The Financial Performance of Regencies/Cities in South Sumatera Province (2006-2015 Time Period)

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Abstract

This study is for observing the regional financial performance influence of regencies/cities in South Sumatera province. The research is implemented quantitatively by using the data panel double regression of the 2006 – 2015 time period. Regional financial performance covers fiscal decentralization, autonomy, effectiveness and efficiency. Based on a partial count, fiscal decentralization has a regression coefficient as large as 62.73185, which means fiscal decentralization has a positive and significant influence to economic growth. Then regional finance autonomy has a regression coefficient as large as -16.04656 which means that regional autonomy has a negative influence yet significant to economic growth. Observing from regional financial effectiveness which has a regression coefficient as large as -0.074855, which means that effectiveness has a negative influence and not significant to economic growth. Regional financial efficiency has a regression coefficient as large as -0.254122, which means that efficiency has a negative influence and not significant to economic growth. Based on the count as a whole it means that Fiscal Decentralization, Regional Finance Autonomy, Effectiveness, and Efficiency have significant influences to economic growth. This means regional financial performance is very influential to the economic growth of regencies/cities in South Sumatera Province in the 2006-2015 time period.

1. INTRODUCTION

Regional autonomy provides authority to regions for extracting potential and regional source of income as funds to manage each of the regions. As emphasized by Suparmoko (2002) regional autonomy is defined as the authority of the autonomic region for managing and looking after the interest of local people according to their own initiatives based on the people's aspiration. The regional autonomy policy where every region has a right, authority, and obligation for managing and looking after their own government affairs and the local people's interests corresponding with the regulations of acts that apply for increasing effectiveness and efficiency of government enforcement and increase the service to the people.

The Regencies/Cities in South Sumatera Province have different potential and sources of income. This will bring out the occurrence of inequality of regencies/cities caused by differences in natural resource contents, demographic condition differences,

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the hampered mobility of goods and services, concentration difference of regional economic activities, and allocation difference of interregional development funds (Sjafrizal, 2008). Interregional development fund allocations that are different is caused by the difference of financial sources for funding expenses such as the source of income which is from the locally generated revenue and balancing funds and funding sources that are from the excess difference of budget counting. Because of that, regional governments are demanded to be able to extract the potential that the regions have through contribution increase of locally generated revenue as the largest source of regional income. Each region has income that is of a different type and fluctuates.

In line with the development in South Sumatera Province, Palembang City has an economic growth rate which is relatively high. In the year 2015. Palembang City placed in the top row of which experienced growth reaching 8.14 percent and only Palembang City which is able to grow above 8 percent. The economic growth of regencies/cities in South Sumatera Province in the year 2015 shows a significant enough difference between Palembang City compared with other regencies/cities. This is seen from the second largest economic growth which is located in the 6 percent range which is East Oku Regency as large as 6.82 percent and the third place is Ogan Ilir Regency as large as 6.68 percent. It is noted that as many as 5 regencies and 1 city placed the economy growth range as large as 6 percent, as many as 2 cities and 4 regencies in the 5 percent range and 4 regencies are in the 4 percent range. Musi Banyuasin Regency has the lowest economic growth of the regencies/cities in South Sumatera Province which is as large as 4.21 percent, while Pali Regency becomes the second lowest as large as 4.23 percent and North Musi Rawas Regency as the third lowest as large as 4.94 percent (Central Body of Statistics, 2015)

The occurrence of inequality (imbalance) such as seen in the economic growth rate of Palembang City with other regencies/cities is caused by a difference of natural resource contents, difference of demographic condition, the hampering of goods and services mobility, and allocation difference of interregional development funds (Sjafrizal, 2008). Interregional development fund allocations that are different is caused by the difference of financial sources for funding different expenses and the ability of the regions. The ability of the regions for fulfilling needs and expenses that are implemented is much determined by the performance of regional finance.

As rocky as the performance of regional finance, there are always evaluations and research, so inputs and improvements are able to be provided in the future. The performance of regional finance covers fiscal decentralization ratio, autonomy ratio, efficiency ratio, and effectiveness ratio. The autonomy of a region is able to be seen from the ability of the region for fulfilling all its needs by increasing income from its regions and decrease dependence from the central or other regions. As explained by Halim (2012), stated that the primary characteristics that a region is able to implement autonomy are (1) the regional financial ability, which means the region has the ability and authority for excavating financial resources, manage and use its own budget for financing the government enforcement; (2) the dependence to the central aid has to be as minimal as possible, because of that locally generated revenue has to be the largest financial source which is supported by balancing policies of the central and the regions.

In other words, the success of regional autonomy development is able to be seen from the degree of regional fiscal autonomy- which is the comparison between locally generated revenue with the total Regional Income Spending Budget that increases more and more.

Referring to the explanation before, there will be a more in depth study about regional finance performance to economic growth of regencies/cities in South Sumatera Province.

Problems

As for the problems that will be studied are:

1. How are the regional regency/city finance performance in South Sumatera Province.
2. How is the influence of regional finance performance to the economic growth of regencies/cities in South Sumatera Province in the 2006-2015 time range?

2. LITERATURE REVIEW
2.1 Regional Financial Performance

Performance is the achievement of what is planned, neither personally nor of an organization. If the achievement is corresponding with what is planned, the performance done will be implemented well. If the achievement is more than what is planned it is able to be said that the performance is very good. If the achievement is not corresponding or less than what is planned, the performance is bad. Financial performance is a measure of performance that uses financial indicators.

The use of ratio analysis in the public sector specifically in the Regional Income Spending Budget is not yet implemented much, so theoretically there is not yet a unanimous agreement about the name and manner of measurement. Nevertheless in order to manage regional finance that is transparent, honest, democratic, effective, efficient, and accountable, the ratio analysis to the Regional Income Spending Budget needs to be implemented although the accounting manner in the Regional Income Spending Budget is different with the financing that private companies have (Halim, 2012).

Financial ratio analysis in the Regional Income Spending Budget is implemented by comparing results that are reached in one period compared with the previous period so it is able to be known how the tendency occurs. Other than that it is also able to be implemented with the manner of comparing with the financial ratio of certain regional governments with the financial ratio of other regions that are closest or have a relatively same regional potential for being able to be seen how the financial position of the regional government to other regional governments is.

In Regional Financial Performance Analysis there are several ratio used, among others :

a. Fiscal decentralization ratio
b. Finance autonomy ratio
c. Effectiveness ratio
d. Efficiency ratio

2.2 Economic Growth

Economic growth is able to be defined as the Gross Domestic Product (GNP) or Gross National Product (GDP) increase without regarding if the increase is more or less than the population growth level or if an economic structure change occurs or not.

Economic growth is defined as activity development in the economy that causes goods and services that are produced in society to increase and the prosperity of the people to increase (Sukirno, 2013). According to Budiono (2002) economic growth is the process of per capita output increase in the long term. Average expenses per capita are the costs that are spent for the consumption of all household members for one month neither from purchasing, giving, nor self-production divided with the number of family members. Household consumption.

According to Todaro (2000) there are three factors or primary components in economic growth among others :

a. Capital accumulation which covers all forms or types of investment which is planted in soil, physical instruments and capital or human resources
b. Population growth which in the end will increase the number of workforce.
c. Technological progress is the source of economic growth that is the most important.

The problem of economic growth is able to be viewed as a macroeconomic problem in the long term which is able to be measured by the ability of a country in producing goods and services from one period to another period. Basically economic growth is influenced by four factors which are population number, number of capital goods stocked, surface area, and the achieved technology level (Sukirno, 2013).

The experts pay more of their attention to the influence of population increase to economic growth, the more the population increases, it will cause an increase of per capita income. If the population number continues to increase exceeding the optimal point, the population growth will cause the decrease of the economic growth value.

According to the Classic theory which is pioneered by Adam Smith, David Ricardo, Malthus and John Stuart Mill. That economic growth is influenced by four factors which are population number, number of capital goods stock, surface area and the achieved technology level (Sukirno, 2013). The experts pay more attention to the influence of population increase to economic growth, the more the population increases, it will cause an increase in per capita income. If the population number increases continuously exceeding the optimal point, the population growth will cause a decrease of economic growth value.

2.3 Hypotheisis

Based on the conceptual frame (thinking framework) the researcher makes the hypothesis as the following:

H_0 : Fiscal decentralization, regional financial autonomy, effectiveness and efficiency does not influence positively and significant to economic growth of regencies/cities neither partially nor together.

H_1 : Fiscal decentralization, financial autonomy effectiveness and efficiency has a positive and significant influence to economic growth of regencies/cities neither partially or together.

3.   RESEARCH METHOD
3.1   Research Scope

This research about financial performance analysis of regencies/cities in South Sumatera Province uses the quantitative research method. Data that are used in this research are secondary data from many types of resources. In the analysis of this research the researcher took data from the Budget Realization Report and Report of Regional Gross Domestic Product of Regencies/Cities in South Sumatera Province for the 2006-2016 period, which is published by the Finance Department Directory General of Finance Balancing (www.djpk.depkeu.go.id) and the Central Body of Statistics South Sumatera (www.sumsel.bps.go.id).

3.2   Data Analysis Technique

In the Regional Financial Performance analysis there are several ratio which are used, among others:

a.   Fiscal Decentralization Degree Ratio

The Fiscal Decentralization Degree Ratio is counted based in the comparison between the total Locally Generated Revenue and Total Local Revenue. This ratio shows the degree of Locally Generated Revenue Contribution to Total Local Revenue. The higher the Locally Generated Revenue contribution, the higher the ability of the regional government in decentralization enforcement. The Fiscal Decentralization Degree Ratio, specifically the Locally Generated Revenue component compared with Total Local Revenue.

Table 1 Interval scale of Fiscal Decentralization Degree Ratio.

Interval Scale of Fiscal Decentralization Degree. %	Regional Finance Ability
00,00 – 10,00	Very Less
10,01 – 20,00	Less
20,01 – 30,00	Adequate
30,01 – 40,00	Moderate
40,01 – 50,00	Well
> 50,00	Very Well

The Fiscal Decentralization Degree is able to be counted by using the following equation : DDF =   PADt / TPDt x 100%

Remarks:

DDF = Fiscal Decentralization Degree

PADt = Total Locally Generated Revenue year t

TPDt = Total Local Revenue year t

b.   Regional Finance Autonomy Ratio

According to Halim (2012) regional finance autonomy or fiscal economy shows the regional finance ability in self-financing in activities of government, development, and service to the people. Regional finance autonomy is shown by the size of locally generated revenue compared with regional income. The autonomy level illustrates the level of people participation in paying tax and local retribution which are the primary components in locally generated revenue.

The Regional Finance Autonomy Ratio is shown by the amount of Locally Generated Revenue compared with Local Revenue that are from other sources (Transfer Revenue) among others : tax sharing, natural resource non-tax sharing,

Public allocation funds and Special allocations, Emergency and loan funds (Widodo, 2001).

The Regional Finance Autonomy Ratio is shown by the amount of Locally Generated Revenue compared with Local Revenue that are from other sources (Transfer Revenue) among others : tax sharing, natural resource non-tax sharing, Public allocation funds and Special allocations, Emergency and loan funds (Widodo, 2001). The equation used for counting Autonomy Ratio is :

$$\text{Autonomy Ratio} = \frac{\text{Locally Generated Revenue}}{\text{Total Transfer Revenue}} \; x \; 100\% \qquad (1)$$

Table 2 Assessment Criteria of Autonomy Ratio

Percentage	Criteria	Relation Pattern
0 -25	Very Low	Instructive
25-50	Low	Consultative
50-75	Moderate	Participative
75-100	High	Delegated

Source: Halim (2008)

c. Effectiveness Ratio

The effectiveness ratio illustrates the ability of the Regional Government in realizing Locally Generated Revenue that is planned compared with the target that is assigned based on the region's real potential. Locally Generated Revenue is effective if the ratio reached reaches 100 or more than 100%. Therefore the larger the effectiveness ratio the better the government performance (Halim, 2012).

$$\text{Effectiveness Ratio} = \frac{\text{Locally generated revenue income realization}}{\text{Assigned locally generated revenue target income}} \; x \; 100\% \quad (2)$$

Table 3 Assessment criteria of effectiveness ratio

Percentage	Finance Performance Criteria
Above 100%	Very Effective
90-100	Effective
80 - 90	Adequately Effective
60 - 80	Less Effective
Less Than 60	Not Effective

Source: Halim (2008)

d. Regional Finance Efficiency Ratio

The regional finance efficiency level analysis is able to be counted by using the efficiency ratio, which is the ratio that illustrates the comparison between output and input or the realization of expenses with the realization of regional income. According to Halim (2012) the regional finance efficiency ratio is able to be measured with:

$$\text{Efficiency Ratio} = \frac{\text{Total Regional Expense Realization}}{\text{Total Regional Income Realization}} \; x \; 100\% \qquad (3)$$

Table 4 Assessment Criteria f Finance Efficiency Ratio

Percentage	Criteria
Above 100%	Very Efficient
90-100	Efficient
80 - 90	Adequately Efficient
60 - 80	Less Efficient
Less than 60	Not Efficient

Source: Halim (2008)

This research uses the quantitative analysis technique. The analysis technique of this research uses ratio for observing the fiscal decentralization level, autonomy, effectiveness, regional finance efficiency and economic growth. The double regression linear analysis is used for observing regional financial performance to economic growth.

In analyzing the influence of financial performance to economic growth, a test instrument is used which is a descriptive statistics analysis, regression analysis, and hypothesis test. The double regression linear analysis a simple linear regression data panel model in measuring if the dependent variables are really determined by the independent variable with the Least Squares (LS) method.

As for the equation model which is used in this research is :

$$\ln EG_{it} = \alpha + \beta 1 \ln DF_{it} + \beta 2 \ln KKD_{it} + \beta 3 \ln EFK_{it} + \beta 4 \ln EFF_{it} + et_{it} \qquad (4)$$

Remarks :

EG   = Economic Growth
α, β = Coefficient
DF_{it} = Fiscal Decentralization in region i on year t
KKD   = Region Financial Autonomy in region i on year t
EFK   = Region Financial Effectiveness in region i on year t
EFF   = Region Financial Efficiency in region i on year t
Et_{ir} = error term

4.   RESULTS
4.1.   Regional Financial Performance
4.1.1.Fiscal Decentralization

The assessment of Regional financial performance is implemented to the Regional Income Spending Budget. The budget as an instrument of government policy has to be able to show a good performance. The purpose for internal assessment is for encouraging economic growth so it is expected to be able to cause a positive domino effect which is decreasing unemployment and decreasing the poverty rate. The related performance with the budget is financial performance in the form of comparisons between components in the budget.

The comparison between components that are in the budget according to Halim (2004) is measured by using several ratios which are developed based on financial data which is sourced from the Regional Income Spending Budget among others are autonomy ratio, effectiveness ratio, efficiency ratio, growth ratio, and suitability ratio. While Mahmudi (2011) measures financial performance by using the regional autonomy ratio, regional dependence ratio, decentralization degree, effectiveness ratio and locally generated revenue efficiency, degree of region owned enterprise contribution, and ratio of income to debt. This research observes regional financial

performance by observing fiscal decentralization, autonomy ratio, effectiveness ratio and efficiency ratio.

Fiscal decentralization is the ability of a region in decentralization enforcement. This ratio shows the degree of locally generated revenue contribution to Total Local Revenue. The higher the locally generated revenue contribution, the higher the ability of the regional government in implementing decentralization. The fiscal decentralization ratio per regency/city is able to be seen in table 1 (attachment 1).

In the 2006-2015 time period, the regency that has the lowest fiscal decentralization ratio is South Oku Regency with an average ratio of 1.81percent. This regency is a newly developed regency with the source of income still dependent on the central and balancing funds. As a whole the average fiscal decentralization of regencies/cities in South Sumatera Province covers the regencies/cities of Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, Ogan Ilir, OKI, OKU, OKUT, and OKUS in the very low category which is below 10 percent. The fiscal decentralization ratio of Palembang city is in the less category with an average ratio of 17.59 percent. The fiscal decentralization ratio is able to be seen in the following figure 1.
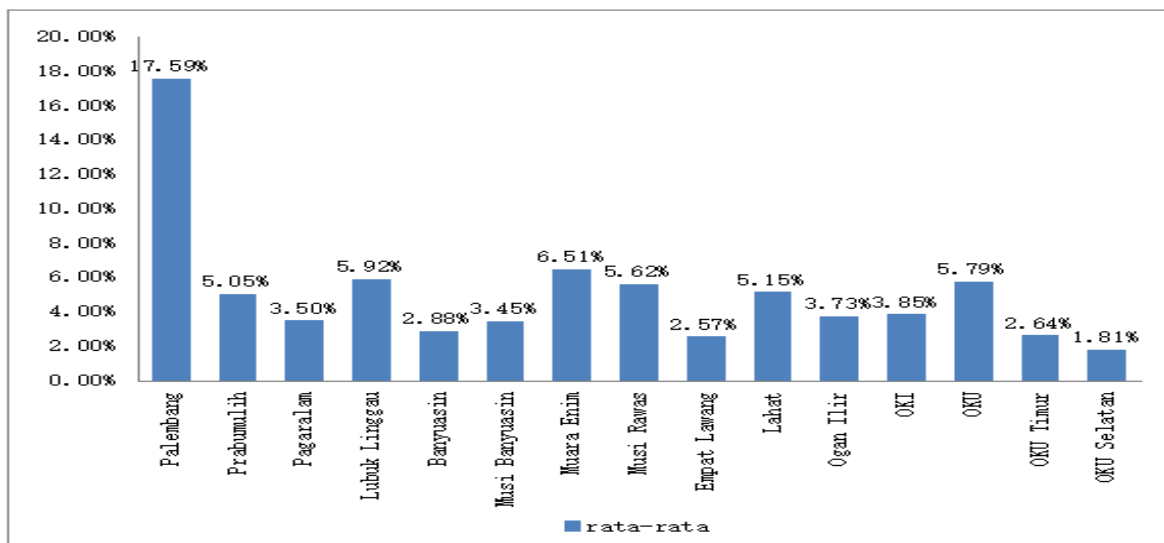

Figure 1 Fiscal Decentralization Ratio of Regencies/Cities
Source: Processed Data 2016

Autonomy is an important factor in the implementation of regional autonomy. Based on the autonomy ratio, Palembang City has an autonomy ratio as large as 26.6 percent with a low criteria and a consultative relation pattern. Based on the time series analysis it is able to be seen the percentage increase of balancing fund income from the central government. In 2008 there occurred an increase in the balancing fund income as large as 11.65 percent. In 2009, 2010 and 2011 the increase of balancing income funds are not too significant only as large as 5.74 percent, 4.51 percent, 3,33 percent. If analyzed from public allocation income funds from National Income Spending Budget transfers, the growth of the public allocation funds of cities are able to be stated as consultative.

4.1.2. Regional Financial Autonomy

The province of South Sumatera has 16 regencies/cities which have varying levels of autonomy. Based on the Regional Income Spending Budget of regencies/cities years 2006-2015 it is able to be observed in table 2.

The average regional autonomy ratio in the last ten years which are the years of 2006/2015 are in the very low criteria which is under 25 percent which covers the regencies/cities of Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, Ogan Ilir, OKI, OKU, OKUT, and OKUS. This condition interprets the autonomy pattern that is still instructive. The instructive relation pattern is which the role of the central government is more dominant than the autonomy of the regional government. The instructive pattern makes for a very high dependence for the regional government to the central government financially. This occurrence is strengthened with the transfer income of regencies/cities which are sourced from the Central Government Transfer/Balancing Funds, income of tax sharing, income sharing of non-tax (natural resources), public allocation funds, specific allocation funds, central and other governments transfers, specific autonomy funds, adjustment funds, government transfer, The ratio of regency/city autonomy is able to be seen in the following figure 2.
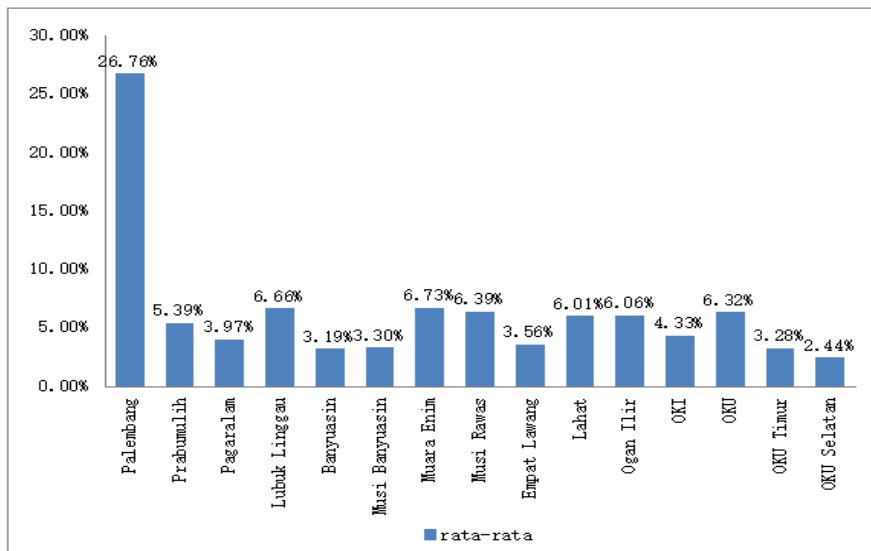

Figure 2 Autonomy Ratio of Regencies/Cities
Source: Processed Data 2016

Autonomy is an important factor in the implementation of regional autonomy. Based on the autonomy ratio, Palembang city has the autonomy ratio as large as 26.6 percent with a low criteria and a consultative relation pattern. Based on the time series analysis the percentage difference of balancing income funds from the central government is able to be seen. In 2008 there occurred an increase in balancing income funds as large as 11.65 percent. In the years 2009,2010, and 2011 the increase of balancing income funds are not too significant only as large as 5.74 percent, 4.51 percent, 3.33 percent. If analyzed from the public allocation income funds from

Regional Income Spending Budget transfers, the growth of city public allocation funds are able to be said as consultative.

4.1.3. Regional Financial Effectiveness

The effectiveness ratio illustrates the ability of the regional government in realizing the locally generated revenue which is planned with an assigned target based on regional potential. It is able to be stated that the larger the effectiveness ratio the better the regional government performance.

As long as the 10 year time period which is 2006-2015, the region that has the largest effectiveness ratio is OKUS regency with a value of 209.9 percent or very effective. Other than OKUS the cities/regencies that are in the very effective category are Palembang, Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, OKI, OKU. It is able to be summarized that in the year 2007 Palembang City is able to streamline its locally generated revenue realization which is sourced from the locally generated revenue sourced from tax income, retribution income, income of Region Owned Companies and Results of Regional Wealth Processing that is Separated and other forms of locally generated revenue that are agreed upon well. The Region that has the lowest effectiveness ratio is Ogan Ilir regency with a value of 73.3 percent which means that it is less able to streamline the locally generated revenue realization which is sourced from tax income. This large inequality is caused by the difference in locally generated revenue which is targeted with the locally generated revenue realization for the two regions which are fairly significant, other than that it is caused by the difference in locally generated revenue for each region. The effectiveness ratio illustration of regencies/cities in South Sumatera Province is able to be seen in the following figure 3.
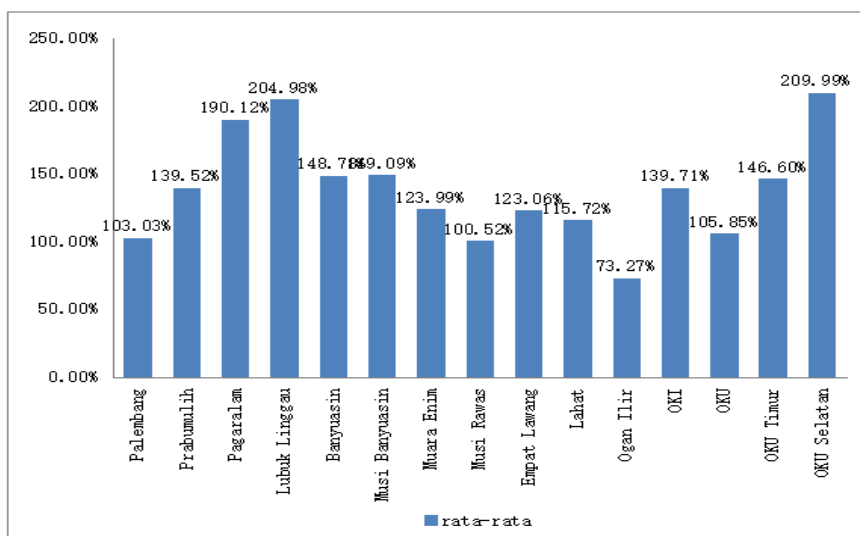

Figure 3 Effectiveness Ratio of Regencies/Cities
Source: Processed Data 2016

4.1.4. Regional Financial Efficiency

Regional financial efficiency is used for illustrating the comparison between output and input or realization of expenses with the realization of regional income, the larger the ratio value the larger the efficiency level that is applied in the region.

Based on research and counting each regency/city has a different efficiency level. Basically each region has an expected target and achievement. They have different strategy and sources that are able to be made into income. So it is able to be obtained between what is expected and realized in a concrete way. Components from the total spending consists of operational spending, capital spending, unexpected spending, and transfer spending, while components from local revenue consists of locally generated revenue, transfer income, and other agreed forms of local income. Such as in the year 2008 the increase of regional spending realization is higher than the acquisition of regional income realization. This causes an increase in the financial efficiency ratio of regional governments. The efficiency ratio increase of certain years is the cause of the increase in regional income and regional spending in the same year. The higher the financial efficiency ratio the more efficient the financial management in the region. The graphical illustration is able to be seen in figure 4.
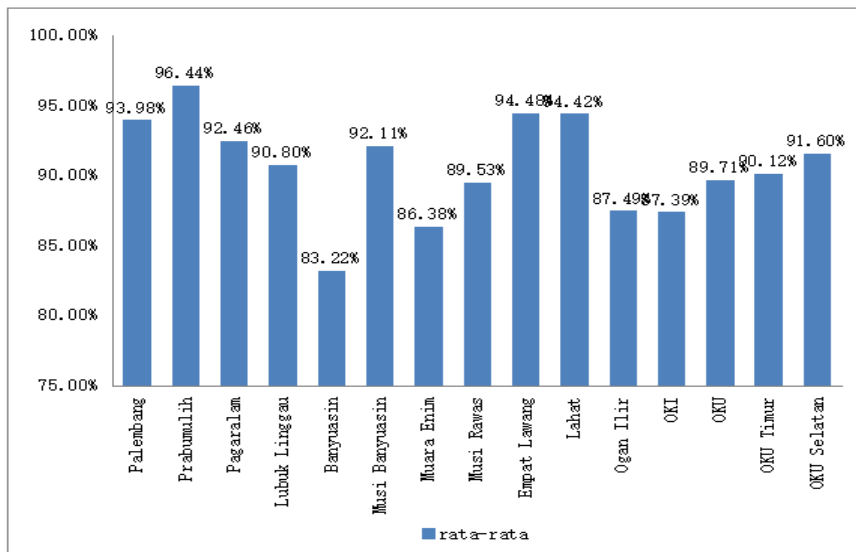

Figure 4 Regional Financial Efficiency Ratio
Source: Processed Data 2016

In the last 10 years regencies/cities in South Sumatera Province reached a ratio of 80%-90%. The efficient category covers Palembang, Prabumulih, Pagaralam, Lubuk Linggau, Musi Banyuasin, Empat Lawang, Lahat, OKUT, and OKUS. The Adequately Efficient ratio category covers Banyuasin, Muara Enim, Musi Rawas, Ogan Ilir, OKI, and OKU.

4.2 The Influence of Regional Financial Performance to Economic Growth

The regression data panel test results with the Pooled Least Square model.

Based on the regression data panel results above it is known that the determination coefficient shown with the adjusted R-squared value is as large as -0.51

percent. Other than that test results also show a Durbin-Watson stat that is low which is 0.650472.

4.2.1. Fixed Effect Model

The result of data panel regression with the fixed effect model. Based on the data panel regression above it is known that the determination coefficient which is shown with the adjusted R-squared value of 34.11 percent. Other than that, the test results also show the Durbin-Watson stat value that is high which is 1.114882.

4.2.1.1. Random Effect Model

The result of data panel regression with the random effect model. Based on the data panel regression above it is known that the determination coefficient which is shown with the adjusted R-squared is as large as 7.33 percent. Other than that, the test results also show the Durbin-Watson stat value which is 0.577736.

4.2.2. Data Panel Model Selection

Hausman Test

Based on the test results above it is known that the chi square statistic value is as large as 17.224252 with a chi square table in d.f (4) $\alpha = 5$ percent is 9.487729 so the chi square statistic > the chi square table value, so H_0 is rejected. So the data panel model that is able to be used is the Fixed Effect Model.

4.2.3. Hypothesis Test

This hypothesis test is implemented to observe if there is a direct influence between independent variables to dependent variables neither partially nor together. As for what is used to implement the hypothesis test, are:

a.   Determination Coefficient Test (R^2)

The determination coefficient test is used for measuring the amount of the model's ability in explaining the variation of dependent variables, the R^2 value range is 0 up to 1 the more the R^2 is closer to 1 the more the independent variables provide all needed information for predicting the dependent variable variation.

The test results uses a fixed effect model, fiscal decentralization influence, regional finance autonomy, effectiveness, and efficiency to economic growth in regencies/cities in South Sumatera Province an adjusted R^2 value as large as 0.341114 is able to be obtained. Which means the independent variables that are in the model are able to explain the dependent variables as large as 34.11 percent, while the rest 65.89 percent is explained by other variables outside the model.

b.   F Test (The Together Test)

The F test is used for testing if independent variables influence together to the dependent variable which is by comparing F-statistic with F-table.

The results of the fixed effect model obtained an F-statistic value of 5.256744. In the confidence level $\alpha = 5$ percent with a df1=k-1 (4) and df2=n=k (144), so an F-table as large as 2.434503 is obtained. F-statistic > F-table so it is able to be summarized that H1 is accepted. This means that independent variables (Fiscal Decentralization, Regional Financial Autonomy, Effectiveness and Efficiency influences significantly together with the dependent variable (Economic Growth).

c.   T-Test (Partial Test)

This test is implemented for testing if the independent variable influences partially to the dependent variable, which is by comparing each t-statistic value from the regression with the t-table in determining the hypothesis accepted or refused. In the

confidence level α = 5 percent df =n-k (144), a t-table as large as 1.976575 is obtained. Such as seen on the following table 5.

Table 5 Results of t-test Table (Partial Test)

Variable	Coefficient	Std. Error	t – Statistic	Sig.
DF ⟶ EG	62.73185	15.12778	4.146799	0.0001
KKD ⟶ EG	-16.04656	6.712601	-2.390513	0.0183
EFEKKD ⟶ EG	-0.074855	0.134993	-0.554508	0.5802
EFIKD ⟶ EG	-0.254122	0.768409	-0.330712	0.7414

Source : Processed Data, 2016

At the variable of **Fiscal Decentralization**, has coefficient regression for DF such as 62.73185.   It shows that fiscal decentralisation has the positive and significant influence to the economic growth. T statistic is bigger than t-table, it can be concluded that Ha is acceptable and Ho is un-acceptable. Fiscal decentralisation is comparing the Regional Real Income (PAD) to total revenue of the region.

Furthermore, the variable of the **Regional financial autonomous** has coefficient regression for KKD such as -16.04656. KKD probability value of 0.0183 <value a significance level of 0.05, which means Ha accepted and Ho un-accepted. It could be concluded that the region's financial autonomous has negative influence but it is very significant to the economic growth. The financial autonomous is so much needed for the better growth and development of a region.   But the readiness of each region is deferent.   According to the research observed by Efendi (2011), it is found that the region's financial autonomous is still relatively small, and it is found that very difficult to increase the region's financial autonomous.   Such the research which is conducted in Nganjuk stated that the region's financial autonomous seems still very low and it is less of fiscal decentralisation.   These means that the regional government is still very much depends on the Central Government.   The research made by Gomes (2013) stated that there are some obstacles that makes the region's financial autonomous is difficult to be implemented such as the difficulty in increasing the tax revenue, the difficulty in decreasing the expenses, the dependency from the central government, including in expecting financial sources from the other party's concerned and from the outside region.

From the point of view of **Regional Financial Effectiveness** it has coefficient regression for EFEKKD such as -0.074855. EFEKKD have a t-statistic <t-table. Moreover, the probability value of 0.5802 EFEKKD> value significance level of 0.05, which means that Ho is accepted. It could be said that the effectiveness has negative influence and not significant to the economic growth.

The regional Financial Efficiency has coefficient regression for EFIKD such as -0.254122,   have a t-statistic <t-table. Moreover, the probability value of 0.7414 EFIKD> value significance level of 0.05, which means that Ho is accepted. It is means that efficiency has negative influence and not significant to the economic growth.

5.   DISCUSSIONS

The assessment of Regional financial performance is implemented to the Regional Income Spending Budget. The budget as an instrument of government policy has to be able to show a good performance. The purpose is for internal assessment nor in encouraging economic growth so it is expected to be able to cause a positive domino effect which is decreasing unemployment and decreasing the poverty rate. The performance that is related with the tbudget is a financial performance in the form of comparisons between components in the budget.

The comparison between components which are in the budget according to Halim (2004) is measured by using several ratios that are developed based on financial data sourced from the Regional Income Spending Budget among others the autonomy ratio, effectiveness ratio, efficiency ratio, growth ratio, and suitability ratio. While Mahmudi (2011) measures financial performance by using the regional autonomy ratio, regional dependence ratio, decentralization degree, locally generated revenue effectiveness and efficiency ratio, degree of Region Owned Company contribution and income to debt ratio. This research observes the regional financial performance by observing fiscal decentralization, autonomy ratio, effectiveness ratio and efficiency ratio.

Fiscal decentralization is the ability of a region in decentralization enforcement. This ratio shows the contribution degree of locally generated revenue to Total Local Revenue. The higher the locally generated revenue contribution the higher the ability of the regional government in decentralization enforcement.

In the 2006-2015 time period the regency with the lowest fiscal decentralization ratio is South OKU Regency with an average ratio of 1.81 percent. This regency is a regency that is newly split with the income source still dependent on the central and balancing funds. As a whole the average fiscal decentralization of regencies/cities in South Sumatera Province covers the regencies/cities of Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, Ogan Ilir, OKI, OKU, OKUT, and OKUS in the very low category which is lower than 10 percent. The fiscal decentralization ratio of Palembang city is in the less category with an average ratio of 17.59 percent.

In the fiscal decentralization ratio counting in South Sumatera Province shows the categories of less and very less. So it is able to be summarized that the abilities of regencies/cities implementing decentralization is still less able if they are only funded on their own. So the role of the central government is needed to be more dominant than the autonomy of the regional government.

The regional autonomy ratio on average for the last ten years which are the years 2006/2015 are in the very low category which is below 25 percent of which covers the regencies/cities of Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, Ogan Ilir, OKI, OKU, OKUT, dan OKUS. This condition interprets the autonomy pattern which is still instructive. The instructive relation pattern is which the role of the central government is more dominant than the regional government autonomy. The instructive pattern that makes dependence of the regional government financially to the central government is still very high. This is strengthened with the transfer income of regencies/cities which is sources from the Central Government Transfer/Balancing Funds, tax sharing income, non-tax income sharing (natural resources), public allocation funds, specific

allocation funds, central and other government transfers, specific autonomy funds, adjustment funds, government transfers.

Autonomy is an important factor in the implementation of regional autonomy. Based on the autonomy ratio. Palembang city has an autonomy ratio as large as 26.6 percent with a low criteria and a consultative relation pattern. Based on the time series analysis the percentage increase is able to be seen of the balancing fund income from the central government. In the year 2008 there occurred an increase of balancing funds as large as 11.65 percent. In the years of 2009,2010 and 2011 the balancing fund income increase is not too significant only as large as 5.74 percent, 4.51 percent,3,33 percent. If analyzed from the public allocation funds from National Income Spending Budget transfers the growth of public allocation funds of cities are able to be called Consultative.

The effectiveness ratio illustrates the ability of regional governments in realizing locally generated revenue which is planned with an assigned target based on regional potential. It is able to be said that the larger the effectiveness ratio the better the performance of the regional government.

For the 10 year time period which is 2006-2015, the region that has the largest effectiveness ratio is OKUS Regency with a value of 209.9 percent or very effective. Other than OKUS the regencies/cities that are in the very effective category are Palembang, Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, OKI, OKU. It is able to be summarized that in the year 2007 Palembang city is able to streamline the realization of its locally generated revenue which is sourced from the locally generated revenue sourced from tax income, retribution income, income from Region Owned Companies results and results of Regional Wealth Processing That is Separated and other forms of agreed locally generated revenue well. The region that has the lowest effectiveness ratio is Ogan Ilir regency with a value of 73.3 percent, which means it is less able to streamline its locally generated revenue realization which is from tax income. This large inequality is caused because of a difference in the targeted locally generated revenue with the locally generated revenue realization for the two regions differ significantly, other than that is as a cause of the locally generated revenue for each region is different.

Regional financial efficiency is used for illustrating the comparison between output and input or spending realization with regional income realization. The higher the ratio value the higher the efficiency level that applies in the region.

Based on research and counting each regency/city has different efficiency levels. Basically each region has a target and achievement level that is expected. They have strategies and sources that are different and are able to be made into income. So it is able to be obtained between what is expected and what is realized concretely. The total spending component consists of operational spending, capital spending, unexpected spending, and transfer spending, while components of regional income consists of locally generated revenue, transfer income, and other agreed regional income. Such as in the year 2008 the increase of regional spending realization is higher than the acquisition of regional income realization. This causes an increase in financial efficiency ratio of the regional government. The efficiency ratio increase of certain

years is a cause of the increase in regional income and regional spending in the same year. The higher the financial efficiency ratio the more efficient finance management is in the region.

In the period of the last 10 years regencies/cities in South Sumatera Province reached a ratio of 80 -90 percent, The efficient category covers Palembang, Prabumulih, Pagaralam, Lubuk Linggau, Musi Banyuasin, Empat Lawang, Lahat, OKUT, and OKUS, The adequately efficient covers Banyuasin, Muara Enim, Musi Rawas, Ogan Ilir, OKI, and OKU.

Based on the determination coefficient test count (R^2) which is used for measuring the amount of model ability in explaining the dependent variable variation. The R^2 value range is 0 up to 1 the closer the R^2 approaches 1 the larger the independent variables are in providing all information that is needed for predicting the dependent variable variation.

The test results using the fixed effect model, fiscal decentralization influence, regional financial autonomy, effectiveness and efficiency to economic growth in regencies/cities in South Sumatera province the adjusted R^2 as large as 0.341114. Which means the independent variables that are in the model are able to explain the dependent variables as large as 34.11 percent, while the rest 65.89 percent are explained by other variables outside of the model.

Based on the F test, results of the fixed effect model regression an F-statistic value of 5.256744 is obtained. In the α = 5 percent confidence model with df1=k-1 (4) and df2=n-k (144), so an F-table as large as 2.434503 is obtained. F-statistic > F-table so it is able to be summarized that H_0 is accepted and H1 is rejected. It means that independent variables (Fiscal Decentralization, Regional Financial Autonomy, Effectiveness, and Efficiency) have significant influences together to the dependent variable (Economic Growth).

Regencies/cities in South Sumatera Province have different individual influences for every change in the fiscal decentralization ratio, regional financial autonomy, regional financial effectiveness, regional financial efficiency and economic growth. Based on test results using the fixed effect model, it is able to be seen the interpretation of regencies/cities in South Sumatera Province, Regencies/cities that have a positive coefficient influence which means it experienced Increase which are Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Lahat, Ogan Ilir, East OKU and South OKU. While that have negative coefficients are Palembang, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, OKI, and OKU. The three largest that have positive coefficients are Pagaralam, Prabumulih, and South OKU as large as 3.546777, 1.802535, and 1.49899. Other than that these 3 regencies/cities also have the largest individual influence with each as large as -0.348297, -0.470423, and -0.605984. The regency/city that has the smallest positive coefficient which is Lahat as large as 0.010246 with an individual influence of -0.250738 and that has the smallest negative coefficient which is Palembang as large as -5.334590 with an individual influence of -5.595574. If seen as a whole the increase of fiscal decentralization ratio, regional finance autonomy, effectiveness and efficiency to economic growth for the 2006-2015 time period, the largest occurred in Pagaralam city and the lowest occurred in Palembang City.

In the confidence level of α = 5 percent, df n-k (144), the t-table as large as 1.976575 is obtained. In the Fiscal Decentralization variable which has a regression coefficient for DF is as large as 62.73185. This shows that fiscal decentralization has a positive and significant influence to economic growth. Such as known, fiscal decentralization compares between locally generated revenue and total local revenue. The amount of locally generated revenue is very influential to economic growth.

Next the regional financial autonomy variable has a *KKD* regression coefficient as large as -16.04656. So, it is able to be summarized that regional financial autonomy has a negative but significant influence to economic growth. Financial autonomy is really needed for the growth of a region and a better development. Yet the readiness of each region is different. The reality that is faced is financial autonomy in the regions are still small and increasing regional financial performance is very difficult such as the research implemented by Wahyuniarti (2007). The research implemented in Nganjuk stated that regional financial autonomy tends to be low and less fiscal decentralization, which means that regions still depend on the central government. Such as the case with the research implemented by Gomes (2013), many factors cause the regional financial autonomy to be difficult to implement, among others are the difficulty to raise taxes, the difficulty to decrease expenses, dependence on the central government. This includes expecting sources of income from other regions and other parties.

As seen from effectiveness, regional finance has a regression coefficient for *EFEKKD* which is as large as -0.074855. So, it is able to be summarized that Effectiveness has a negative influence and not significant to economic growth. This is almost the same with the regional finance efficiency level. Regional finance efficiency has a *EFIKD* regression coefficient as large as -0.254122. Which means that Efficiency has a negative influence and not significant to economic growth. Yet based on the count together shows that Fiscal Decentralization, Regional Financial Autonomy, Effectiveness and Efficiency for the last 10 years which are the years of 2006-2015 influences positively and significantly to Economic Growth.

6. SUMMARY AND SUGGESTIONS

Summary

The summary obtained from the discussion before is that regional financial Performance for regencies/cities in South Sumatera Province have different ratios. Regional financial performance seen from the fiscal decentralization ratio, autonomy ratio, effectiveness ratio and efficiency ratio.

When seen from the fiscal decentralization ratio it is summarized that as a whole the average fiscal decentralization of regencies/cities in South Sumatera Province covers the regencies/cities of Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, Ogan Ilir, OKI, OKU, OKUT, and OKUS in the very low category which is under 10 percent. The fiscal decentralization ratio of Palembang city is in the less category with an average ratio of 17.59 percent.

When seen from the average region autonomy ratio in the very low criteria which is under 25 percent. which covers the regencies/cities of Prabumulih, Pagaralam,

Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, Ogan Ilir, OKI, OKU, OKUT, and OKUS. This condition interprets the autonomy pattern that is still instructive. The instructive relation pattern is which the role of the central government is more dominant than the autonomy of the regional government. The instructive pattern is what creates a very high level of dependence of the regional government financially to the central government.

When seen from the effectiveness ratio, the region that has the largest effectiveness ratio is OKUS Regency with a value of 209.9 percent or very effective. Other than OKUS the city/regency that are in the very effective category are Palembang, Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, Lahat, OKI, OKU.

In the time period of the last 10 years regencies/cities in South Sumatera Province reached an 80-90 percent ratio. The efficient category covers Palembang, Prabumulih, Pagaralam, Lubuk Linggau, Musi Banyuasin, Empat Lawang, Lahat, OKUT, and OKUS. The Adequately Efficient ratio category covers Banyuasin, Muara Enim, Musi Rawas, Ogan Ilir, OKI, and OKU.

The second summary is that regencies/cities in South Sumatera Province, the regencies/cities that have a positive coefficient which means experienced increase are Prabumulih, Pagaralam, Lubuk Linggau, Banyuasin, Lahat, Ogan Ilir, East OKU, and South OKU. While those that have negative coefficients are Palembang, Musi Banyuasin, Muara Enim, Musi Rawas, Empat Lawang, OKI, and OKU. The three largest that have positive coefficients are Pagaralam, Prabumulih, and South OKU as large as 3.546777, 1.802535, and 1.49899. Other than that these 3 regencies/cities also have the largest individual influence with each as large as 3.285793, 1.541551, and 1.238006. While the three largest that have negative coefficients are OKI, Musi Banyuasin, and OKU as large as -0.087313, -0.209439, and -0.345000 which have individual influences as large as -0.348297, -0.470423, and -0.605984. The regency/city that has the smallest positive coefficient is Lahat as large as 0.010246 with an individual influence of -0.250738 and that has the smallest negative coefficient is Palembang as large as -5.334590 with an individual influence of -5.595574. Generally fiscal decentralization, autonomy effectiveness and efficiency have positive and significant influences to economic growth. From statistic test results it is already proven that regional financial performance of regencies/cities in the Regional Income Spending Budget will support economic development in the region.

Suggestions
1. The optimization of locally generated revenue especially to income sources that have a prime potential by providing financial aid, providing an active role in implementing education and problem solving and paying attention to the development.
2. For continuation researchers it is suggested to be able to implement research that is more detailed or adding other variables.
3. Increase development to the primary sector that is used for increasing economic growth and regional physical growth, road building, irrigation, networks and public facilities of the people. The growth of routine spending should be pressed on the contrary the growth of development spending has to be more and more increased to provide a multiplier effect.

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