	4.75	11.61	0.98	5.10	10.34	1.75	Better
Bengkulu Utara	X_{21} LOSR:TLE	2.35	2.72	2.01	3.84	9.92	2.31	Better
	X_{22} LOSR:TRouE	4.20	4.77	3.65	5.10	12.73	2.44	Better
	X_{23} (LOSR+ RSFTNT) : TLE	4.77	5.52	4.34	6.40	10.56	2.31	Better
Rejang Lebong	X_{21} LOSR:TLE	3.81	4.65	2.11	4.21	7.62	2.92	Better
	X_{22} LOSR:TRouE	6.15	7.62	4.16	5.44	9.21	3.61	Worse
	X_{23} (LOSR+ RSFTNT) : TLE	4.96	5.65	4.10	4.84	8.27	2.99	Worse

Note: The classification regarding to the Regional Financial Independency Ratio (RFIR) is determined based on the comparison between the mean of each ratio before and after the RA. In case of the mean of the specific ratio before the RA is bigger than after RA, we note that the condition of Regional Financial Independency Ratio is classified as worse, and vice versa.

The Ratio of Local Own-Source Revenue Efficiency (RLOSRE)

There are two measures that can be used to identify the efficiency of local own-source revenue ratio (RLOSRE). The first measure (X_{31}) is calculated by dividing unspent funds (UF) to the total of regional expenditure (TRE). The second measure (X_{32}) is specified by dividing the total of other expenditure (TOE) to total regional expenditure (TRE). Generally, all four regencies and city show better efficient budget utilization before the RA was implemented. The main factor causing the efficiency of budget gets better due to the utilization of performance-based budgets. Therefore, it results in the condition where not all of the available budget can be fully absorbed. There are two sides which can be seen in assessing the budget absorption. If it is viewed by the side of capability in the budget absorption, it shows a reliable measure. However, if it is seen through the efficiency of budget utilization, it can be inferred that the autonomous regions actively doing budget saving for the next year period of budgeting. The other expenditures after the RA tend to be smaller due to the set of

items in budgeting policy. Therefore, it is highly hard to transfer the budget items to other expenditure.

Table 4
The Ratio of Local Own-Source Revenue Efficiency (RLOSRE) before and after
Regional Autonomy (RA)

Regencies/ City	Indicators	Before RA (%)			After RA (%)			Description
		Mean	Max	Min	Mean	Max	Min	
Bengkulu	X_{31} UF:TRE	0.00	0.00	0.00	1.58	10.17	-4.20	Better
	X_{32} TOE:TRE	5.48	7.05	3.83	1.63	4.78	0.05	Better
Bengkulu Selatan	X_{31} UF:TRE	0.00	0.00	0.00	2.59	9.08	0.00	Better
	X_{32} TOE:TRE	6.19	11.50	4.27	3.02	11.63	0.10	Better
Bengkulu Utara	X_{31} UF:TRE	0.00	0.00	0.00	1.95	19.60	-12.34	Better
	X_{32} TOE:TRE	3.93	4.47	2.43	4.58	24.99	0.04	Worse
Rejang Lebong	X_{31} UF:TRE	0.00	0.00	0.00	0.38	2.75	-1.32	Better
	X_{32} TOE:TRE	4.64	5.04	4.16	2.89	12.10	0.16	Better

Note: The classification regarding to the Ratio of Local Own-Source Revenue Efficiency (RLOSRE) is determined based on the comparison between the mean of each ratio before and after the RA. In case of the mean of the UF:TRE before the RA is smaller than after RA, we note that the condition of the Ratio of Local Own-Source Revenue Efficiency (RLOSRE) is classified as better and vice versa. Moreover, in case of the mean of ratio TOE:TRE before the RA is smaller than after RA, we note that the condition of the Ratio of Local Own-Source Revenue Efficiency (RLOSRE) is classified as worse and vice versa.

The Ratio of Local Own-Source Revenue Growth (RLOSRE)

After the implementation of RA in four of Bengkulu's regencies and city, it can be seen that there is a significant growth of local own-source revenue for the observed sample. Based on the existing measures, Bengkulu city, Bengkulu Selatan, Bengkulu Utara and Rejang Lebong regency have shown better growth in terms of their local own-source revenue (LOSR). In this case, the growth of real sectors and services had boosted the increasing LOSR of regencies and city in Bengkulu province. Moreover, in regard to the enactment of autonomous regions, the leaders in each area are demanded to optimally generating the number of LOSR of the regions. This is important in order to fund the planned regional budget. Nevertheless, the growth of LOSR to some extent is unequal to the increased of expenditures. This circumstance is triggered by some policies such as; (1) the unplanned number of civil servants recruitment that is no longer based on the needs and local financial capacity; (2) inefficiency of budget utilization; and (3) the existence of programs which are not based on the scale of priority.

Table 5
The Ratio of Local Own-Source Revenue Growth before and after
Regional Autonomy (RA)

Regencies/City	Before RA (%)			After RA (%)			Description
	Mean	**Max**	**Min**	**Mean**	**Max**	**Min**	
Bengkulu	X_{41} 4.54	70.30	-41.36	30.85	96.97	-10.17	Better

Before the policy of regional autonomy was implemented in Bengkulu city, the growth of local own-source revenue is categorized as small. After the RA, it is now in a better condition.

Bengkulu Selatan	X_{41} -6.90	52.17	-50.20	67.45	545.60	-24.91	Better

Before the policy of regional autonomy was implemented in Bengkulu Selatan, the growth of local own-source revenue is categorized as small. After the RA, it is now in a better condition.

Bengkulu Utara	X_{41} 20.11	62.72	-13.75	69.36	751.42	-57.72	Better

Before the policy of regional autonomy was implemented in Bengkulu Utara, the growth of local own-source revenue is categorized as small. After the RA, it is now in a better condition.

Rejang Lebong	X_{41} 16.39	107.36	-37.00	31.57	137.63	-19.01	Better

Before the policy of regional autonomy was implemented in Rejang Lebong, the growth of local own-source revenue is categorized as very less. After the RA, it is now in a better condition.

Note: The classification regarding the Ratio of Local Own-Source Revenue Growth is determined based on the comparison between the mean of $RLOSRX_n - RLOSRX_{N-1} : RLOSRX_{N-1}$ before and after the RA. In case of the mean of $RLOSRX_n - RLOSRX_{N-1} : RLOSRX_{N-1}$ before the RA is smaller than after RA, we note that the condition of Local Own-Source Revenue Growth is classified as better, and vice versa.

Discriminant Analysis

Refers to the output of Wilks Lambda value and the information of its significance in Table 6, it can be observed that the explanatory or predictor variables were statistically able to distinguish the performance of autonomous regions before and after the implementation of RA policy in Bengkulu province. Some of these variables consist of the degree of fiscal decentralization, regional financial independency ratio, ratio of local own-source revenue efficiency, and ratio of local own-source revenue growth (RLOSRG). The degree of fiscal decentralization (DFD) is measured by employing three measures namely; LOSR:TLR (X_{11}), RSFTNT:TLR (X_{12}), and DCG:TLR (X_{13}). The local regional financial independency ratio (RFIR) is calculated by utilizing three measures namely: LOSR:TLE (X_{21}), LOSR:TRouE (X_{22}), and LOSR+RSFTNT:TLE (X_{23}). The ratio of local own-source revenue efficiency (RLOSRE) is measured with two measurements namely: UF:TRE (X_{31}), and TOE:TRE (X_{32}). While, local own-source revenue growth ratio (RLOSRG) was only surrogated by one measure which the current local own-source revenue is compared to its previous value ($RLOSRX_n - RLOSRX_{N-1} : RLOSRX_{N-1}$).

Table 6
Discriminant Function
Wilks' Lambda

Test of Function(s)		Wilks' Lambda	Chi-square	Df	Sig.
dimension0	1	0.590	32.445	9	0.000

Eigenvalues

Function		Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
dimension	1	0.695	100.0	100.0	0.640

a. First 1 canonical discriminant functions were used in the analysis.
Source: The data was processed (2013).

Table 6 reflects the canonical correlation value as 0.64 which indicates there is strong relationship between the variables used to differentiate the ratios before and after the enactment of RA in Bengkulu province. The accuracy of this model in classifying the difference of performance regarding to regencies and city in Bengkulu province before and after each observation of RA is 82 percent. Further, the discriminant function which distinguishes the condition before and after autonomous regions implemented in Bengkulu province is written as follows:

$$D = 0.79X_{11} + 0.82X_{11} + 0.08X_{13} - 1.31X_{21} + 0.73X_{22} - 0.01X_{23} - 0.32X_{31} + 0.20X_{32} - 0.26X_{41} \dots\dots 2$$

The variables which significantly distinguish the performance of every local government in Bengkulu province are variable X_{12} and X_{13}. While with a confidence level of 90 percent it can be observed that variables X_{12}, X_{13}, X_{22} and X_{32} are able to distinguish the performance of local government before and after the RA was implemented. Hereby, according to the output of discriminant analysis, it can be concluded that all of four variables which statistically significant reflecting positive coefficient values. Therefore, we argue that these four variables positively contribute to the performance of autonomous regions after the RA policy was implemented.

The significant variable for the variables of degree of fiscal decentralization (DFD) is variable X_{12} and X_{13}. Variable X_{12} (RSFTNT:TLR) shows that the average ratio is lower after the implementation of Regional Autonomy (RA), in which before RA the average ratio is 8.5 percent and after RA was implemented, it is around 5.6 percent. Variable X_{13} (DCG:TLR) shows bigger average ratio after RA was enacted as 86 percent. This number is bigger than before RA was implemented, in which the value before RA was around 83 percent. Variable of financial independence is noted as variable X_{22} (LOSR:TRouE) that shows lower average ratio after the implementation of RA as 6 percent, while the average value for this variable before the enactment of RA is around 8 percent. The last significant variable is the regional financial efficiency ratio which is represented by variable X_{32} (TOE:TRE). It reflects that the average ratio is lower after the regional autonomy is implemented (3 percent). While the average

value before the policy was implemented is around 5 percent

Benefits in terms of new local controls over the projects and resources extraction as the consequence of regional autonomy (RA) executions are commonly offset by the new fiscal responsibility in the level of regional governments (Duncan, 2007). In this circumstance, the local governments are still depending on a large amount of money from the central government. It is needed in covering a certain percentage of civil servant salaries as well as other costs. While on the other side, detrimental effects after the implementation of RA can be found in several specific sectors. Take for instance, in the forestry sector, the activity of autonomous regions has driven to an increase in illegal logging activity. This happens due to the monetary crisis in the fallen regime of President Soeharto in the year of 1997. Besides, the most frequent cited negative impact of RA can be identified through the level of corruption in the country. As pointed out by Duncan (2007) RA policy is now providing local elites with access to the income flows. Moreover, in line with the studies as reported by Djogo and Syaf (2003) and Simarmata (2002) the efforts of corruption conducted by a group of politicians in maximizing their income could possibly lead to policies that are detrimental to the well-being of ethnic minorities.

CONCLUSION, LIMITATION AND SUGGESTION

According to the result and the output of statistical testing, it can be inferred several conclusions. First, the degree of fiscal decentralization after the implementation of RA is worse than before this policy is implemented. Also, we note that the financial capability stays in the category "less" for both before and after the RA. Second, the regional financial independency ratio for the regency of Bengkulu Selatan, Bengkulu Utara and Rejang Lebong tend to show better performance after the RA is enacted. However, Bengkulu city shows worse financial independency ratio than the other regencies after the autonomous regions were implemented. Third, the efficiency in terms of management of local own-source revenue for all regencies and city after the RA policy displays better performance rather than before it was implemented. Fourth, the growth of local own-source revenue after the RA noted to be better than before it was enacted. Fifth, in general, all the financial ratios have shown the performance ranging from the category of moderate to very good. Sixth, there are four variables which distinguish the performance of local government in Bengkulu province, namely X_{12} (RSFTNT:TLR), X_{13} (DCG:TLR), X_{22} (LOSR:TRouE) and X_{32} (TOE:TRE).

Several issues can be assessed for the future research, such as the high dependency of local governments in Bengkulu province on the central government,

particularly for Bengkulu city, Bengkulu Selatan, Bengkulu Utara and Rejang Lebong. Our result even reveals that the contribution of central government toward the autonomous regions is bigger than before the RA was implemented. In terms of this financial condition, it is necessarily important to generate more local own-source revenue and considering expenditure policy efficiently. The low of LOSR growth is caused by some factors. Take, for instance, the unoptimal potential of LOSR, and either the low target in generating revenue or the low of its realization are the main factors with respect to the slowness of autonomous regions development. Other facts show that some local medias have reported the phenomenon of revenue leakage (SMERU, 2002b). Thus, on the side of revenue, it is important to create the necessary effort and joint commitment to increasing the number of revenue for each region. This commitment should be determined by the regents, mayor and the responsible officers who actively involved in the process of polling LOSR. On the side of expenditure, the local government such as regencies and city should not have had to optimize the recruitment of civil servants in the short term period. Besides, the local government should have to avoid and prevent the budget leaks and inefficiency. Hereby, local government can try to rearrange their budget policy based on the scale of priority.

We finally note that the performance with respect to the financial report of local government (FRLG) is low. Also, we find that there is insignificant change which can be identified through the result of discriminant analysis on the performance of autonomous regions before and after the RA was implemented. This condition illustrates that the main mission of RA in improving the social welfare and public services is not well-achieved. Therefore, it should be a big warning that autonomous regions should have had to improve their performances in all aspects, especially in efforts of optimizing the regional budgets which focus on the value of money-oriented.

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