

# Effectiveness of Public Street Lighting Tax on Increasing Regional Native Income (PAD) of Palopo City, Indonesia

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**Abstract.** This study examines the efficacy of public street lighting tax collection in Palopo City regarding its impact on the city's Regional Native Income. A descriptive research methodology was employed, incorporating data collection to test hypotheses and ascertain the current state of the research subjects. Quantitative methods were then applied to analyse the effectiveness of the tax collection system for public street lighting in Palopo City, Indonesia. The study's findings indicate that the efficacy of public street lighting tax collection over the last five years has been high, with an average of 102.83%. This result implies that the tax collection system has accomplished its objectives, such as maximising revenue for the city and ensuring sufficient funding for public services and infrastructure projects. In conclusion, this study's findings contribute to the discourse on public street lighting tax collection's effectiveness in Palopo City, particularly regarding its impact on the city's Regional Native Income.

**Keywords:** effectiveness; Regional Native Income; street lighting tax.

## INTRODUCTION

The central government makes a policy where local governments are given the power to manage their regional finances or decentralisation. This is done in the hope that the regions can finance their regional development according to the principle of autonomous areas [1].

The independence of a region in national development is an inseparable part of the success of policies decided by the central government. The central government makes a policy where local governments are given the power to manage their regional finances or decentralisation. This is done in the hope that the regions can finance their regional development according to the principles of actual autonomous areas [2]. The implementation of decentralisation as a form of regional autonomy also poses problems in the distribution of finances between the central and provincial governments, where the performance of the duties and authorities of each level of government requires funding support. Local governments, in this case, are required to have financial independence because subsidies or assistance from the central government, which has

been the primary source in the Regional Revenue and Expenditure Budget (APBD), began to lack contribution and became the primary source of income from the regions themselves [3].

One of the sources of local taxes is the Street Lighting Tax (also referred to as PPJ). To strengthen the withdrawal of this tax, the provincial government issued a local regulation to regulate its withdrawal. One of the local government's efforts in increasing local taxes is to streamline the PPJ revenue sector. With the effective management of PPJ, maximum street lighting tax revenue is generated, which is expected to contribute to the original local income so that actual local income can be increased to finance regional development optimally [4].

Taxes as a source of local revenue are used to finance government expenditures, such as financing government administration, building and improving infrastructure, providing education and health facilities, investing in police members, and funding local government activities in providing needs that cannot be provided by the private sector, namely in the form of public goods. Palopo City is a clustering of The City of Services because

this city is a gathering place for large traders and small traders from various regions to buy merchandise. After all, the town is considered the cheapest and most complete, so the most significant source of income after the levy is local taxes, including the Street Lighting Tax. This benefits the area greatly because it includes the head of Regional Native Income (PAD) of Palopo City.

Establishing and implementing the lighting tax in Palopo City will undoubtedly fluctuate from year to year. All policies implemented will encourage the development and progress of Palopo City, significantly increasing the regional income of Palopo City. Thus, this research must be carried out to provide solutions related to the subject matter raised. Hence, this study examines the efficacy of public street lighting tax collection in Palopo City regarding its impact on the city's Regional Native Income.

### Theoretical review

*State Finance.* State finance is all the rights and obligations of the state that can be assessed with money, as well as everything in the form of cash and goods that can be made the state's property in connection with the exercise of these rights and obligations [5]. State rights are any rights or efforts made by the government to fill the state treasury, for example, the right to print money, attract taxes and distribution, and hold loans. The obligation of the state is the obligation of the government to carry out state duties, as stated in the preamble to the 1945 Constitution, Outlines of State Policy (GBHN), and the State Budget Law, which in principle is to prosper the people, serve the general public, and as a development apparatus.

The foundation of state financial law consists of four components, namely the 1945 Basic Law (UUD), Law (UU), Presidential Decree (Kepres), and Ministerial Decree (Kepmen).

1. 1945 Constitution article 23 of the 1945 Constitution states as follows:

a) Revenue and expenditure budgets are set annually by law. If the House of Representatives does not approve the government's proposed budget, the government runs last year's budget.

b) All taxes and state purposes are regulated by law.

c) The types and prices of currencies are established by law.

d) The financial matters of the state are further regulated by law.

e) An examination of the state's financial responsibility is held by a financial examination body with regulations established by law. The results of the study are notified to the House of Representatives.

2. Every year, the government submits a draft of the State Budget Law (RUU APBN) for additions and changes to the draft law (RUU TP APBN).

3. Presidential decree is a guide to implementing the state budget, which regulates general and detailed provisions in state budget revenue and expenditure.

4. We are implementing regulations such as the Minister's Circular Letter (SE), the Minister of Finance's Decree (SK), and the Director General of Budget.

*State Budget & Regional Revenue and Expenditure Budget.* The State Budget (APBN) is a list that systematically contains two main things: the source of state revenue and the allocation of State expenditures within a certain period, generally made in one year [6]. Meanwhile, the Regional Revenue and Expenditure Budget (APBD) means that each local government makes according to the source of revenue and allocation of local government expenditures in one year.

The APBN and APBD are guidelines for state revenue and expenditure in carrying out state activities to increase production and employment opportunities to boost economic growth and prosperity for the community.

Every year the government prepares the State budget because there is a legal basis, as stated in Article 23, paragraph 1 of the 1945 Constitution. Every year the state budget is determined by law. Moreover, the House of Representatives (DPR) did not approve the proposed budget, so the government used the budget last year.

Functions of APBN and APBD:

1. The regulatory function is a regulatory function that can be used as a driver of economic growth and as a controller of inflation.

2. The function of stabilisation is as a guideline so that all actions of state financial receipts and expenditures are organised and controlled so that the development program is by the rules that

have been outlined, thereby facilitating the achievement of previously set goals.

3. The allocation function is a function to determine the amount of allocation of budgeted funds in each sector.

4. The distribution function is the function of equitable distribution of financing to all regions.

Principles in the Preparation of the State Budget:

1. The principle of the surplus budget is the budget set out in state revenues and expenditures, where payments are more significant than expenditures.

2. The principle of a budget deficit is the budget outlined in the revenues and expenditures of the state, where costs are greater than those of the government.

3. The principle of a balanced budget is a budget established in state revenues and expenditures where receipts and spending are equal in size (receipts = expenses).

4. The principle of dynamic budget, total dynamic budget, is an increase in government savings from year to year to achieve the ability to explore domestic sources for development financing. Relative dynamic budgets are the smaller percentage of financing dependence on foreign aid or loans from abroad.

*Regional Finance.* Regional finance is all the rights and obligations of the region in the framework of the implementation of local government, which can be assessed with money intended in it all forms of wealth related to these rights and obligations within the framework of regional budget and expenditure revenues [7]. Regional financial management includes the revenue or revenue budget and the regional expenditure or expenditure approved by the Regional People's Representative Council (DPRD) in each local government. The central and local governments are inseparable from government organisers and public servants. In regional autonomy, the desire to increase the efficiency and effectiveness of regional financial resource management must be considered to improve community welfare. The spirit of decentralisation, democratisation, transparency, and accountability has become dominant in managing provincial finances.

The regional budget mirrors the policy direction of local governments in managing the fulfilment of community needs and the operationalisation of the structures that support them. There are

three budgeting systems commonly used to prepare public sector budgets, namely [8]: 1) Traditional budgeting system; 2) Performance throttling system; 3) Planning Programming Budgeting System (PPBS).

The three systems mentioned above have advantages and disadvantages. Despite many weaknesses, traditional budgeting systems are still widely used due to convenience. Although the performance budget system and the Social Security Organizing Agency (BPJS) are better, their implementation requires several conditions often difficult for most local governments to meet. Thus, the budgeting system is usually found to combine the good aspects of the three budgeting systems.

## METHODS

The data analysis methods used are as follows:

*Descriptive Method.* This research is descriptively a study that includes collecting data to test hypotheses or answer the final status of the research subjects.

*Quantitative Methods.* Analysing the effectiveness of collecting public street lighting tax in Palopo City using the effectiveness analysis, namely (1)

$$\text{Effectiveness} = \frac{\text{Realisation}}{\text{Target}} \times 100 \quad (1)$$

The Minister of Home Affairs, through Kepmendagri No 690.900-327 of 1996, categorises the financial effectiveness capabilities of autonomous regions into five levels of effectiveness as presented in the table below:

Table 1 – Effectiveness Indicators of Street Lighting Tax Effectiveness Ability (%)

Category	%
Highly Effective	≥100
Effective	90-100
Quite Effective	80-90
Less Effective	60-80
Ineffective	≤60

## RESULTS AND DISCUSSION

*Palopo City Regional Native Income (PAD).* Regional Native Income is all regional revenues re-

sulting from their efforts in obtaining development funds to reduce dependence on local subsidies of the central and provincial governments. The PAD development in Palopo City over the last five years, starting from 2014–2018, which is reflected in the improving economy of the region, can be seen from the sources of Regional Original Income such as local taxes, regional levies, SOE revenue sharing, and legitimate regional revenues collected based on provincial regulations. More details can be seen in Table 2.

*Target and Realisation of Street Lighting Tax.* The Street Lighting Tax is a tax on the use of electric power, provided that in the area's territory, street lighting is available whose accounts are paid by the local government. The street lighting in question uses electric power to illuminate public roads, whose performances are charged to the Local Government, which is then assigned to the electricity customer community [9].

Table 2 – Target and Realisation of Palopo City PAD in 2014-2018

Year	Target, IDR	Realisation, IDR	%
2014	77.426.359.235	81.679.194.588	105,49
2015	85.337.454.367	92.341.798.915	108.21
2016	122.969.650.087	134.126.123.055	109.07
2017	175.674.349.722	123.714.281.197	95.24
2018	156.111.703.360	139.278.661.859	89.22
Total	617,519,516,771	617.519.516.771	
Average	123.503.903.354	123.503.903.354	

Street lighting adds to the city's beauty and comfort and supports the creation of security and order the community enjoys. The realisation of the collection of public street lighting tax in Palopo City is as follows.

Table 3 – Realisation of Public Street Lighting Tax Collection in 2014–2018

Year	Public Street Lighting Tax Target, IDR	The realisation of Public Street Lighting Tax, IDR	Effective, %	Category
2014	7.290.868.000	7.591.974.445	104,13	Highly Effective
2015	7.925.602.000	8.254.187.065	104,15	
2016	8.800.000.000	8.923.646.614	101,41	
2017	10.630.250.000	10.828.740.390	101,87	
2018	12.100.000.000	12.473.632.890	103,09	
Total	46.746.720.000	46.746.720.000		
Average	9.349.344.000	9.349.344.000		

*Effectiveness of Public Street Lighting Tax.* The public street lighting tax is one of the sources of PAD in Palopo City. The greater the public street lighting tax collection, the more effective it will be. Measure the effectiveness of the public street lighting tax collection of Palopo City using the following formula (1).

The above calculations show that the average effectiveness of collecting public street lighting tax in Palopo City is 102.83%.

## CONCLUSIONS

In conclusion, this study aimed to evaluate the effectiveness of public street lighting tax collection in Palopo City. The findings revealed that the tax collection system has been highly effective, with an average of 102.83% over the past five years. This means that the system has achieved its objectives of generating revenue for the city

and funding public services and infrastructure projects.

However, while the tax collection system has successfully generated revenue for the city, it is essential to ensure that the resources are used efficiently. The study recommends that the Palopo city government consider implementing measures to improve the efficiency of electricity usage, such as installing electricity meters or utilising solar filtering technology. These measures can help the city government track electricity usage and identify areas for improvement, which can lead to cost savings and more efficient use of resources.

Implementing electricity meters can help the city government track electricity usage in public areas, including street lighting. This information can then be used to identify areas where energy consumption is high and to develop strategies to reduce usage. Solar filtering technology can also

help reduce energy consumption by utilising renewable energy sources. This can result in cost savings and reduce the city's carbon footprint.

Overall, the findings of this study suggest that the tax collection system for public street lighting in Palopo City has been highly influential in generating revenue for the city. However, it is essential

to ensure that resources are used efficiently to maximise the benefits of this revenue. The recommendations to implement measures to improve the efficiency of electricity usage can further enhance the effectiveness of the tax collection system and ensure sustainable revenue generation for the city.

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