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# **AKUMULASI: Indonesian Journal of Applied Accounting and Finance**

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## **PREFACE OF EDITOR IN CHIEF**

The editorial team would like to praise God Almighty for the blessings and grace so that AKUMULASI Journal of Volume 3 Issue 1, June 2024 is published. We extend our gratitude to the authors for submitting manuscripts. We also extend our gratitude to the reviewers who have contributed to the peer review process of the manuscripts in this issue. Their professional support has made this journal qualified to be published.

We are very thankful for the support from the Deans of UNS Vocational School and the Big Team of Social and Humanities Journal of UNS Vocational School, UP Pengembangan Jurnal LPPM UNS, and the Big Family of UNS Vocational School.

This publication is expected to contribute to the development of science and trigger more in-depth research in Accounting and Finance. The editorial team welcomes any feedback to improve the quality of the journal publication and performance.

Surakarta, 30 June 2024

Editor in Chief of AKUMULASI

Andi Asrihapsari, S.E., M.Sc., Ak.

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## Analysis of Potential Business Service Retribution to Regional Original Revenue in Pacitan Regency 2019-2023

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### ABSTRACT

This study aims to analyze the potential revenue from business service retribution in Pacitan Regency by utilizing the actual revenue data of the retributions from 2019 to 2023. This research is a qualitative descriptive study. The primary data was obtained from interviews and the secondary data was collected from the financial reports of Pacitan Regency. To analyze the data, the researcher used a potential analysis of the current conditions from 2019 to 2023 and a trend analysis to project estimated revenues. The researcher used the data in the period before the pandemic and after the pandemic for the next four years. The potential analysis results indicate that there are components of business service retribution that potentially need to be improved. These components are fish auction place retribution, with revenue realization of 99.51% of the set budget, and recreational and sports places retribution, with revenue realization of 83.43% of the set budget. The trend analysis predicts an annual increase in revenue of IDR 2,722,774,900.50 according to predictive analytics after the pandemic. Based on this research, several aspects need to be improved to enhance the revenue from business service retribution, particularly concerning the quality of Human Resources (HR). The improvement and addition of facilities at locations as the objects of business service retribution are also needed.

**Keywords:** potential analysis; target achievement percentage; trend analysis

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## INTRODUCTION

Regional autonomy is a form of reformation. Regional autonomy is reckoned to have a significant role in overcoming problems of uneven national development because regions can organize their governance independently (Sanga, et al., 2018). One aspect of regional autonomy is related to regional financial management. Regional financial management based on autonomy is called fiscal decentralization. Fiscal decentralization is closely related to regional financial independence. Regional financial independence is the ability owned by the region in the form of efforts to extract potential revenues that reflect the ability of local governments to financially support their activities, promote development, and offer services to the community in their region (Oki, et al., 2020). According to CICA in Ritonga (2014), financial independence is a situation where a local government is not dependent on sources of funding outside its control or influence, whether national or international. Regional financial independence is crucial for each area, as it represents the local government's ability to effectively manage resources and maximize Regional Original Revenue (Indonesian: *Pendapatan Asli Daerah*, abbreviated PAD) (Malau & Parapat, 2020).

One example is regional autonomy in Pacitan Regency which is an autonomous region located in East Java Province with longitude 110.55°-111.25°E and latitude 7.55°-8.17°S and its territory have an area of 1,389.87 km<sup>2</sup> (90.64 %) consisting of 12 sub-districts, 166 villages and 5 sub-districts (Sulastiningsih, et al., 2023). Pacitan Regency has numerous regional revenue sectors that need further development. The goal is to reduce dependence on external financial assistance, such as assistance from central government, provincial government, and other sources. According to Mahmudi in Ullo, et al. (2023), regional financial independence is measured using the ratio between the amount of original regional revenue and the amount of central government as well as province transfers and loans. The results of measuring this ratio are categorized into four types of financial capability categories, namely very low with a percentage of 0%-25%, low with a percentage of 26%-50%, medium with a percentage of 51%-75%, and high with a percentage of 76%-100% (Ministry of Home Affairs Research and Development Team in Oki, 2020). After analyzing the financial independence ratio of regional districts through local government financial report data, it was found that the regional financial independence level of Pacitan Regency was very low, with a rate of 0.13% from 2019 to 2023. It indicates that the management of local resources and sources of PAD in Pacitan Regency is not yet optimal. As a result, it is important to analyze the shortcomings in current management to improve and achieve their objectives of regional financial independence.

According to Destiningsih et al. (2019), the potential of PAD owned by an area can be in the form of natural resources or leading commodities which also can be used as a significant factor to support capital for regional economic development. PAD is a type of regional revenue to carry out its duties, namely serving the community by utilizing the potential of original regional resources in the region (Mailindra, 2022). Sudarmana and Sudiartha (2019) described PAD as a source of regional revenue which is initially collected in a region as a basis for capital for regional governments in financing regional development. According to Nasir (2019); Azhar (2021); and Maulina et al. (2021), PAD consists of four components, namely regional taxes, regional retributions, separated regional wealth management results, and another legitimate PAD.

One of the components of PAD is regional retribution which is defined as the results of collections from regional governments as compensation for service activities or certain permits that are granted or specially facilitated by regional governments to meet the needs of individuals and companies (Novira & Ramdani, 2022). Regional retributions are put to use in advancing regional development and increasing regional revenue (Yunita, 2020). The results of collecting regional retributions are not only to support regional development projects but also to improve and balance the economy and community welfare. Besides that, regional retributions have their function as stated by Miswar et al. (2021), namely

being one type of PAD source, being able to regulate economic activities in the region, being a means of creating regional economic stability, and helping to equalize development and community revenue.

Based on Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Government, PAD is obtained from regional taxes, regional retributions, and management results to separate regional wealth from legitimate regional original revenue following legislation. One type of regional retributions is a business services retribution which is defined as one type of regional retributions that comes from regional services that exploits the potential and wealth in an area where it has never been managed or nonoptimally managed by the external parties to local government. This retribution adheres to the principles and objectives, namely determining the amount of reward to obtain a reasonable profit (Rajab, 2020). The indicator of the object of retribution is categorized as business services as stated by Jafar et al. (2023) is the use of regional assets, markets or wholesalers or shops, fish auction places, terminals, slaughterhouses, and services to ports. In Pacitan Regency, as explained in the Notes to the 2023 Regional Government Financial Report, there are seven business services retribution objects, namely the use of regional assets, auction places, special parking lots, lodging, terminals, slaughterhouses, and tourist and sports attractions. Each of the subject to retribution on business services has been regulated in Pacitan Regency regional regulations, for example, Pacitan Regency Regional Regulation No. 18 of 2011 concerning Retribution for Fish Auction Places, Pacitan Regency Regional Regulation No. 23 of 2011 concerning Retribution for Slaughterhouses, Regulations Pacitan Regency Region No. 4 of 2021 concerning Amendments to Pacitan Regency Regional Regulation No. 21 of 2011 concerning Parking Place Retributions, etc.

Every autonomous region in Indonesia including Pacitan Regency has revenues from business service retribution. However, in the last five years, business service retribution has experienced high fluctuations and can only achieve the budget target in 2019 and 2022. In 2020, 2021, and 2023 the business service retribution has not yet reached 80% of the set budget target. This was affected by one component of business services which experienced a high decline, thus impacting the total revenue from business service retribution. The following is a table of the budget amount and realization of revenues from Pacitan Regency business services retribution from 2019 to 2023.

Table 1. Budget and realization of Pacitan regency business services retribution 2019-2023

Year	Budget (IDR)	Realization (IDR)	Percentage (%)
2019	13,108,344,595.00	13,877,434,665.00	105.87
2020	7,596,613,255.00	5,664,714,525.00	74.57
2021	8,198,579,890.00	5,870,41,359.00	71.60
2022	12,217,698,879.00	12,608,886,919.25	103.20
2023	14,605,769,967.00	11,315,967,160.00	77.48
Average			86.54

Source: Data processed from Pacitan Regency regional government financial reports

Table 1 shows the percentage of realization achieved of the business service retribution budget for five years. From 2019 to 2023, the business service retribution produces an average of 86.54%. The average result is caused by differences in the percentage of budget target achievement every year. The budget targets were only achieved in 2019 and 2022, with the revenue exceeding 100%-reaching 105.87% in 2019 and 103.20% in 2022. However, in 2020, 2021, and 2023, the revenue did not meet the targets, as it decreased and remained below 80%. This happened because numerous factors influence the amount of business services retribution revenue in Pacitan Regency, such as the pandemic which has caused significant fluctuations and instability in revenue over the past five years. Thus, ongoing efforts are being made each year to meet the budgetary targets, considering the current

circumstances. This is linked to the potential that can be exploited. Potential represents the opportunities to be developed to achieve budgetary targets. While the budgetary objective is a goal to be achieved, the potential represents the efforts and resources needed to achieve the objective.

The realization of business service retribution for the five years from 2019 to 2023 varies and fluctuates. In 2019, the revenue from business services retribution totaled 13 billion rupiah. However, in 2020, there was a significant decrease of IDR 8,212,720,140.00, with a total of IDR 5,664,714,525.00. In 2021, there was a slight increase of IDR 205,702,834.00, amounting to IDR 5,870,417,359.00. Furthermore, in 2022, the revenue increased significantly by IDR 6,738,469,560.25, totaling IDR 12,608,886,919.25. By 2023, the revenue had decreased again by IDR 1,292,919,759.25, with a total of IDR 11,315,967,160.00.

The business services retribution budget realization percentages have shown variations over the past few years. In 2019, the realization reached 105.87% of the set target. In 2020, this percentage decreased by 31.30% to 74.57%. Although the realization increased in 2021, the percentage dropped by 2.97% to 71.60% due to an increased budget target. However, in 2022, the realization is expected to increase significantly by 31.60% to reach 103.20%. Nevertheless, in 2023, there is an anticipated significant decrease of 25.73% to 77.48% in the realization of business service retribution.

Business services retribution is an important source of local revenue, although it typically generates less revenue for the region compared to other sources such as regional taxes. Nonetheless, removing this source of revenue would have a negative impact on the region's finances. Therefore, it's essential for each region to optimize the collection of business services retribution, in addition to other revenue sources, in order to achieve financial independence. In Pacitan Regency, business services retribution contributes significantly more than other types of retribution, such as general service retribution and certain licensing retribution. Because of its significant importance, the author is motivated to focus on studying and improving the management of business services retribution specifically.

## RESEARCH METHOD

The research method employed is qualitative, as explained by Hasan et al. (2023), qualitative research involves open communication with sources to acquire the desired data. Research data was collected through interviews, observations, and document studies. According to Sugiyono (2022), conducting interviews can assist in formulating the research problem, while observation involves studying the objects of the research. Document study, as explained by Nilamsari (2014), entails gathering and examining both text and images for a comprehensive study. Interviews were conducted with the participants, namely the Head of Revenue Division of Pacitan Regency Regional Financial Agency (Indonesian: *Badan Keuangan Daerah*, abbreviated BKD) and the staff of the same division. The researcher conducted on-site observations at the BKD office in Pacitan Regency, focusing on the systematic management of business services retribution. Additionally, the researcher conducted documentary studies using data from the Pacitan Regency Regional Government Financial Reports (Indonesian: *Laporan Keuangan Pemerintah Daerah*, abbreviated LKPD) from 2016 to 2023 and analyzed local government regulations. This research involved two types of descriptive analysis: potential analysis and trend analysis.

The data's validity and accuracy were tested using the triangulation technique. Triangulation involves checking data from multiple sources to verify its credibility (Fitrah & Luthfiyah, 2017). This includes cross-referencing data obtained from different sources and confirming it through interview techniques.

**Potential Analysis**

The analysis of potential involves evaluating and identifying the strengths of the business services and revenue sector to determine how this potential can be developed and utilized to increase PAD. The main objective of this analysis is to understand the factors that influence revenue from business services and how this potential can be used to achieve the goal of generating business service revenue. The analysis will focus on the revenue components from business services in Pacitan Regency. The initial step involves measuring the target achievement ratio or effectiveness ratio. However, in this study, the focus is solely on measuring the percentage of the target or effectiveness and not on categorizing the levels of business service retribution effectiveness in Pacitan Regency. The evaluation of target achievement or effectiveness is carried out by comparing the actual revenue of business services retribution with the budgeted amount. Hence, it's essential to identify which elements of the business services retribution have not met 100% of the budget target. These elements will be analyzed to comprehend the reasons for not achieving the target, and necessary measures will be explored to enhance and increase revenue until the set target is achieved, which is referred to as the potential that will be analyzed. This analysis is linked to on-site conditions related to retribution collection and identifying deficiencies that need to be addressed.

**Trend Analysis**

According to Asih and Syarifudin (2020) trend analysis used to project or estimate future results. The general form of the trend equation is  $\hat{Y} = a + bx$  (Swastika, et al., 2022). The trend analysis employs the least squares method, known for its simplicity and various advantages over other methods. Reza et al. (2021) state that this method is highly effective in calculating trend line measurements by minimizing errors, ensuring that the estimated value of  $Y$  closely aligns with the true value. The values of  $a$  and  $b$  in the general trend equation are obtained by the formula below.

$$a = \frac{\sum_{i=1}^n Y_i}{n} \quad \text{and} \quad b = \frac{\sum_{i=1}^n X_i Y_i}{\sum_{i=1}^n X_i^2}$$

Information:

$a$  = Constant

$b$  = Slope of the line

$X_i$  = Time period

$Y_i$  = The data sought

Source: Asih and Syarifudin (2020)

**RESULTS AND DISCUSSION**

**Potential Revenue of Pacitan Regency Business Services Retribution**

The data shows that the average percentage of business service retribution realization from 2019 to 2023 is 86.54%. This indicates that there is still potential to increase Pacitan Regency's business service retribution to reach the target percentage of 100%. The breakdown of the business service retribution components from 2019 to 2023 is detailed in Table 2 below.

Table 2. Percentage of business services retribution budget achievement

Type of Retribution	Percentage per Year (%)					Average (%)
	2019	2020	2021	2022	2023	
Use of Wealth Area Retribution	180.02	344.22	135.83	110.58	125.19	179.17
Fish Auction Place Retribution	43.84	186.24	127.02	77.67	62.77	99.51



Type of Retribution	Percentage per Year (%)					Average (%)
	2019	2020	2021	2022	2023	
Terminal Retribution	97.80	127.72	122.54	105.69	101.37	111.02
Special Place of Parking Retribution	210.19	123.42	30.04	81.63	99.92	109.04
Premises Lodging Retribution	141.18	96.33	0.00	0.00	380.77	123.66
Slaughterhouse of Animal Retribution	102.15	98.53	100.60	100.89	100.68	100.57
Recreational and Sport Places Retribution	107.27	69.93	64.29	103.40	72.26	83.43

Source: Data processed from Pacitan Regency regional government financial reports

According to Table 2, almost all types of business service retributions in Pacitan Regency have reached 100% of the budget target, except for two types: fish auction place retribution, which has reached 99.51%, and recreational and sport places retribution, which has reached 83.43%. During interviews with the head of the revenue division of BKD of Pacitan Regency, it was revealed that revenue from auction place retribution has consistently decreased over the past five years, failing to meet its targets. This decline is attributed to various factors such as changes in policies and industry conditions. Furthermore, the revenue from tourist attractions and sports facilities has also decreased due to increased competition between the local government and other external parties. To achieve the 100% target, it is crucial to analyze the factors contributing to the revenue decrease and explore initiatives to increase revenue collection, particularly focusing on auction places and recreational and sports places in Pacitan Regency.

### 1. Analysis of Potential Fish Auction Place Retribution

The revenue from fish auctions in Pacitan Regency from 2019 to 2023 had an average percentage target achievement of 99.51%, which means there is a potential for improvement of approximately 0.49%. Though it may seem like a small percentage, it still represents an opportunity to increase revenue. Detailed data about the realization and budget for fish auction place retributions are in the table below.

Table 3. Budget and realization of fish auction place retribution

Year	Budget (IDR)	Realization (IDR)	Percentage (%)
2019	722,096,595.00	316,569,525.00	43.84
2020	138,511,255.00	257,965,675.00	186.24
2021	308,089,890.00	391,338,974.00	127.02
2022	338,898,879.00	263,224,433.00	77.67
2023	357,388,767.00	224,320,320.00	62.77
Average			99.51

Source: Data processed from Pacitan Regency regional government financial reports

In Table 3, it is shown that the average achievement percentage of the auction place retribution target is 99.51% from 2019 to 2023. There was a significant increase from 2019 to 2020, with the percentage rising by 142.40%. However, in the following year, the percentage decreased, and this trend continued until 2023. The decrease from 2020 to 2021 was 59.22%, from 2021 to 2022 it was 49.35%, and from 2022 to 2023 it was 14.90%.

The reason the revenue of the fish auction place retribution has not reached the target is due to the policies in effect regarding the management of fish auction places in Pacitan Regency. According to information obtained from a Pacitan Regency BKD revenue staff member, there are policies for transferring the facilities and infrastructure of the auction places, initially managed and fully utilized by the Regency Government Pacitan, to the East Java Provincial Government since 2019. However, the Regency Government Pacitan still has the authority to collect retribution from fish auction places for the sale of marine and fishery products. The transfer of the retribution to the Pacitan Regency Government has resulted in decreasing revenues from fish auction places each year.

Regarding the implementation of a policy to transfer the management of certain fees at the fish auction place, there have been some impacts on the field conditions. The revenue staff of BKD Pacitan Regency believes that the local community is facing challenges in understanding the new system for paying fees at the fish auction place. Previously, payments were made directly to the collectors of Pacitan Regency fees. However, with the new policy, payments have to be made in a different and complicated manner. As a result, people's awareness of their fee obligations has decreased, leading to a decrease in payments to the local government. The confusion caused by the new payment system has made people reluctant to fulfill their obligations.

Sanctions and fines for late payments are outlined in local regulations. However, internal factors, such as inadequate training and understanding among the staff responsible for collecting revenue, have led to revenue falling short of expectations. For example, while there are enough employees with the authority to manage revenue collection at the fish auction place, their quality and understanding of retribution management, including retribution law, is lacking. It is crucial for employees and relevant parties to have a better grasp of retribution management, which would greatly improve the overall process.

## 2. Analysis of Recreational and Sport Places Retribution

From 2019 to 2023, the average percentage of budget target achievement from fees for recreational and sports venues was 83.43%. There is potential for improvement by investigating why the fees for recreational and business venues have not reached 100%. The table below shows the budget details and also actual fees collected for recreational and sports venues, along with the percentage of target achievement each year.

Table 4. Budget and realization of recreational and sport places retribution

Year	Budget (IDR)	Realization (IDR)	Percentage (%)
2019	11,920,020,000.00	12,786,212,000.00	107.27
2020	7,347,596,000.00	5,138,119,000.00	69.93
2021	7,253,258,000.00	4,662,983,000.00	64.29
2022	10,767,930,000.00	11,133,733,000.00	103.40
2023	12,336,200,000.00	8,914,621,800.00	72.26
Average			83.43

Source: Data processed from Pacitan Regency regional government financial reports

According to Table 4, the average percentage of revenue realization from fees for recreational and sports places in Pacitan Regency was 83.43%. In 2019, the actual revenue reached 100% and even more, totaling 107.27% of the target. However, in 2020, there was a decrease in the percentage of budget target achievement by 37.34% to 69.93%. In 2021, the percentage decreased further by 5.64% to 64.29%. In 2022, the target achievement reached more than 100% with an increase of 39.11% from 2021 to 103.40%. However, with the decrease in realization in 2023, the percentage of budget target

achievement again decreased by 31.14% to 72.26%. Throughout 2019 to 2023, there were both increases and decreases in revenue realization and percentages of target achievement, resulting in an average revenue realization for recreational and sports places in Pacitan Regency that tended to remain below 100%.

There are multiple reasons for the decrease in retribution revenues in recreational and sports places in Pacitan Regency. One major cause is the impact of the pandemic on local areas. However, the pandemic is not the sole reason for the decline. According to an interview with the Head of Revenue in BKD Pacitan Regency, external factors contributing to the decline in revenue from retributions for recreational and sports places include the long-term management of several recreation and tourism objects by the village government, and the attractiveness of new recreation objects from the private sector, which causes people to prefer visiting the newest tourist attractions.

According to the website [radarmadiun.jawapos.com](http://radarmadiun.jawapos.com), the number of tourists in Pacitan Regency was recorded at 1.5 million in 2022. This decreased by approximately 20% to 1.2 million tourists in 2023. The Pacitan Regency Government received less than 50% of the tourists in 2023, with only 667,085 tourists visiting government-owned tourist areas in Pacitan Regency. The competition between local governments and outside parties has had a significant impact on regional retribution revenues.

There are internal factors contributing to the decline in revenue from admission fees for recreational and sports facilities, particularly in their management of recreational areas. According to information from the revenue staff of BKD Pacitan Regency, the infrastructure management of various recreational areas owned by local governments is still not optimal and appears to be monotonous. Compared to recreational areas in other regions, Pacitan Regency lags due to a lack of innovation and renewal in creating tourist attractions that would appeal to society.

The management of recreational places is still behind in terms of digitalization. Most tourist attractions owned by the local government still rely on conventional cash payment systems, making the process inefficient. In today's digital era, many people prefer non-cash payment methods for their speed and convenience. However, in remote areas with limited internet access, such as in Pacitan Regency, implementing non-cash payment facilities like the Quick Response Code Indonesian Standard (QRIS) is challenging. Additionally, visitors often face issues with telephone connection at these tourist attractions. As a result, the collection of retributions at recreational facilities in Pacitan Regency is still limited and inefficient, impacting the revenue. This situation needs to be addressed to improve the collection of fees at these recreational and sporting venues.

The management needs to take into account the condition of human resources in the field, including the local food and souvenir sellers who rely on the recreational facilities provided by the government. Many of these vendors struggle to effectively market their businesses, leading to visitor discomfort and disinterest in the recreation area. Furthermore, the internal management's human resources also need attention. Currently, there is no consistency in the timing of retribution revenue payments by collectors, with some depositing daily and others weekly or monthly depending on circumstances. Addressing this lack of uniformity is crucial to ensure transparency in financial revenue.

### **Estimated Revenue from Pacitan Regency Business Services Retribution**

The estimation of revenue from business service retributions in Pacitan Regency is done using the least squares trend analysis method. The data used includes the realization of business service retribution revenues, categorized as the year before the pandemic and the year after the pandemic. The year 2020 was not included in the forecast trend analysis due to the significant decline in business services retribution revenue caused by the pandemic. This anomaly was unexpected and had a major impact on the economic sector. Data on business services retribution revenue before the pandemic was



collected from 2017 to 2019, while data after the pandemic covers the years 2021 to 2023. Further explanation regarding the calculation of trends using the quadratic method will be provided below.

Table 5. Revenue forecast trend analysis business service retribution before pandemic

Year	X <sub>i</sub> (Period)	Y <sub>i</sub> (Realization)	X <sub>i</sub> <sup>2</sup>	X <sub>i</sub> Y <sub>i</sub>
2017	-1	11,180,344,449.00	1	-11,180,344,449.00
2018	0	9,627,202,893.00	0	-
2019	1	13,877,434,665.00	1	13,877,434,665.00
Amount	0	34,684,982,007.00	2	2,697,090,216.00

Source: Data processed

Based on Table 5 it is known that the number of each column starts from the number X<sub>i</sub> or a period amounting to 0 (zero), Y<sub>i</sub> or the realization of retributions during the current year amounting to 34,684,982,007.00, the sum of the squares of each X<sub>i</sub><sup>2</sup> is 2, and the sum of the multiplications of X<sub>i</sub> and Y<sub>i</sub> found to be 2.697.090.216,00. Each component has a quantity as calculated mathematically so that the value the constant a and slope b can be found by plugging in the sums the required amount in the following formula.

$$a = \frac{\sum_{i=1}^n Y_i}{n} = \frac{34,684,982,007.00}{3} = 11,561,660,669.00$$

After carrying out calculations, the slope value b is obtained at 1,348,545,108.00. This value is a stable value because shows the slope of the trend line. In search of estimates receipt of business service retribution, the b value is always multiplied by X<sub>i</sub> or the time period as the wish to search as appropriate. The linear trend equation is in the following formula.

$$b = \frac{\sum_{i=1}^n X_i Y_i}{\sum_{i=1}^n X_i^2} = \frac{2,697,090,216.00}{2} = 1,348,545,108.00$$

After carrying out calculations, the slope value b is obtained at 1,348,545,108.00. This value is a stable value because shows the slope of the trend line. In search of estimates receipt of business service retribution, the b value is always multiplied by X<sub>i</sub> or the time period as the wish to search as appropriate. The linear trend equation in the following formula.

$$\hat{Y} = 11,561,660,669.00 + 1,348,545,108.00X_i$$

The linear trend equation can be used to seek estimates of business services retribution revenues in four years. This forecast analysis is used to estimate revenues for future years using data from years before the pandemic. The calculation regarding the estimated revenues is explained in the following table.

Table 6. Estimated revenue from business services retribution before pandemic

Year	Trend Formula	X <sub>i</sub>	X <sub>i</sub> Y <sub>i</sub>
2020		2	14,258,750,885.00
2021	$\hat{Y} = 11,561,660,669.00 + 1,348,545,108.00X_i$	3	15,607,295,993.00
2022		4	16,955,841,101.00
2023		5	18,304,386,209.00

Source: Data processed

Based on the trend analysis results in Table 6, the estimated increase in business services retribution revenue in Pacitan Regency before the pandemic was expected to be modest. A projected increase of IDR 1,316,220.00 from 2019 to 2020 was anticipated, with subsequent years expected to show steady growth following a trend of IDR 1,348,545,108.00. The forecast for business service retribution revenue for the next four years is contingent on no significant factors impacting the revenue. However, an unexpected event occurred—the COVID-19 pandemic—resulting in a considerable decline in the economic sectors of Pacitan Regency, significantly impacting the locally-derived income (PAD) of the Regency, particularly business services retribution. Consequently, the analysis of the pre-pandemic estimates was unfeasible due to circumstances necessitating policy changes. The decline in business services retribution revenue in 2020 led to anomalies in the estimates for subsequent years, prompting the need to treat 2020 as an atypical or non-representative year due to the pandemic's impact. The following reflects the trend analysis calculation of estimated revenue for the years after 2020, from 2021 to 2023.

Table 7. Revenue forecast trend analysis business service retribution after pandemic

Year	X <sub>i</sub> (Period)	Y <sub>i</sub> (Realization)	X <sub>i</sub> <sup>2</sup>	X <sub>i</sub> Y <sub>i</sub>
2021	-1	5,870,417,359.00	1	-5,870,417,359.00
2022	0	12,608,886,919.25	0	-
2023	1	11,315,967,160.00	1	11,315,967,160.00
Amount	0	29,795,271,438.25	2	5,445,549,801.00

Source: Data processed

Based on Table 7 it is known that the number of each column starts from the number X<sub>i</sub> or a period amounting to 0 (zero), Y<sub>i</sub> or the realization of retributions during the current year amounting to 29,795,271,438.25, the sum of the squares of each X<sub>i</sub><sup>2</sup> is 2, and the sum of the multiplications of X<sub>i</sub> and Y<sub>i</sub> found to be 5,445,549,801.00. Each component has a quantity as calculated mathematically so that the value the constant a and slope b can be found by plugging in the sums the required amount in the following formula.

$$a = \frac{\sum_{i=1}^n Y_i}{n} = \frac{29,795,271,438.25}{3} = 9,931,757,146.08$$

After carrying out calculations, the value of the constant a is obtained at 11,561,660,669.00. This means to count the number of admissions in the coming year should add value without exception because it has become a reference as follows according to the general equation of trend analysis. This value is the average receipt of business service retribution during 2021 until 2023. Next, to find the slope b value, the researchers use the following formula.

$$b = \frac{\sum_{i=1}^n X_i Y_i}{\sum_{i=1}^n X_i^2} = \frac{5,445,549,801.00}{2} = 2,722,774,900.50$$

After carrying out calculations, the slope value b is obtained at 2,722,774,900.50. This value is a stable value because shows the slope of the trend line. In search of estimates receipt of business service retribution, the b value is always multiplied by X<sub>i</sub> or the time period as the wish to search as appropriate. The linear trend equation in the following formula.

$$\hat{Y} = 9,931,757,146.08 + 2,722,774,900.50X_i$$

The linear trend equation can then be used to seek estimates of business services retribution revenues in four years. This forecast analysis is used to estimate revenues for future years using data from years after the pandemic. The calculation regarding the estimated revenues is explained in the following table.

Table 8. Estimated revenue from business services retribution after pandemic

Year	Trend Formula	X <sub>i</sub>	X <sub>i</sub> Y <sub>i</sub>
2024	$\hat{Y} = 9,931,757,146.08 + 2,722,774,900.50X_i$	2	15,377,306,947.08
2025		3	18,100,081,847.58
2026		4	20,822,856,748.08
2027		5	23,545,631,648.58

Source: Data processed

According to Table 8, revenue from business services retribution in Pacitan Regency is expected to increase from 2024 onwards, after the pandemic. In 2024, the revenue is estimated to increase by IDR 4,061,339,787.08, with a steady rise in the following years at a rate of IDR 2,722,774,900.50. This growth is due to a significant increase in revenue observed between 2021 and 2022. Post-pandemic revenue growth is markedly different from pre-pandemic periods, where revenue tended to fluctuate only slightly. This resulted in the estimated trend line not differing much from the actual values in previous years. However, post-pandemic revenue analysis is expected to show a notable increase compared to previous periods, given that the Pacitan district government attained its business services retribution collection targets in 2022, thereby restoring revenue to pre-pandemic levels.

**CONCLUSION**

The average achievement percentage of the business services retribution budget target from 2019 to 2023 was 86.54%. This figure indicates that there is still potential to increase revenue. Two components with significant potential are the fish auction place retribution, which achieved 99.51% of its target, and retributions for recreational and sports places, which achieved 83.43% of their target. Several factors contribute to the reduction in retribution from the fish market, including the retribution object transfer policy and inadequate retribution management due to human resource limitations. Furthermore, low public awareness about retribution obligations has also contributed to this decrease. The decline in retributions from recreational and sports places is attributed to competition between the local government and external parties in the management of tourist attractions. Additionally, this decline is exacerbated by the poor condition of facilities and access roads owned by the local government, which tend to be unattractive. Trend analysis using the least squares method reveals a significant difference in estimated revenue from business services retribution before and after the pandemic. According to the analysis, business services retribution revenue in Pacitan Regency is projected to grow by IDR 2,722,774,900.50 annually in the next four years after the pandemic. Nonetheless, this value is an estimate and may differ in reality. Trend analysis serves as a reference for the anticipated revenue.

The recommendation is to increase human resources both internally and externally, with a focus on quality rather than quantity. For example, provide training for employees in the field of retribution management, such as educating the community on the importance of paying business service retributions and promoting retribution objects to the public to attract visitors. Additionally, it is important to train both management employees and field employees on retribution management policies, including laws related to retributions and collection procedures. Furthermore, it's essential to

improve facilities at business service retribution sites to make them more accessible and attractive to the public, especially for tourist attractions managed by the local government.

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## Analysis of ESG Disclosure Practices in Healthcare Sector Companies

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### ABSTRACT

This study aims to describe the disclosure of ESG, environmental, social, and governance dimension practices in healthcare sector companies listed on the Indonesian Stock Exchange from 2021 to 2022. This research used a descriptive study to describe ESG disclosure in healthcare companies. The research objects are 28 healthcare sector companies listed on the Indonesian Stock Exchange from 2021 to 2022. The result shows that the ESG disclosure in Indonesian healthcare sector companies based on the GRI Standard needs to be higher and more informative. In the environmental aspect, the average quantity of ESG disclosure is 38.65%, while the quality of disclosure is 31.94%. In the social aspect, the average amount of ESG disclosure is 43.47%, while the quality of disclosure is 31.10%. In the governance aspect, the average quantity of ESG disclosure is 53.82%, while the quality of disclosure is 37.78%.

**Keywords:** disclosure quality; disclosure quantity; ESG; healthcare

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## INTRODUCTION

The primary motivation of a company is to make a profit by producing and selling goods or services to consumers at prices higher than the production costs (Kotler & Armstrong, 2021). In the short term, the profits generated benefit the company, but the company's operations also incur environmental damage costs and issues regarding sustainability (Khan et al., 2021). Sustainability trends have proliferated in recent years across global companies and organizations worldwide (Fernando et al., 2022). According to Zhang & Tavitiyaman (2022), sustainability is a long-term and comprehensive view of a company's awareness and actions toward its financial, social, and environmental impacts. So, companies need to consider sustainability aspects in business processes, as the Triple Bottom Line (TBL) states.

The Triple Bottom Line (TBL), designed by Elkington (1998), proposes that business goals must be distinct from the society and environment in which they operate. The three dimensions of TBL, the three Ps, consisting of people, planet, and profit, have been adopted as part of the company's sustainability strategy (Aris et al., 2018). More and more companies are realizing that profits alone are not enough to ensure long-term business continuity but they must also meet stakeholder demands (Azkia & Mulyani, 2018). The Triple Bottom Line concept is very relevant to the current condition of companies facing major sustainability problems and the negative impacts caused by business activities on society and the environment (Khan et al., 2021). The COVID-19 pandemic, climate change, and other environmental crises mean that companies cannot ignore business's social and environmental impacts (Ruan & Liu, 2021). Companies need to adopt a more holistic and sustainable approach to managing their business, considering factors such as carbon emissions, use of natural resources, and impacts on local communities (Thomas & Shures, 2023). This concept provides a more comprehensive view of business performance and allows companies to consider their impact on various stakeholders in strategic decisions (Carter et al., 2019; Wu & Shen., 2019).

In 2006, the concept of Environmental, Social, and Governance (ESG) was introduced by the United Nations (UN) through the Principles for Responsible Investment (PRI). ESG emerged because of responsible investment (Fonseca, 2020), which is defined as "strategies and practices for integrating environmental, social and governance factors in investment decisions and active ownership" (Principles for Responsible Investment (PRI), 2021; Li et al., 2021). ESG broadly refers to social, environmental, and corporate governance considerations that can influence a company's ability to carry out business strategies and build long-term value. Shah & Ganji (2012) state that as public awareness of social and environmental issues increases, companies continue to be encouraged not only to seek profits but also to pay attention to the impact of their operational activities on the community and the surrounding environment. According to KPMG International (2022), approximately 96% of the 250 largest global companies publish sustainability reports for ESG disclosures. The research sample consisted of companies in 58 countries, with 79% reporting ESG or sustainability issues in 2022, with an increase of 2% from 2020 (KPMG International, 2022).

Initially, ESG reporting was voluntary for companies. Some companies report environmental or social performance information to create an image of corporate social responsibility (Ferdous et al., 2019). In Indonesia, companies that go public must carry out sustainability activities according to regulations in Law No. 40 of 2007. This regulation stipulates that all companies operating in the natural resources sector are socially and environmentally responsible. The Financial Services Authority (Indonesian: *Otoritas Jasa Keuangan*, abbreviated OJK) also issued regulations in 2017, OJK Regulation No. 51, which regulates the preparation of sustainability reports, whether separate from the annual report or not. OJK also issued Circular Letter Number 16 of 2021, which regulates the preparation of sustainability reports for issuers and listed companies that provide information regarding sustainability strategies and governance. This includes efforts to understand risks such as climate change and its

mitigation and provide input for sustainable performance from an economic, social, and environmental perspective. In addition, in 2020, OJK stipulated OJK Regulation Number 29 that companies must implement good governance to increase social and environmental awareness (Woro & Dewita, 2022). Sustainability reporting provides non-financial information, one of which is ESG-related information, to address concerns and meet the expectations of stakeholder groups, especially external stakeholders (Romero et al., 2019). Similar to financial reporting, sustainability reporting increasingly highlights the materiality of ESG information presented in ESG disclosures (Garst et al., 2022; Ruiz-Lozano et al., 2022). By making ESG disclosures, companies are expected to be able to meet good corporate governance (GCG) standards in their operations based on people, planet, and profit orientation. Suppose a company implements GCG appropriately and effectively. In that case, it will positively impact the company itself, which can result in a good reputation in the eyes of the public and investors (Abideen & Fuling, 2024). With a better reputation, a company can increase consumer trust and, ultimately, positively impact its presence in the market. Yadav et al. (2016) stated that good governance could help overcome agency problems and increase the economic value of the stock market. This will improve the company's overall performance.

Company ESG disclosures can be seen in corporate social responsibility (CSR) and sustainability reports. Saha & Khan (2024) state that by implementing ESG concepts, companies can gain several benefits, such as improving their reputation, increasing access to capital markets, increasing efficiency, and reducing waste. These benefits can be a determining factor that drives a company's financial performance. Based on the Asian Corporate Governance Association survey (2021), Indonesia ranked bottom of the 12 Asia-Pacific markets. Therefore, it is unsurprising that Environmental, Social and Governance (ESG) practices cannot be implemented optimally and evenly across all sectors. This is because not all sectors have a direct impact on the environment. In addition, ESG activities are considered company costs (Singh & Jaiwani, 2024). This is reflected in the fact that many companies still need to realize the importance of implementing sustainable reporting practices and disclosing ESG information transparently to the public. The Asia Sustainability Report during the 2021 pandemic revealed that only 42 out of 767 companies in Indonesia published sustainability reports referring to the GRI (Global Reporting Initiative) guidelines in collaboration with the Indonesian Accounting Association and the Ministry of the Environment.

The International Association for Public Participation Indonesia (2022) stated that the challenges in encouraging the implementation of sustainable concepts in Indonesia have caused this movement to move slowly. These obstacles include a suboptimal understanding of ESG practices, limited resources, and high consultation costs related to managing ESG aspects. Therefore, it is hoped that support and policies from the government will be encouraged so that understanding of sustainable investment among the business world and other stakeholders can increase significantly (Parameswar, Hasan, Shri, & Saini, 2023). By disclosing ESG information, it is hoped to attract the attention of investors who use ESG as an indicator to assess a company's long-term sustainability. Apart from that, it also has the potential to improve the company's image in the eyes of the public by gaining a good reputation, which in turn can increase customer loyalty and the company's long-term performance (Buallay, Fadel, Alajmi & Saudagaran, 2021).

During the pandemic, the healthcare sector experienced an increase in productivity and made huge profits (Allianz Indonesia, 2020; Rahmawati & Sembiring, 2022). This is because this sector is really needed and sought after by the community to help maintain their healthcare during the pandemic (Savarese et al., 2021; Rahmawati & Sembiring, 2022). In the first quarter of 2021, several hospitals registered as public companies on the IDX experienced increased revenue and profits. One example is PT Siloam International Tbk (SILO), which recorded revenue of IDR 1.91 trillion, an increase of 32.6 per cent compared to the first quarter of the previous year. In addition to this increase in income, the profit



obtained also increased by 786 per cent or around eight times from the same period previously. The profit recorded in the first quarter of 2021 reached IDR 143,890,000,000, while in the previous year, it was only IDR 16,190,000,000. Apart from PT Siloam, Mitra Keluarga Karyasehat and PT Medikaloka Hermina also experienced a similar trend in the same period (Iswara, 2021). The Central Statistics Agency (BPS) shows that the healthcare sector GDP increased by 10.46% in 2021 and contributed 1.34% of Indonesia's total GDP. Apart from that, IDX statistics show that the market capitalization value in the healthcare sector from 2019 to 2021 has increased by 18.65%. This encourages healthcare sector companies to maximize ESG disclosure practices (Siregar et al., 2022). The study found that most Indonesian healthcare sector companies have adopted ESG principles and begun reporting their performance in this area. This is proven by the results of research by Rohmawan et al. (2021) as follows:

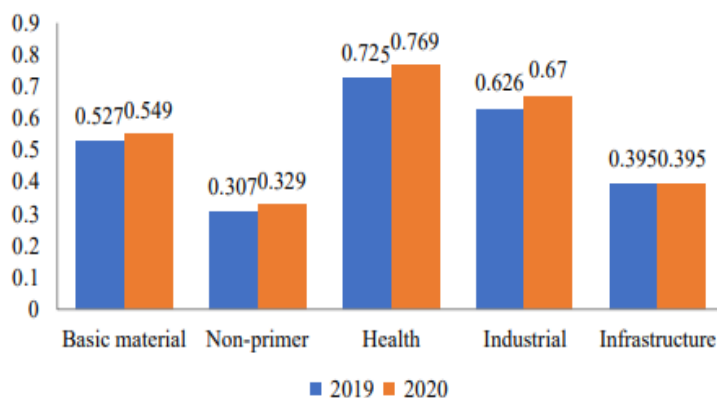


Figure 1. CSR disclosure graph per sector  
Source: Rohmawan et al. (2021)

Based on Figure 1, the healthcare sector received the highest CSR score during the pandemic. By implementing social and environmental-based investments, the healthcare sector hopes to gain public loyalty and trust through ESG practices. According to Kalia and Aggarwal (2022), ESG disclosure can lead to increased efficiency, competitive advantage, and investor confidence. Apart from that, it can also improve relations between healthcare sector companies and stakeholders. It can have a positive impact on profitability and long-term sustainability. Furthermore, through implementing ESG initiatives in the healthcare sector, companies can improve their public image, thereby increasing customer loyalty and trust. Ultimately, healthcare sector companies can significantly benefit from ESG disclosure by improving their financial performance, risk management, and public trust (Kartika et al., 2023). The research results by Rohmawan et al. (2021) prove that the healthcare sector is ranked first based on financial performance as measured by a ROA value of 0.225. Disclosing ESG practices is also helpful in increasing share sales in the capital market. Based on the above background, the healthcare sector is the only sector that has made enormous profits during the pandemic (Allianz Indonesia, 2020). The company's operational activities impact the environment, social issues, and the focus on governance. Therefore, it is essential to look at ESG disclosures in this sector.

Many studies have been conducted on ESG disclosure. However, previous studies have examined the relationship between ESG and other variables. The results of previous studies are also inconsistent due to differences in countries in the target objects. This is related to company awareness and regulations in each country. Aboud & Diab, (2018); Fatemi et al., (2018); Yoon et al., (2018) Kalia & Aggarwal (2022), and Safriani & Utomo, (2020) showed a positive influence between ESG and financial performance. Kalia and Aggarwal (2022) and Melinda & Wardhani (2020) showed that ESG activities

have a positive effect on the financial performance of healthcare companies in developed countries. However, Melinda & Wardhani (2020) showed that ESG has a negative effect on financial performance in developing countries. Aditama (2022) and Kartika et al., (2023) stated that environmental, social, and governance (ESG) do not affect company value.

Several studies on ESG disclosure have also been conducted in different sectors. Samuel and Sibarani (2022) showed that oil and gas sector companies in Indonesia have not implemented ESG practices optimally. Siregar et al., (2022) showed that ESG disclosure in pharmaceutical companies is relatively high. The company complies with the items explained according to OJK regulations. Based on the inconsistency of previous studies, it is important to examine ESG disclosure items for companies in detail. This study has a limitation which only examines the quantity of corporate disclosure, neglecting the quality of the disclosure. This research focuses on analyzing ESG (Environmental, Social, and Governance) disclosures specifically in healthcare sector companies. It is important to note that the healthcare sector has experienced substantial profits during the pandemic (Allianz Indonesia, 2020). A company's operational activities undoubtedly impact the environment and society, shedding light on its governance. Therefore, it is crucial to assess ESG disclosure within this sector. The main contribution of this study is to evaluate the aspects that healthcare companies still need to disclose and the rationales behind certain disclosure choices.

### **Stakeholder Theory**

Stakeholder theory states that companies do not just function for their internal profits but are obliged to contribute value and profits to various related parties (stakeholders), including the government, investors, consumers, society, creditors, analysts, suppliers, and other parties (Freeman, 1994). Thus, a company's existence depends on stakeholders' support (Safriani & Utomo, 2020). Freeman (1999), in developing stakeholder theory, shows that two competing views dominate the stakeholder concept: ethical and managerial (Leung & You, 2023). According to the ethical view, companies must provide transparent social and environmental information to all stakeholder groups to meet stakeholder expectations. In addition, stakeholders can request certain social and environmental information (Freeman, 1984; Mitchell et al., 1997; Leung & You, 2023). Then, according to the managerial view, identifying and evaluating the importance of stakeholders is done through managerial assessment.

Companies need to maintain good relationships with stakeholders while considering and meeting their desires and needs, especially stakeholders who significantly influence the availability of resources used in operations, such as owners, suppliers, communities, customers, and the environment (Chariri & Ghazali, 2007). Profits do not guarantee the company's survival because the company interacts with other stakeholders. Therefore, companies must maintain relationships with other stakeholders by managing their operations based on the principles of profit, people, and planet, often known as the triple bottom line.

### **Triple Bottom Line (TBL)**

The Triple Bottom Line (TBL) concept formulates that the sustainability and growth of a company does not depend solely on financial profit (profit) but on the company's actual actions in the environment (planet) and social justice (people) (Elkington, 1998). If applied within a company, the Triple Bottom Line (TBL) concept will impact sustainable development, improve the company's image, measurable performance, and product quality, increase the reputation of the company's financial capabilities, and provide good service. TBL consists of three main pillars: planet, people, and profit, also known as 3P. The people aspect focuses on the company's responsibility to maintain the welfare of human resources. It involves fulfilling workers' rights, providing adequate facilities, creating a work

environment that complies with safety standards, establishing reasonable and acceptable working hours, and avoiding exploitative practices against employees and minors. In addition, a more comprehensive approach involves establishing a Corporate Social Responsibility (CSR) program to empower the community. People, or the community, are critical stakeholders for the company. This is due to the crucial role of community support in the company's continuity, existence, and development. Therefore, companies must actively try to provide society with the most significant benefits.

The planetary aspect emphasizes the company's commitment to environmental sustainability, including its efforts to minimize energy consumption, reduce waste, and manage resources responsibly. On the other hand, the profit aspect underscores the importance of seeking economic profits aligned with the company's initial objectives for its survival (Basar et al., 2023). It's important to note that the concept of profit extends beyond business income, with a focus on ethical and just practices in generating revenue (Anonymous, Sinergy, 2017). This encompasses various aspects, such as ethical procurement practices to avoid supporting suppliers engaged in exploitative activities that harm natural resources. This approach reflects the company's dedication to environmental preservation and responsible resource management (Michael et al., 2019).

### **Environmental, Social, and Governance (ESG)**

ESG refers to company activities related to the surrounding ecology, environmental interactions, internal control system, and social aspects. ESG implementation aims to achieve company goals and meet stakeholder needs (Li et al., 2021). The research results by Leung and You (2023) show that applying ESG practices in healthcare services can reduce costs or waste and create a more sustainable or concerned future. It was also stated by Baier et al. (2020) that ESG is the foundation for implementing corporate social responsibility and sustainable business. Examples of ESG practices in healthcare include reducing energy consumption, promoting diversity and inclusion, and ensuring ethical financial practices. According to Alameddin (2022), ESG disclosure practices are explained in terms of environmental, social, and governance aspects.

### **Environmental Aspects**

Companies must evaluate their operations and environmental impact in an environmental context. It involves responsibility for reducing carbon emissions and preserving ecosystems. In general, Alameddin (2022) stated that companies are responsible for reducing carbon emissions. This is done by using renewable energy sources, using environmentally friendly equipment, using equipment to absorb or filter carbon that is harmful to the environment, and having a carbon certificate if the company produces emissions that exceed the limits set by the Paris Agreement. According to Dion & Evans (2022), the carbon emission reduction practices of healthcare sector companies are explained as follows: replacing fluorescent lamps with LED lamps; installation of a high-performance electric motor for the cooling system; replacement high-consumption equipment with more energy-efficient ones; replacement of vacuum pumps with lower consumption equipment; solar heating systems and photovoltaic (PV) panels; ensuring temperature regulation and efficient ventilation to reduce unnecessary energy consumption; ensuring that medical equipment not in use is turned off or in energy saving mode; using solar water heating systems or geothermal heat pump systems to reduce dependence on conventional energy sources; as well as encouraging the use of environmentally friendly transportation such as bicycles, or vehicle sharing programs to reduce air pollution and carbon emissions in the company's environment.

## Social Aspects

The social aspect of ESG reflects the company's attention to its stakeholders. This includes internal parties such as company staff and employees and external parties involving the community, buyers, government, suppliers, and other interested parties with direct or indirect relationships with the company. According to Alameddin (2022), there are five main points of discussion of corporate social responsibility, namely gender equality, education and training, consumer protection, and health.

## Governance Aspects

The third aspect is governance. In this aspect, companies are expected to pay primary attention to how the company is managed internally, considering effective management and corporate governance. According to Alameddin (2022), several factors in fulfilling good corporate governance are: considering ESG programs in the company's business strategy; orders from upper management (CEO and managers) to all staff and employees to implement the ESG program in accordance with the business strategy that has been prepared; the composition of the board should have one or two people who have knowledge and experience of ESG practices; the board of directors should establish a board committee consisting of ESG specialists and establish an agenda to discuss the design of ESG practices; an evaluation report on the suitability of ESG practices with business strategy; disclosure of ESG reports to company stakeholders; ESG reports must be third-party verified; companies must strive to meet all ESG indicators; risk management that considers ESG; material assessment of ESG practices; proportional implementation of ESG, ESG training for the board of directors; corporate code of ethics; selecting suppliers who prioritize ESG practices in their business implementation.

## RESEARCH METHODS

This research used a qualitative descriptive approach. The analytical method applied was content analysis of ESG disclosures in healthcare sector companies in Indonesia. Content analysis is an observational research method applied systematically to evaluate the content of various forms of communication records (Sekaran & Bougie, 2017). The object of this research consisted of 28 companies in the healthcare sector listed on the Indonesia Stock Exchange during 2021-2022. In a broader scope, this sector can be grouped into two main sub-sectors: companies operating in the healthcare services and equipment sector and companies operating in the pharmaceutical and healthcare research sectors. During the pandemic, healthcare sector companies made significant profits. Then, based on data on CSR disclosures per sector of public companies in Indonesia, it is known that the highest CSR disclosures are from companies in the healthcare sector. The objects of this research were 28 companies with two years of observation. Therefore, 56 observation data were obtained. This research used secondary data obtained from annual reports and company sustainability reports. This secondary data was taken from the IDX.co.id site or the company website for 2021-2022.

## RESULTS AND DISCUSSION

### Descriptive Statistics

The healthcare sector is essential in this country's economy. Based on IDX data, until 2022, 28 healthcare sector companies will be on the Indonesian Stock Exchange. In a broader scope, this sector can be grouped into two main sub-sectors, including healthcare services and equipment, pharmaceuticals, and healthcare research. Descriptive statistical analysis provides a comprehensive picture of the company based on minimum, maximum, average, and standard deviation. The data used in this research are derived from annual and sustainability reports from 28 healthcare-related companies in 2021 and 2022. Table 1. describes the quantity of information disclosure in companies'

annual and sustainability reports. The following is a summary table of descriptive statistics for ESG disclosure quantity variables:

Table 1. Results of descriptive statistical analysis for ESG disclosure quantity

	Min	Max	Mean	Median	Std. Deviation
Proportion of Environmental Disclosure	0	0.838	0.3865	0.4516	0.2010
Proportion of Social Disclosure	0	0.9375	0.4347	0.4375	0.2368
Proportion of Governance Disclosure	0	0.8621	0.5382	0.5862	0.2376
Proportion of ESG Disclosure	0	0.8261	0.4511	0.4728	0.2034

Source: Data processed by Excel 2023

Based on the results of the descriptive analysis in Table 1, The average company discloses ESG in quantity at 45.11 per cent, with the average value at 47.28 per cent. This indicates that companies in the healthcare sector in Indonesia still have relatively low disclosure levels (less than 50%), based on the GRI standards. In line with research conducted by Kuswanto (2019), the suitability of information disclosure based on GRI standards in sustainability reports in Indonesia still needs to be higher (18.9%). The data distribution for the quantity of ESG disclosure consists of environmental, social, and governance aspects. Table 1 shows that the level of disclosure of environmental aspects in ESG has the lowest value, namely 0% owned by PT Famon Awal Bros Sedaya Tbk. (PRAY), PT Hetzer Medical Indonesia Tbk. (MEDS), PT Jayamas Medica Industri Tbk. (OMED), and PT Multi Medika Internasional Tbk (MMIX) in 2021. The highest value was 26 or 84%, namely PT Prodia Widyahusada Tbk. (PRDA). This high ESG disclosure follows stakeholder theory, as the company prioritizes the expectations and interests of stakeholders (Srivastav & Hagendorff, 2016). For example, if a company conducts activities that violate ESG, it receives protests from stakeholders. The demonstrations will impact the company's main business, for example, a decrease in revenue. Internally, employee dissatisfaction can lead to strikes in various forms, such as stopping production or not providing services. All forms of ESG non-compliance risk will turn into financial risks. Thus, ESG performance is related to several risks and uncertainties (Singh & Jaiwani, 2024).

The highest score of social disclosure is PT Mitra Keluarga Karyasehat Tbk. (MIKA) that got 93% in 2022. The company provides comprehensive information related to social aspects to all stakeholders that have been involved. For example, the company conveys its obligations as a public company to offer products and services to consumers and address employment issues, society, and suppliers. The average of social disclosure in the healthcare industry is 43%. From these data, the average disclosure of social aspects is relatively low, as can be seen from comparing the average and minimum values. Meanwhile, data variations are heterogeneous, as reflected by comparing the average value with the standard deviation, which is quite significant. The most frequently expressed dimension is related to consumer interests. Therefore, many healthcare sector companies consider consumers their primary stakeholders.

Four companies do not disclose the governance aspect in their sustainability report. The highest value for disclosure of governance aspects also in PT Mitra Keluarga Karyasehat Tbk is 86%. Governance is a fundamental function, as it defines the structure of decision-making processes within any organization. Governance is centered around board size, structure, and independence; gender diversity; skills development; internal control; information accessibility; ethical codes; shareholder relationships and engagement (Sciarelli, Cosimato & Landi, 2021).



Table 2. Results of descriptive statistical analysis for the quality of ESG disclosures

	Min	Max	Mean	Median	Std. Deviation
Proportion of Environmental Disclosure Quality	0	0.968	0.3194	0.3508	0.1787
Proportion of Social Disclosure Quality	0	0.6406	0.3110	0.3125	0.1744
Proportion of Governance Disclosure Quality	0	0.6897	0.3778	0.4052	0.1657
Proportion of ESG Disclosure	0	0.5924	0.3349	0.3465	0.1557

Source: Data processed Excel 2023

The second variable is the quality of the company's ESG disclosure. The quality of disclosure is seen not only by the number of items disclosed but also by how extensive and informative the company's disclosure is. Generally, companies in Indonesia's healthcare sector have low disclosure quality. The sustainability report provides relatively brief information on related aspects. The results of this research differ from those of Kuswanto (2019), who stated that the weight of information disclosed by companies in Indonesia was relatively high at 59.9%. Table 2 shows the total ESG disclosure quality, with the maximum value reported by an entity being 59.24 percent. On average, entities obtained a disclosure quality score is 33.49%. The dispersion of total ESG disclosure quality shows data saturation around the average value (15.57 percent). This means that ESG disclosure should be more varied in this sector.

The minimum score is zero because, in 2021, the company did not disclose environmental aspects in its Annual Report. This is related to the disclosure obligations of companies in this sector, which will only be enacted in 2022 by OJK Regulation No. 51/POJK. 03/2017. The highest scores for the quality of ESG disclosure on environmental aspects were 60% for PT Mitra Keluarga Karyasehat Tbk. (MIKA) in 2022, with an average of 39.61 or 32% and a standard deviation of 22.16 or 18%. Based on these results, the average quality of the environmental disclosure is relatively homogeneous, as reflected in the standard deviation value, which is close to the average value. The social aspect has the lowest value of 0%, namely at PT Famon Awal Bros Sedaya Tbk. (PRAY), PT Hetzer Medical Indonesia Tbk. (MEDS), PT Jayamas Medica Industri Tbk. (OMED), and PT Multi Medika Internasional Tbk (MMIX) in 2021. The highest scores for the quality of social aspects were 82% and 64% for PT Darya-Varia Laboratoria Tbk. (DVLA) and PT Phapros Tbk. (PEHA) in 2021. The average quality of social aspects was 39.80% or 31%, and the standard deviation was 22.33 or 17%. These descriptive data indicate the low quality of disclosure of social aspects by the entity, where this value is far from the maximum value that can be disclosed. The data distribution value is also close to the average value, which indicates that the quality of social-quality disclosure must be evenly distributed across all companies.

Disclosure of governance aspects shows the lowest value of 0%, namely at PT Famon Awal Bros Sedaya Tbk. (PRAY), PT Hetzer Medical Indonesia Tbk. (MEDS), PT Jayamas Medica Industri Tbk. (OMED), and PT Multi Medika Internasional Tbk (MMIX) in 2021. The highest scores for the quality of governance aspects were 80% and 69%, respectively, at PT Kimia Farma Tbk. (KAEF) in 2022. Average = 43.82 or 38% and standard deviation 19.22 or 17%. The quality of governance disclosure is better than the other two aspects.

## Analysis of the Quantity and Quality of ESG Disclosures in the Healthcare Sector

### ESG disclosure quantity

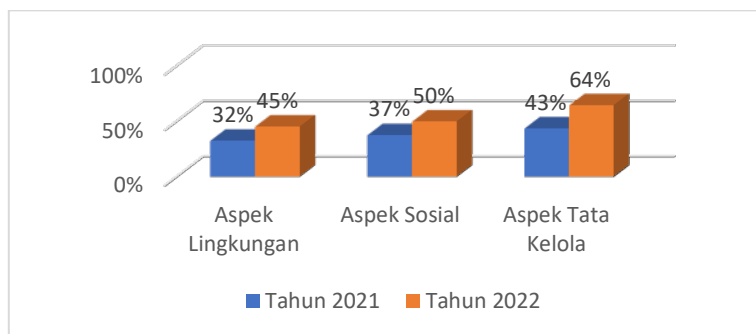


Figure 2. Total percentage quantity of ESG disclosures  
Source: Data processed by Excel 2023

Figure 2 depicts the quantity of ESG disclosure in healthcare sector companies for 2021 and 2022 in three main aspects: environmental, social, and governance. The bar chart depicts changes in the quantity of ESG disclosures from year to year. The governance aspect has the highest level of disclosure (43%) in 2021, increasing to 64% in 2022. This is followed by the social aspect, with the disclosure level in 2021 amounting to 37% and increasing to 50% in 2022. This shows an increase in awareness of sector companies. Health to increase disclosure of non-financial information. This increase reflects the commitment of healthcare sector companies to integrate ESG aspects in their business strategies. Many companies identify sustainability as an essential factor in maintaining the long-term sustainability of their business. This aligns with research by Deng et al. (2023), which states that implementing a robust ESG system will encourage long-term sustainability and new growth paths for companies. In this situation, all parties require access to the nonfinancial working details of firms. ElHawary & Elbolok (2024) state that the growing importance of a firm’s performance has intensified market interest, especially among publicly traded companies seeking to uphold their ethical standards and shield their reputations by disclosing their ESG results.

Table 3. Quantity of ESG disclosures

ESG	2021		2022		Change	
<b>Environmental aspect</b>	10	32%	13.96	45%	3.96	13%
Climate change	2.39	34%	3.43	49%	1.04	15%
Waste	2.36	47%	3.46	69%	1.11	22%
Energy	5.14	30%	6.93	41%	1.79	11%
Supply chain	0.11	5%	0.14	7%	0.04	2%
<b>Social aspect</b>	11.93	37%	15.89	50%	3.96	12%
Supply chain	0.25	13%	0.18	9%	-0.07	-4%
Work safety and employee relations	9.79	41%	12.75	53%	2.96	12%
Data privacy and security	1.89	32%	2.96	49%	1.07	18%
<b>Governance Aspects</b>	12.57	43%	18.64	64%	6.07	21%
Relationships with stakeholders	0.75	75%	0.93	93%	0.18	18%
Governance	5.46	46%	9.07	76%	3.61	30%
Tax management	0.00	0%	0.00	0%	0.00	0%
Anti-corruption	0.82	27%	1.32	44%	0.50	17%
Crisis and risk management	5.54	62%	7.32	81%	1.79	20%

Source: Data processed Excel 2023

Table 3 shows changes for each measurement subsection in the three ESG aspects. Governance is the most significant sub-section that has experienced an increase in the quantity of reporting. The three points that experienced the most significant increase in the quantity of disclosure were 2-13 (giving responsibility to other parties to address impacts), 2-14 (the role of the highest management agency in sustainability reporting), and 2-17 (shared knowledge from the highest governance body). This increase in information shows that companies in this sector reveal more in-depth information that describes the effectiveness of the performance of company management and supervisors in the form of roles and responsibilities, knowledge, and delegation.

In the social aspect, the most significant improvement in the quantity of disclosure is in the data privacy and security subsection. The three points that experienced the most significant increase in quantity were 416-1 (evaluation of the impact on health and safety of various products and services), 416-2 (incidents of violations related to the consequences for health and safety of products and services), and 417-1 (provisions for labels and product and service information). The pandemic has made stakeholders attach great importance to safety regarding the products sold by the company. The increase in disclosures regarding non-compliance incidents shows the company's commitment to transparency in facing challenges and improvements related to its products. By reporting these incidents, companies can demonstrate their responsibility to address problems, improve production processes, and increase quality control to ensure the products they offer meet the health standards expected by society. This was done by PT Industri Jamu and Farmasi Sido Muncul Tbk, who conveyed information about the absence of product withdrawal incidents due to warnings from the Indonesian POM Agency. Disclosure of this information is by the provisions of POJK No. 51.

In 2017, the dimensions of responsibility for sustainable product/service development regarding the number of recalled products. This shows that companies are improving their attention to responsibility regarding sustainable product/service development, which can increase customer loyalty. In line with research conducted by Kim & Park (2017), customer loyalty increases along with a more sustainable company environment. The waste section was the environmental aspect that received the most significant increase in reporting quantity. Points 306-1 (waste generation and significant impacts related to waste) and 306-3 (waste generation) have the most improvements in disclosure from 2021 to 2022. This shows the increasing commitment of healthcare sector companies to reduce environmental impacts realized through well-planned waste management and processing. Generating solid and liquid waste (effluent), especially medical waste, can cause pollution and endanger environmental health. In line with research by Molero et al. (2021), which stated that medical waste is one of the primary sources of pollution in the world and is the main factor in the spread of disease from the air, water, and soil around healthcare service facilities. In pandemic conditions, people are always worried about the cleanliness of the environment. The health industry, which is very close to "disease", is certainly a concern for stakeholders. During the pandemic, healthcare sector companies produced much waste. Waste produced by healthcare sector companies can be in the form of medical and non-medical waste, which has B3 and non-B3 characteristics and directly impacts the environment. PT Prodia Widyahusada stated that it had managed waste production according to the provisions contained in Law No. 32 of 2009 concerning environmental protection and management. This company has also obtained the Emergency Response System Guide for Waste Water Treatment Plants (IPAL) for liquid waste and Temporary Storage Places (TPS) for solid waste. The company uses IPAL to process non-B3 liquid waste (effluent) with an RO filter system to ensure its quality and can be reused in clinical/laboratory activities. In 2022, Prodia will add new IPAL facilities in 2 branches, namely Prodia Salatiga and Prodia Semarang, with a total cost of IDR 769,758,468. The company collaborates with third parties to transport and process B3 waste.



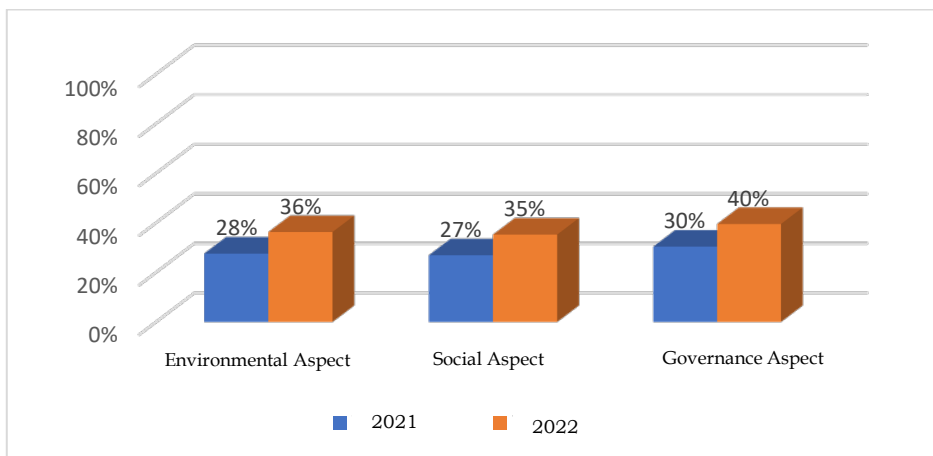


Figure 3. Total percentage of ESG disclosure quality  
 Source: Data processed by Excel 2023

Improvements in the quality of ESG disclosures generally occurred from 2021 to 2022. It can be seen in Figure 3 that the three aspects, namely environmental, social, and governance, have both experienced improvements. However, this increase does not change the disclosure quality rating for each aspect. Governance remains the aspect with the most excellent disclosure quality, namely 10%. Social and environmental aspects are ranked second and third regarding the quality of disclosure by management. This increase shows that management is increasingly aware of expanding the quality of their ESG disclosures. However, the quality of ESG disclosure by management still needs to reach the maximum value that can be disclosed. Comparison with the number of disclosures also shows that management tends to be less communicative and detailed in its disclosures. This can be seen from the percentage of quantitative disclosure, greater than qualitative.

Table 4. Quality of ESG disclosure

ESG	2021		2022		Change	
	quality	%	quality	%	quality	%
<b>Environmental aspect</b>	34.21	28%	45.00	36%	10.79	9%
Climate change	8.11	29%	10.36	37%	2.25	8%
Waste	8.14	41%	11.75	59%	3.61	18%
Energy	17.64	26%	22.57	33%	4.93	7%
Supply chain	0.32	4%	0.32	4%	0.00	0%
<b>Social aspect</b>	34.46	27%	45.14	35%	10.68	8%
Supply chain	0.75	9%	0.39	5%	-0.36	-4%
Work safety and employee relations	28.86	30%	37.04	39%	8.18	9%
Data privacy and security	4.86	20%	7.71	32%	2.86	12%
<b>Governance Aspects</b>	35.29	30%	49.04	40%	13.75	9%
Relationships with stakeholders	2.68	67%	3.32	83%	0.64	16%
Governance	14.68	31%	24.00	50%	9.32	19%
Tax management	0.00	0%	0.00	0%	0.00	0%
Anti-corruption	2.04	17%	3.36	28%	1.32	11%
Crisis and risk management	15.89	44%	21.68	60%	5.79	16%

Table 4 presents a breakdown of disclosures for each subsection on the three ESG aspects. Governance items remain the items with the most significant increase in disclosure quality in the governance aspect. This shows their seriousness in explaining their governance in more detail to the public. Apart from that, improvements were also felt in relationships with stakeholders and crisis and risk management, which increased by 16%. This increase provides a notation of management awareness regarding stakeholder engagement and the importance of providing information regarding business risk exposure to the public.

In the social aspect section, data security and privacy are the quality items that have improved the most. This indicates management's seriousness in providing extensive information to the public regarding data security and privacy items. Management must manage public attention to maintain long-term relationships (future-forward relationships) with company stakeholders. Waste is also where disclosure has been improved the most, both in quantity and quality. Based on the conditions of society during the pandemic, management needs to provide information that is not only available but also extensive to provide peace of mind to the public regarding waste, especially those related to health.

### Environmental Aspect Analysis

#### Quantity of ESG disclosures on environmental aspects

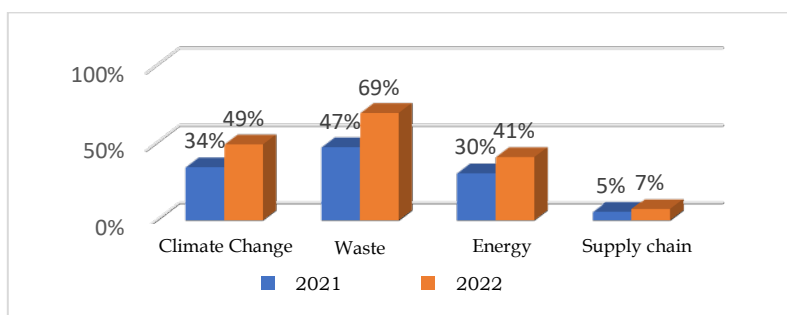


Figure 4. Total percentage quantity of environmental aspect ESG disclosures  
 Source: Data processed by Excel 2023

Based on the Figure 4, ESG disclosure in environmental aspects shows positive changes. Environmental aspects consisting of environmental changes, waste, energy, and supply chains based on environmental factors have increased in each category from 2021 to 2022. In 2021, the percentage value of climate change criteria was 34%, while in 2022, it was 49%. It can be seen that the quantity of disclosure increased by 15%. The items that contributed the most to the increase were 305-2 (indirect scope two greenhouse gas emissions) and 305-3 (indirect scope three greenhouse gas emissions.). This is an additional item for management awareness to identify GHG emissions in scopes 2 and 3, which do not directly impact the environment.

Energy-related ESG disclosures have increased from 30% in 2021 to 41% in 2022. The three items that have experienced the most improvements are 302-1 (ingredients used by weight and volume), 303-5 (water consumption), and 304-1 (operating locations that are owned, leased, managed, or adjacent to protected areas and areas with high levels of biodiversity outside protected areas). The rise in these numbers indicates that management is taking steps to address pollution by identifying and using more environmentally friendly operational materials. Additionally, the disclosure of water consumption reflects management's efforts to responsibly manage water use for operations. Lastly, there is also a growing focus on preserving protected areas and biodiversity to safeguard the environment.

ESG disclosures related to waste have increased quite significantly in quantity. The increase was 22%. The items that experienced the most improvements in disclosure were 306-1 (waste formation and impacts that have significant relevance to waste) and 306-3 (waste generation). It indicates that management awareness regarding waste as a critical part of operational activities must be taken into account. The existence of the health sector as one of the sectors with hazardous waste coupled with the pandemic means that management needs to identify these two items so that they do not cause problems in the future. ESG disclosure related to supply chains is the disclosure with the smallest increase in quantity, from 5% in 2021 to 7% in 2022. Despite an increase, many entities are still unaware of the importance of the supply chain. Therefore, they feel it does not need to be disclosed in their reporting. However, disclosures related to supply chains are crucial for business continuity. The flow of value from upstream to downstream, which the entity does not fully control, means it needs to manage this flow properly.

### Quality of ESG disclosure on environmental aspects

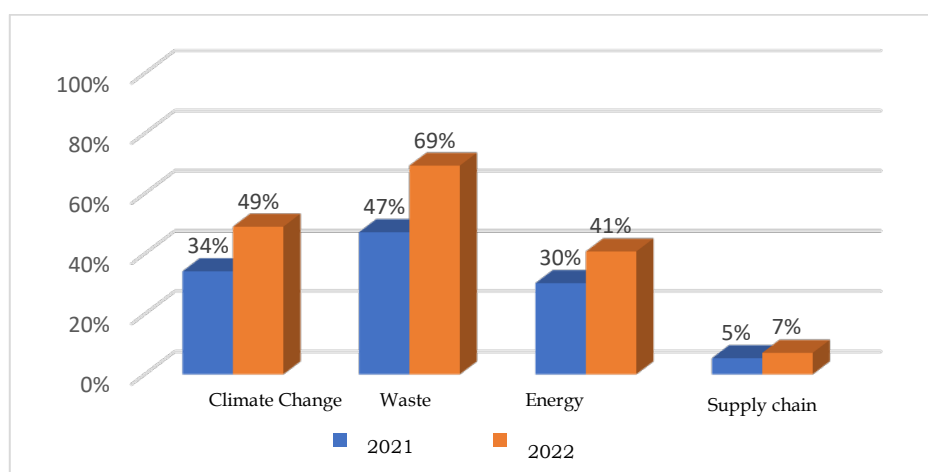


Figure 5. Total percentage of quality of ESG disclosure on environmental aspects

Source: Data processed by Excel 2023

Based on Figure 5, there is an increase in the quality of ESG disclosures related to climate change from 28% in 2021 to 36% in 2022. This shows that companies are becoming more in-depth in explaining their strategies and efforts regarding climate change. The items that experienced the same increase as the quantity aspect were 305-2 (indirect scope 2 greenhouse gas emissions) and 305-3 (indirect scope 3 greenhouse gas emissions). Awareness of disclosures related to climate change does not only occur in quantity but also quality. Management can be said to be increasingly concerned about climate change and how to reduce the impact of the entity's operations on it.

Waste-related ESG disclosures recorded an increase in quality from 29% in 2021 to 37% in 2022. This reflects companies being more detailed in explaining their actions regarding waste management. The most significant improvement in disclosure quality appeared in items 306-1 (waste generation and significant impacts related to waste) and 306-3 (waste generation). Energy-related ESG disclosures saw a significant increase from 41% in 2021 to 59% in 2022. This indicates a greater focus on energy-saving strategies and the use of sustainable energy sources. The quality of energy disclosure that improved a lot was 302-1 (energy use in an organization), 303-1 (involvement with water as a shared resource), and 303-5 (water use). These increases indicate management concerns about water and energy (electricity), which are the primary resources for health companies. In 2022, intrigues regarding the water and energy crises will begin to emerge, prompting management to intensify

explanations on these two matters. Despite improvements, the quality of ESG disclosures related to supply chains still requires further attention, with the quality level increasing from 26% in 2021 to 33% in 2022.

### Social Aspect Analysis

#### Quantity of ESG disclosure on social aspects

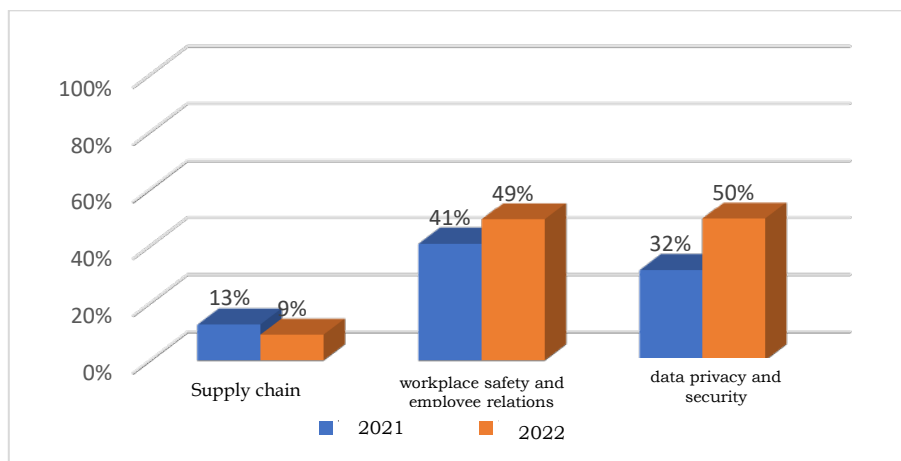


Figure 6. Total percentage quantity of ESG disclosure on social aspects  
 Source: Data processed by Excel 2023

In Figure 6, there has been a decrease in supply chain-related ESG disclosures from 13% in 2021 to 9% in 2022. This indicates that companies may require assistance in communicating their sustainable practices within their supply chains. Specifically, there has been a decrease in disclosure of 414-1 (selection of new suppliers based on social criteria). It's also important to note that 28 entities should have disclosed item 414-2 (adverse social effects in the supply chain and the measures implemented) during the 2021-2022 period. This suggests that healthcare sector companies in Indonesia are not disclosing negative news about their supply chains. Sharing negative reports can make the public aware of a company's weaknesses. This finding is consistent with the research of Cuesta & Valor (2013) and Holder-Webb et al. (2009), who found that companies tend to focus on areas or activities where they perform well but receive less attention from stakeholders.

ESG disclosures related to workplace safety and employee relations increased from 41% in 2021 to 49% in 2022. This can be seen as the company's efforts to focus more on employee welfare and workplace safety. Items that received the most improvements in disclosure quantity were 405-2 (ratio of basic salaries and remuneration of women compared to men), 408-1 (operations and suppliers at significant risk of child labour incidents), and 409-1 (operations and suppliers at risk significant impact on incidents of forced or compulsory labour). This data shows that management increasingly considers it essential to have equal pay between women and men and avoid human rights violations by employing children and forced labour. In terms of K3 (Occupational et al.), the company discloses related information only to the extent of the rules in ISO 45001 concerning the K3 management system, Law No. 1 of 1970 concerning Occupational Health and Safety and Minister of Manpower Regulation No. 5 of 1996 concerning Occupational Health and Safety Management Systems. For items that are not disclosed in the work safety and employee relations dimension, they are 402-1 (benefits given to full-time employees that are not given to employees for a certain period or part-time), 406-1 (incidents of discrimination and corrective actions taken), and 407-1 (operations and suppliers where the right to

freedom of association and collective bargaining may be at risk). Companies do not widely disclose things that are in the form of risks.

ESG disclosures related to data privacy and security have increased significantly from 32% in 2021 to 50% in 2022. This reflects the company's awareness of the importance of data protection and information security. Three items experienced the most remarkable improvement in disclosure quantity, namely 416-1 (assessment of the health and safety impacts of various categories of products and services), 416-2 (incidents of non-compliance regarding the health and safety impacts of products and services) and 417-1 (requirements for product and service labelling and information). These three items are the lowest items expressed by managers. A low level of this item indicates that the company did not report any non-compliance events. However, it concerns preventative measures, such as forming a service quality assurance committee by PT Prodia Widyahusada and PT Royal Prima. Likewise, pharmaceutical companies such as PT Kimia Farma and PT Pyridam Farma have formed divisions related to product quality assurance. Activities in this division are also equipped with routine and incidental reporting to the Republic of Indonesia Food and Drug Supervisory Agency (Indonesian: *Badan Pengawas Obat dan Makanan*, abbreviated BPOM).

### Quality of ESG disclosure on social aspects

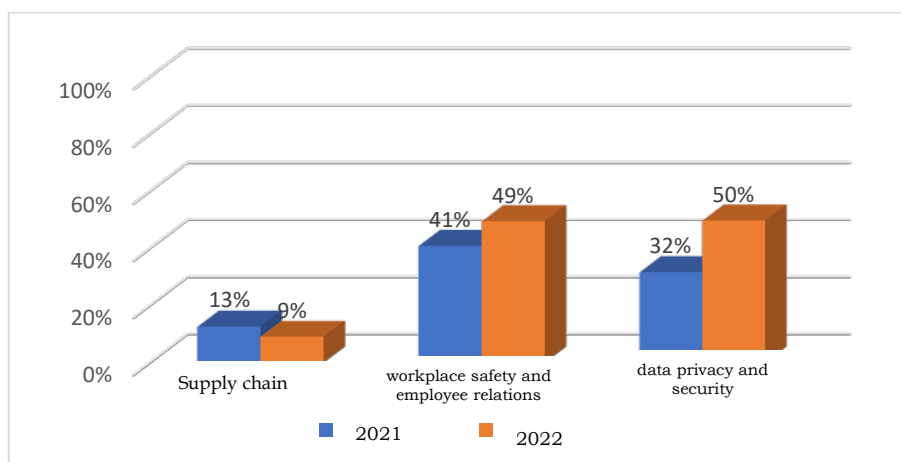


Figure 7. Total percentage of quality of ESG disclosure on social aspects  
 Source: Data processed by Excel 2023

Figure 7 shows a decline in the quality of ESG disclosures related to the supply chain from 9% in 2021 to 5% in 2022. The item that experienced a decrease is 414-1, where several companies appear to need to report or reduce the quality of their reporting. A decline in the supply chain indicates the possibility that an entity is experiencing challenges in explaining sustainable practices in its supply chain. ESG disclosures related to workplace safety and employee relations increased from 30% in 2021 to 39% in 2022. This shows that companies are more detailed in explaining their steps to ensure safety and good employee relationships. Items 405-2 (ratio of basic salary and remuneration for women compared to men) and 408-1 (Operations and suppliers at significant risk of incidents of child labour) were the two items that experienced the best increase in disclosure quality. This shows that management considers issues of equality and children crucial things the public requests. Moreover, issues related to these two things have increasingly become sensitive in recent years.

ESG disclosures related to data privacy and security recorded a significant increase in quality from 20% in 2021 to 32% in 2022. This reflects growing attention to data privacy and information security. The items that experienced the most improvement in the disclosure quality were 416-2

(incidents of non-compliance concerning the health and safety impacts of products and services) and 417-1 (requirements for product and service labelling and information). In pandemic conditions emphasizing the need for safe use of medical devices and medicines, it is natural for management to provide comprehensive information regarding these two things to the public.

**Analysis of Governance Aspects**

**Quantity of ESG disclosure on governance aspects**

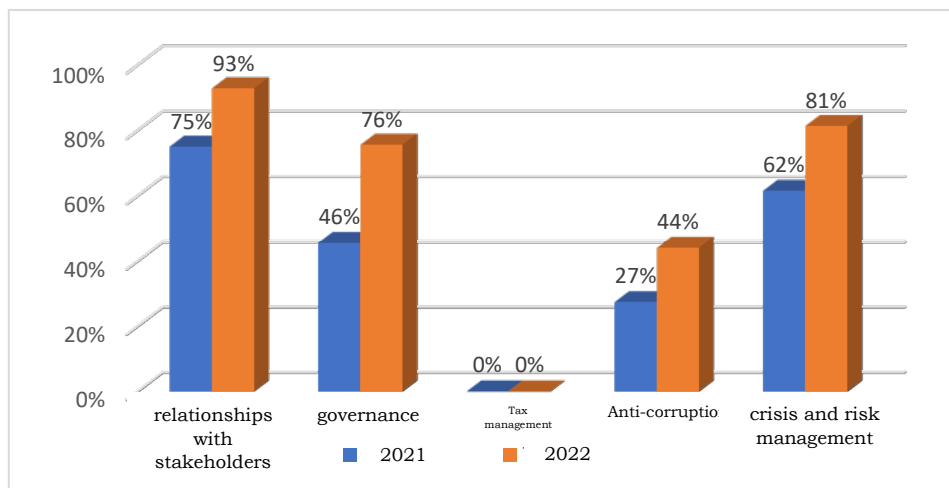


Figure 8. Total percentage quantity of ESG disclosures on governance aspects  
Source: Data processed by Excel 2023

Figure 8 shows that the quantity of ESG disclosures related to relationships with stakeholders has increased significantly from 75% in 2021 to 93% in 2022. This disclosure signals that management is increasingly paying attention to its stakeholders as the central party that supports the organization's existence. Companies are increasingly focusing on engagement and good relationships with their stakeholders. In this way, the company has more information regarding what stakeholders expect from the entity so that it can build company operations that are more in line with these demands. Aspects of corporate governance have also experienced significant improvements from 46% in 2021 to 76% in 2022. This reflects that companies listed on the IDX increasingly prioritize good governance and transparency. Issuers have made the most improvements to the number of disclosures in items 2-12 (the role of the highest governance body in supervising impact management), 2-13 (delegation of responsibility for managing impacts), and 2-14 (role of the highest governance body in sustainability reporting). These three items indicate that management is increasingly concerned about the role of governance in managing the operational impact of the entity. This role is considered crucial to be discussed, especially in the highest governance of the entity.

ESG disclosures related to tax management remain at 0% in 2021 and 2022. The company focuses on quantitative tax information, such as the amount of tax obligations according to the law. On the one hand, management will try to provide an optimal (or minimum) tax burden to fulfill shareholder welfare. However, many other stakeholders, such as the government and some parts of society, disagree. Management is taking the route of silence and non-disclosure to avoid litigation claims from parties opposing the entity's tax policy. Management is more focused on expressing compliance with obligations.

ESG disclosures related to anti-corruption have increased from 27% in 2021 to 44% in 2022. This shows that companies are increasingly paying attention to anti-corruption practices. The most significant increase was in items 205-3, namely proven incidents of corruption and steps taken in



response. Throughout observations of published reports, management tends to report positive things, namely that there have been no acts of corruption within the company. This signals that corporate governance is considered capable of preventing these detrimental actions.

The crisis and risk management aspect also experienced a significant increase, from 62% in 2021 to 81% in 2022. This reflects companies that are increasingly prepared to face risks and crises that may occur. Items 2-24 (instilling policy commitment) and 2-27 (compliance with laws and regulations) were the items that experienced the most significant improvement in the quantity of disclosure. Management realizes that the commitment to implementing policies increasingly needs to be expressed due to social media disruption, which makes the company increasingly vulnerable to negative news regarding implementing its policies. Also, management signals that they are increasingly concerned about complying with applicable laws and regulations.

### Quality of ESG disclosure on governance aspects

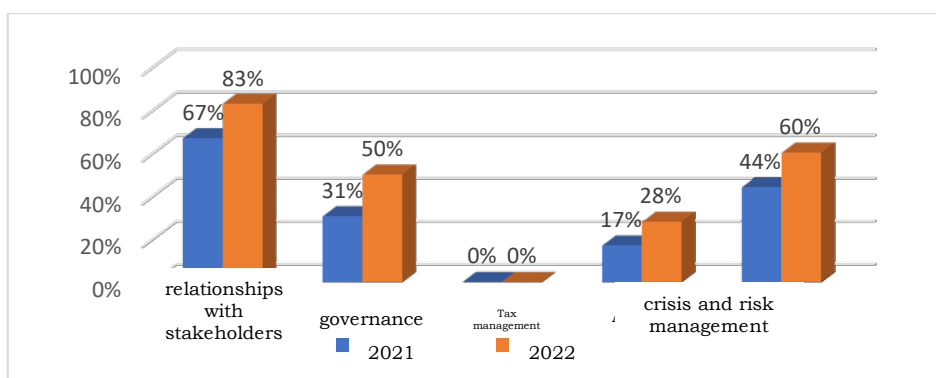


Figure 9. Total percentage of quality of ESG disclosure on governance aspects

Source: Data processed by Excel 2023

Figure 9 shows the quality of ESG disclosure in governance aspects related to relationships with stakeholders, noting an increase in quality from 67% in 2021 to 83% in 2022. This shows that companies are more detailed in explaining engagement and good relationships with their stakeholders. An extensive explanation regarding how companies manage stakeholders shows that management is now increasingly aware of the importance of stakeholders for the continuity of the company's business. The entity can operate effectively and efficiently through suitable identification and management because of stakeholders' support and fulfillment of their hopes or desires for the company. Corporate governance criteria experienced a significant increase in quality, from 31% in 2021 to 50% in 2022. This reflects companies that are more detailed in explaining good governance and transparency in their operations. Two items have experienced a lot of improvement in the quality of disclosure, namely 2-12 and 2-17.

Items 2-12 relate to the highest governance body's role in oversight of impact management. This indicates management's awareness that top management is the primary determinant of company outcomes. Items 2-17, which relate to the collective knowledge of the highest governance body, show management's desire to provide full supervision over each line of company operations to increase control to achieve the goals expected by its stakeholders. ESG disclosure related to tax management remains at 0% in 2021 and 2022. This figure aligns with quantitative disclosure, which is still 0%. The non-disclosure of tax management reflects the company's need for more focus on sustainable tax practices or transparency. There needs to be stricter rules regarding tax management disclosure so that the transparency of company tax management can be better.

ESG disclosures related to anti-corruption have increased in quality from 17% in 2021 to 28% in 2022. This shows that companies increasingly provide detailed explanations of anti-corruption practices in their operations. Item 205-3, which contains disclosures regarding proven incidents of corruption and steps taken in response, signals that the company feels the need to make extensive disclosures. Apart from that, the excellent image displayed by the absence of disclosed corruption cases could have a side effect in the form of public distrust of the information. Thus, management requires more effort to convince stakeholders that what is disclosed is a fact supported by data and adequate rationalization.

Crisis and risk management criteria experienced a significant increase in quality, from 44% in 2021 to 60% in 2022. This reflects companies that are increasingly prepared to face risks and crises that may occur. Items 2-24 (instilling policy commitment) and 2-26 (mechanisms for seeking advice and raising problems) were the two items with the highest ratings for improving the quality of disclosure by management. The improvement in the quality of disclosure in these two items indicates that management is not only trying to instill a commitment to their policies. Management is also trying to form a mechanism to provide input to resolve problems.

## CONCLUSION

The purpose of this research is to evaluate the extent to which healthcare sector companies listed on the Indonesian Stock Exchange (IDX) complied with the Global Reporting Initiative (GRI) standards for ESG (Environmental, Social, and Governance) disclosures in the year 2021-2022. The findings indicate that ESG disclosures in Indonesian healthcare sector companies are relatively low. The average value for both the quantity and quality of ESG disclosures falls below 50%. According to GRI standards, there is a need for higher and more comprehensive ESG disclosures in these companies. It was revealed that only the governance aspect had the highest level of disclosure, compared to environmental and social aspects. Additionally, companies only disclosed ESG dimensions that are regulated by the Indonesian Financial Services Authority (OJK).

It should be noted that this research did not utilize weights to assess the quality of disclosure. The author suggests several recommendations for further studies to address the limitations of this research. For future research, it is suggested to consider utilizing alternative ESG disclosure frameworks that are more suitable for Indonesian companies, such as those introduced by NASDAQ, POJK, and MSCI. Furthermore, the use of weights to assess the quality of disclosure could be considered in future research endeavors.

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## Implementation and Visualization of Business Intelligence Based Budget in Ngawi District Financial Agency 2021-2023

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### ABSTRACT

This research aims to determine the s of budget implementation and visualization from 2021 to 2023 in the Financial Agency of Ngawi Regency which uses Business Intelligence Power BI as a basis for decision-making. This is quantitative research which used a descriptive-quantitative approach method. To collect the data, the researchers used a literature study and documentation of the summary of APBD data in the Financial Agency of Ngawi Regency from 2021 to 2023. The results indicate that there are fluctuations in the Regional Income, Regional Expenditures, and Regional Financing when implementing and visualizing budget data (APBD) using Business Intelligence Power BI. Cumulatively, the total APBD is Rp13,732,224,315,602.00, with a total growth of 210.3%. The next result is the Financial Agency of Ngawi Regency can use Business Intelligence Power BI to analyse and visualize the APBD budget data for decision-making purposes. It shows that this system can be used for decision-making by this agency because it is user-friendly, fast, accurate, and informative.

**Keywords:** budgets; business intelligence; decision making

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## INTRODUCTION

The Ngawi Regency Government, as part of an organization involved in the public sector, aims to provide the highest quality public service. To accomplish this goal, the government must adhere to the principles outlined in a discipline known as public sector accounting. Over time, public sector accounting has evolved rapidly and has become a significant focus for government agencies and institutions, particularly at the regional level. According to Mardiasmo (2021), government agencies, state-owned and regional companies, and other public organizations give considerable attention to accounting in their daily operations. It is essential for local governments in Indonesia, such as the Ngawi Regency Government, to provide various reports, especially in the financial sector, to the public (Utomo & Suharto, 2018). This requirement is stated in Government Regulation Number 8 of 2006 on Financial Reporting and Performance of Government Agencies, and Regulation of the Minister of Home Affairs Number 13 of 2006 on Guidelines for Regional Financial Management. These regulations mandate that every regional government must produce financial reports on economic resources and reporting entity obligations on the reporting date, as well as the flow of economic resources during the current period. The financial report serves as an evaluation tool for making decisions related to resource allocation, as outlined in Regulation of the Minister of Finance (Indonesian: *Peraturan Menteri Keuangan*, abbreviated PMK) number 22/PMK.05/2022 on Central Government Accounting Policies.

In accordance with Government Regulation Number 12 of 2019 regarding Regional Financial Management, regional financial management must be conducted in an orderly, efficient, economical, agile, transparent, and responsible manner. This should be done while considering justice and benefits for the community and adhering to the provisions of the law. In accordance with these regulations, it is essential to demonstrate that the performance of regional governments in managing regional finances, both in terms of planning and realization, serves as an indicator of regional competence in carrying out their governance (Rizal, *et al.*, 2019).

The Ngawi Regency Government, through the Regional Finance Agency, which has a role in regional financial management, has effectively carried out its duties. This conclusion is based on a study conducted by Rahayu *et al.* (2019). The economic performance concerning the regional budget and expenditure of the Ngawi Regency regional government from 2014 to 2018 can be generally considered good. However, the level of independence ratio is very low, the efficiency ratio falls into the inefficient category, and the growth ratio is classified as very low.

The Ngawi Regency Finance Agency, as an institution related to regional finance, plays a role in planning and budgeting regional income and expenditure as per the Ngawi Regency Regional Revenue and Expenditure Budget (Indonesian: *Anggaran Pendapatan dan Belanja Daerah*, abbreviated APBD). According to Pandensolang (2022), the main focus of regional expenditure projections is the analysis report, which determines the amount of budget needed for operational expenditures. This is crucial because operational expenditures are mandatory and essential for guaranteeing the performance process of an agency (Zamaro, 2018). These operational expenditures include employee expenses and other operational costs.

Every year, the Ngawi Regency Finance Agency submits financial reports, including APBD data, to the central government. This data is essential for the local government to make informed policy decisions and forecasts for the upcoming year's budget (Camila, *et al.*, 2018). However, according to the Head of Planning, there have been instances of budget data not being synchronized, which has hindered decision-making. The lack of synchronization has been attributed to human errors.

Research with similar themes has been widely conducted by previous researchers, such as a study by Pandensolang *et al.* (2022) on budget realization at the National Narcotics Agency (Indonesian: *Badan Narkotika Nasional Provinsi*, abbreviated BNNP) of North Sulawesi from 2019 to 2020. The results of the research showed that the implementation of Business Intelligence on the planning and



realization data of the APBN budget at the BNNP of North Sulawesi revealed a consistent trend. It was observed that as the year progressed, there was an increase in budget absorption, indicating an accumulation of activities towards the end of the year.

In a study conducted by Akbar, et al. (2018), the use of Business Intelligence in the form of the Tableau application was demonstrated. The study used regional APBD data from West Sumatra, which revealed discrepancies in government budget allocations. Notably, the largest budget was directed towards Padang City, the capital of West Sumatra Province. The study's findings can serve as a foundation for decision-making and policy development regarding regional budget allocations. It's worth mentioning that both studies utilized Tableau as their business intelligence tool, whereas the current study relies on Power BI. Furthermore, while previous studies used regional APBD data for West Sumatra and the APBN data at the National Narcotics Agency (BNNP), while the current study focuses on the APBD data for Ngawi Regency from 2021 to 2023.

In light of the background described above, it is essential to implement Business Intelligence (BI) on the Ngawi Regency's APBD data. In this case, the researcher is utilizing Power BI, a BI tool connected to Artificial Intelligence (AI), to analyse the 2021-2023 APBD data. This study aims to provide insights into the data's development and demonstrate how Power BI can be used as a decision-making tool and to mitigate human errors leading to data inconsistencies.

## RESEARCH METHOD

This research utilized a qualitative descriptive method with both primary and secondary data sources. The secondary data was collected from the Ngawi Regency APBD records available on the [ngawikab.go.id](http://ngawikab.go.id) website for the years 2021 to 2023. Primary data was gathered through interviews with the Regional Budget Planning Section, as they play a significant role in the Ngawi Regency APBD. Information regarding the APBD planning process was obtained from this section. It is essential to conduct research using Business Intelligence to analyse and visualize the budget or APBD, considering the suboptimal management of APBD data for decision-making within the Ngawi Regency Finance Agency.

After obtaining the information as described above, the next step is data processing. To process the data, the researchers do several stages. Firstly, the researchers collected the data at the Ngawi Regency Finance Agency Office. The data is the archive of financial reports containing information related to the 2021-2023 Regional Budget, Revenue, and Expenditure. Secondly, the researchers select the data, which is a summary of the APBD data from 2021-2023. According to Widaningsih (2022), it is a process of selecting data or data sets containing financial report information in the form of a summary of the APBD for a certain period. Thirdly, the researchers did the cleansing process. According to Zai (2022), this is the stage where researchers delete duplicate data or also delete unused data. Fourthly, the researchers did the data transformation. It is a process that is carried out in the form of organizing or formatting data so that it can be classified (Nasution & Camidah, 2019). Fifthly, the researchers did data mining. This process needs to be carried out to obtain important information from fairly large data. The range of budget years required by the researchers is the data from 2021 to 2022. And the last is interpretation. In the interpretation stage, researchers must make the data used understandable by the Ngawi Regency Finance Agency. It means the data must be clear and it does not contradict the existing facts, so there is not any error in the information processed and obtained from the data used.

## RESULTS AND DISCUSSION

### Regional Income

The following is a breakdown of the data on the Regional Revenue and Expenditure Budget of Ngawi Regency for 2021-2023. The table below shows the nominal amount of the budget carried out by the Ngawi Regency Government:

Table 1. Summary of regional income of Ngawi Regency 2021-2023

No.	Years	Budget
1.	2021	Rp2,127,457,886,476.00
2.	2022	Rp2,122,604,133,831.00
3.	2023	Rp2,389,604,229,617.00

Source: Documentation of accounting and reporting sector of Ngawi Regency financial agency

The table above is data on Regional Income in Ngawi Regency in 2021-2022 which always fluctuates. The data in the table is then visualized into a dashboard containing various types of visualizations such as charts, bars, diagrams, and others. The APBD data is visualized using Business Intelligence tools called Power BI. Power BI is a product from Microsoft Office that allows users to combine data, visualize data, and analyze data to be then presented in a structured and interactive manner (Maziyyah, 2022). Power BI is known to have more complete features such as being able to be displayed online via desktop, web, and mobile, having complete visualizations, and users can access data directly, and in real-time with data sources because it uses Data Connectivity Gateways (Gowthami & Kumar, 2017). The following is the visualization result of the 2021-2023 regional revenue budget data for the Ngawi Regency Regional Government:

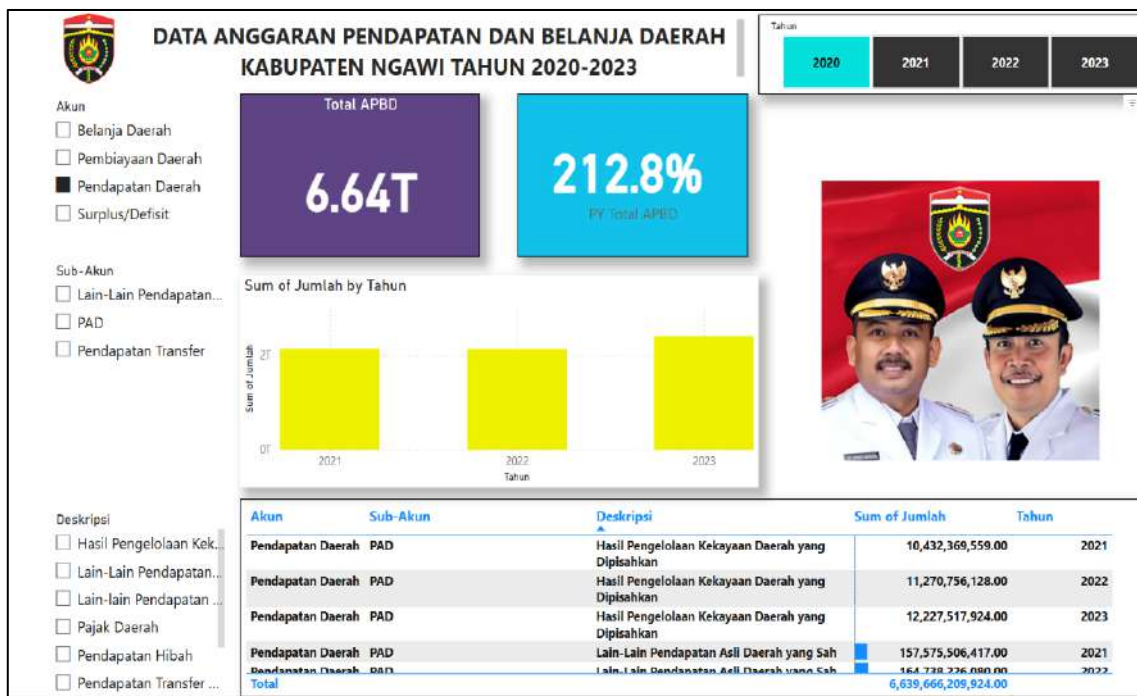


Figure 1. Visualization of regional income data for Ngawi Regency 2021-2023

Source: Personal documentation

Based on the data visualization above, it shows that the overall Regional Revenue Budget from 2021-2023 is Rp6,639,666,209,924.00 with a growth percentage during 2021-2023 of 212.8%. The regional Revenue Budget from 2021-2023 is known to be included as Regional Original Revenue (Indonesian: *Pendapatan Asli Daerah*, abbreviated PAD) of Rp766,853,561,604.00, with a percentage increase of 206.9%. The next regional income comes from Other Legitimate Regional Revenue of Rp176,739,613,000.00, with total growth reaching 101.4%, and Transfer Revenue, based on the visualization conducted by the researcher, was obtained information that Transfer Income replaces Balancing Funds as regulated in PP Number 12 of 2019. Transfer Income includes Central Government Transfer Income and Inter-Regional Transfer Income (Sulaeman & Silvia, 2019). Total Transfer Income for three years is Rp5,696,073,035,320.00. The largest regional revenue budget is in 2023 amounting to Rp2,389,604,229,617.00 with the largest source of income from the Central Government Transfer Fund of Rp1,916,637,377,000.00 in 2023.

### Regional Expenditure

In contrast to the definition of regional income, Regional Expenditure is an obligation of the regional government that is recognized as a reduction in regional government assets in the current budget year.

Table 2. Summary of regional expenditure of Ngawi Regency 2021-2023

No.	Years	Budget
1.	2021	Rp2,270,417,650,068.00
2.	2022	Rp2,287,317,676,477.00
3.	2023	Rp2,497,822,779,133.00

Source: Documentation of accounting and reporting sector of Ngawi Regency financial agency

In the 2021-2023 budget period, the total Regional Expenditure of Ngawi Regency is Rp7,055,558,105,678 with a growth percentage of 208.5%. This percentage is obtained from the total accumulation of the 2021-2023 budget which is calculated automatically by Power BI. The following is a visualization of the Regional Expenditure data for Ngawi Regency in 2021-2023:

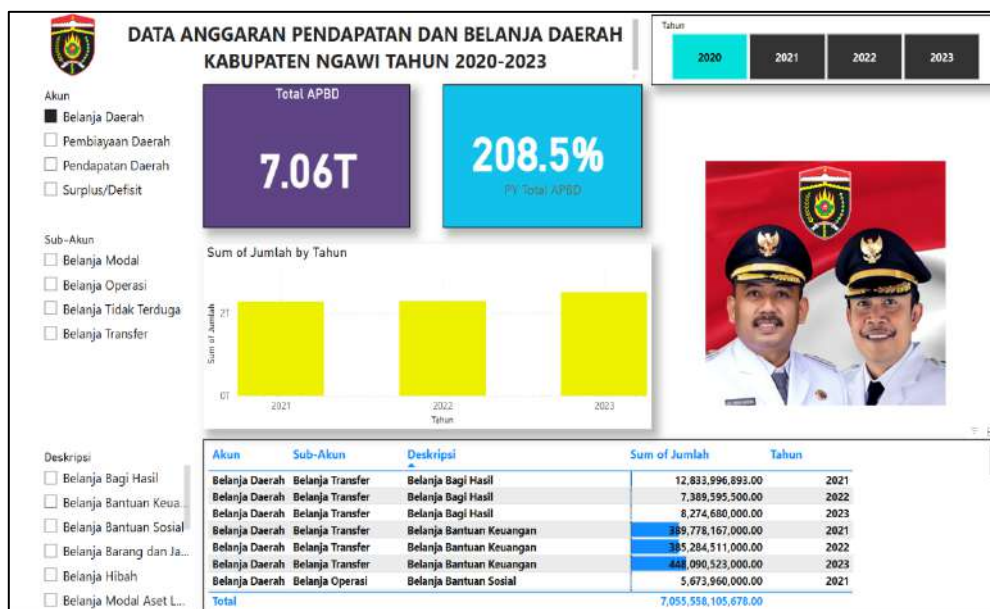


Figure 2. Visualization of regional budget data for Ngawi Regency 2021-2023

Source: Personal documentation

The researcher conducted visualization and obtained information that in 2021, Ngawi Regency Regional Expenditure decreased by 2.5%, which was Rp2,270,417,650,068.00. Different from the previous year, starting in 2021, changes to the APBD structure were implemented based on PP No. 12 of 2019 as was the case with the Regional Revenue Budget explained above. In 2021, Regional Expenditure includes Operational Expenditure, Capital Expenditure, Unexpected Expenditure, Transfer Expenditure. In Operational Expenditure, there are budget elements in the form of Employee Expenditure of Rp1,053,168,086,515.00, Goods and Services Expenditure of Rp427,010,758,591.00, Grant Expenditure of Rp42,356,359,041.00, Social Assistance Expenditure of Rp5,673,960,000.00, so that the total Regional Expenditure of Ngawi Regency in 2021 is Rp1,528,209,164,147.00.

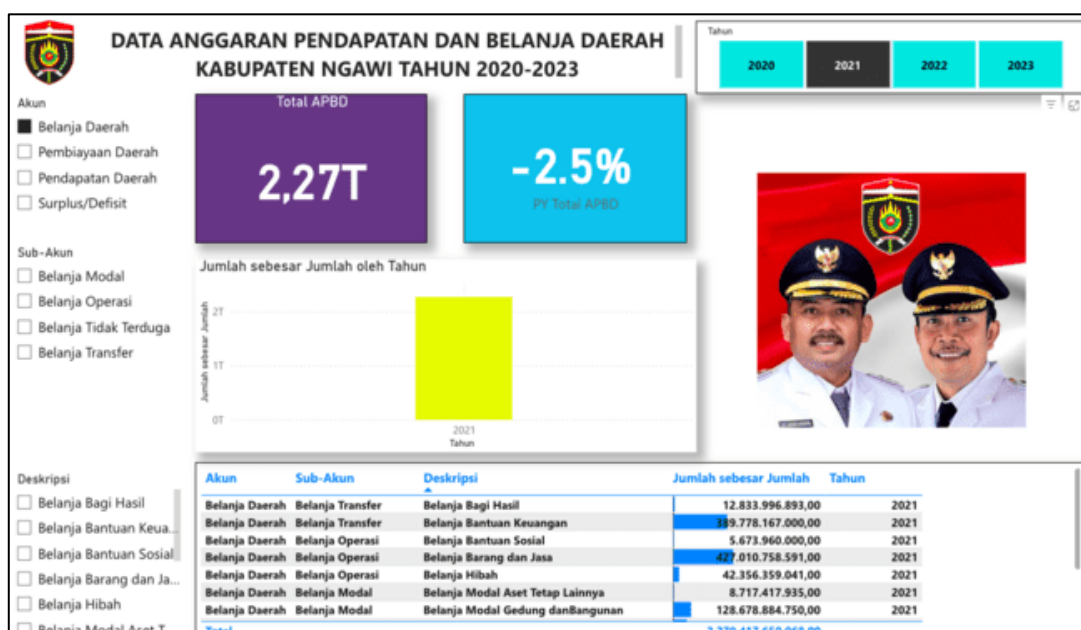


Figure 3. Visualization of regional budget data for Ngawi Regency 2021  
 Source: Personal documentation

Next is Capital Expenditure, which includes budget elements such as Land Capital Expenditure of Rp9,641,025,000.00, Equipment and Machinery Capital Expenditure of Rp81,871,961,343.00, Building and Structure Capital Expenditure of Rp128,678,884,750.00, Road, Network, and Irrigation Capital Expenditure of Rp99,275,403,000.00, Other Fixed Asset Capital Expenditure of Rp8,717,417,935.00. Total Capital Expenditure in 2021 is Rp328,184,692,028.00. Next, Unexpected Expenditures worth Rp11,411,630,000.00, and Transfer Expenditures worth Rp402,612,163,893.00, consisting of Revenue Sharing Expenditures and Financial Assistance Expenditures of Rp12,833,996,893.00 and Rp389,778,167,000.00.

Next is 2022, which obtained information that in that year the Ngawi Regency Regional Expenditure budget was Rp2,287,317,317,676,477.00. The amount of the budget is known to have grown by 0.7% from a similar budget in the previous period. Similar to the previous year, the Ngawi Regency Regional Expenditure in 2022 consists of several types of budgets such as Operational Expenditure of Rp1,624,469,096,737.00 which comes from Employee Expenditure of Rp1,031,050,223,932.00, Goods and Services Expenditure of Rp526,978,631,805.00, Grant Expenditure of Rp57,556,417,000.00, Social Assistance Expenditure of Rp8,883,824,000.00.



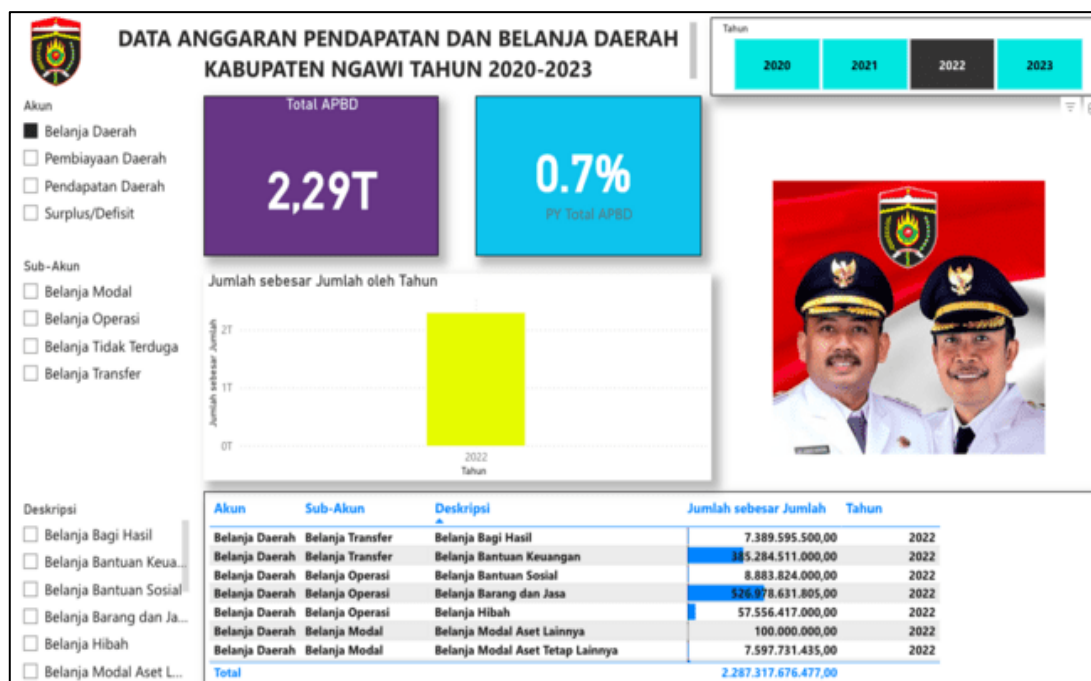


Figure 4. Visualization of regional budget data for Ngawi Regency 2022

Source: Personal documentation

Capital Expenditure has a budget of Rp257,562,843,240.00, which includes Land Capital Expenditure worth Rp1,030,000,000.00, Equipment and Machinery Capital Expenditure of Rp83,720,979,161.00, Building and Structure Capital Expenditure of Rp22,004,040,000.00, Road, Network, and Irrigation Capital Expenditure of Rp143,110,092,644.00, Other Fixed Asset Capital Expenditure of Rp7,597,731,435.00, then the last one is Other Asset Expenditure of Rp100,000,000.00. Next, in the Unexpected Expenditure budget type of Rp12,611,630,000.00 and Transfer Expenditure, the total is Rp392,674,106,500.00, with details of Revenue Sharing Expenditure and Financial Assistance Expenditure of Rp7,389,595,500.00 and Rp385,284,511,000.00.

The next Regional Expenditure Visualization is the 2023 APBD. This year, Regional Expenditure is the same as that structured in the previous year. Includes Operational Expenditure, Capital Expenditure, Unexpected Expenditure, and Transfer Expenditure (Sugiri, 2019). The total Regional Expenditure budget for Ngawi Regency is Rp2,497,822,779,133.00. This amount increased by 9.2% compared to 2022.

Ngawi Regency Regional Expenditure in 2023 consists of several types of budgets such as Operational Expenditure of IDR1,648,899,074,646 which comes from Employee Expenditure of Rp1,009,617,951,503.00, Goods and Services Expenditure of Rp552,052,346,143.00, Grant Expenditure of Rp84,153,537,000.00, Social Assistance Expenditure of Rp3,075,240,000.00.

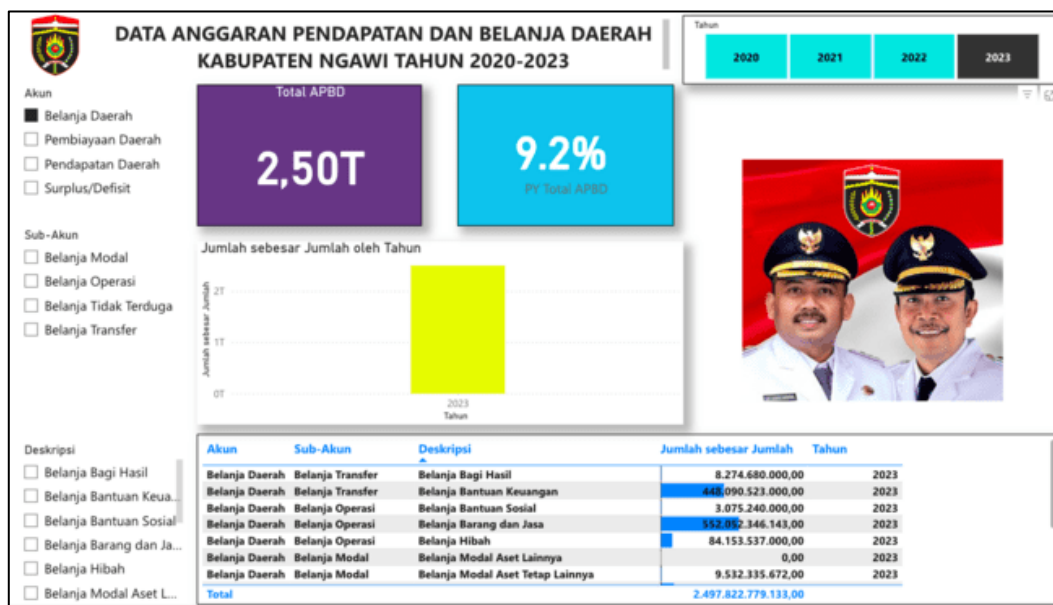


Figure 5. Visualization of regional budget data for Ngawi Regency 2023

Source: Personal documentation

Capital Expenditure has a budget of Rp385,724,253,817.00, which includes Land Capital Expenditure worth Rp10,569,989,295.00, Equipment and Machinery Capital Expenditure Rp72,016,568,350, Building and Structure Capital Expenditure Rp95,599,607,000.00, Road, Network, and Irrigation Capital Expenditure Rp198,005,753,500.00, Other Fixed Asset Capital Expenditure Rp9,532,335,672.00, then the last one is Other Asset Expenditure Rp0. Next, in the Unexpected Expenditure budget type Rp6,834,247,670.00 and Transfer Expenditure totaling Rp456,365,203,000.00, with details of Revenue Sharing Expenditure and Financial Assistance Expenditure Rp8,274,680,000.00 and Rp448,090,532,000.00.

### Decision making based on APBD data

After knowing the description of the Ngawi Regency budget in 2021-2023 which was visualized and visualized using Power BI, there is a lot of information obtained by researchers and the Ngawi Regency Finance Agency. In this case, it is the Budget Planning Section along with the Ngawi Regency APBD Information and Data processing officers who are also part of the Planning and Budgeting Section at the Ngawi Regency Finance Agency as the results of interviews conducted by researchers with informants namely the Head of Budget Planning Section, show that the use of Power BI Business Intelligence as a media for visualizing budget data is considered appropriate and can be used in decision making (Rudiawan, 2021).

This is the statement made by the Head of the Budget Planning Section, Mrs. Palupi, in an interview conducted on March 5, 2024:

“Yes, I think it is necessary to use this Power BI application, because I have tried it directly and I know that there are accurate calculations, there are percentages, and it is very detailed, so it will be very easy to use to make decisions related to the APBD budget” (Palupi, 2024).

“Iya, menurut saya perlu menggunakan aplikasi Pwer BI ini, karena saya sudah mencoba langsung dan saya mengetahui ada perhitungan yang akurat, ada presentasenya, dan sangat rinci, sehingga akan sangat mudah digunakan untuk mengambil keputusan terkait anggaran APBD” (Palupi, 2024).



The basis for this statement is that Power BI-based Business Intelligence is easy to use by laypeople and is also practical because just by scanning the barcode that the researcher has created, the desired APBD data will appear, then it can be accessed using a smartphone, laptop, PC, or other similar devices that are connected to the internet, besides this media is also considered very fast and precise so that it greatly supports the success of the APBD budget decision making by the Ngawi Regency Finance Agency. The decision-making factor at the Ngawi Regency Finance Agency using Power BI is the aim of preventing human error which causes data asynchrony and accuracy of analysis in Power BI.

The choice of Power BI as a decision-making medium is due to several things, including:

- a. The information and data contained in this Power BI-based visualization can be used as a medium for non-formal budget reporting (not written in an official letter by the department) in internal meetings.
- b. In preparing the five-year Strategic Plan (Renstra) for the coming period, this dashboard will be used as a reference because it is easy to access without having to search for files buried on the computer.
- c. This budget data visualization dashboard will be used in determining the budget amount related to Capital Expenditures because in preparing it you need to look at and adjust the previous budget considering that Capital Expenditures are related to market prices.
- d. This media will enable it to be used to increase the openness of Ngawi Regency budget data and information to the public so that it is more transparent.
- e. This Business Intelligence system is used in making decisions regarding speed and timeliness in accessing budget data and reducing reporting errors due to human error (Tumini & Subekti, *et al.*, 2023).

## CONCLUSION

The implementation and visualization of Regional Revenue and Expenditure Budget using Business Intelligence Power have provided valuable insights. This study shows that using Power BI can help resolve issues related to the synchronization of Ngawi Regency's APBD budget data from previous years. Analysis using Power BI also revealed fluctuations in the APBD budget over the four-year period from 2021 to 2023, with a cumulative total of Rp13,732,224,315,602.00 and a total growth of 210.3%. These findings demonstrate that the Power BI system can support decision-making processes within agencies, including strategic planning (Indonesian: *Rencana Strategis*, abbreviated Renstra), budget transparency, determination of Capital Expenditure, financial reporting during internal meetings, and various other decisions related to the APBD.

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## The Effect of Capital and Personnel Expenditures on the Level of Regional Financial Autonomy in Yogyakarta

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### ABSTRACT

Yogyakarta has high spending on capital and personnel expenditures, with the regional financial dependency rate remaining high. This study investigates the impact of capital and personnel expenditures on Yogyakarta's level of regional financial autonomy. This study utilized a quantitative method and analyzed data from all regencies and cities in Yogyakarta between 2015 and 2022. A total of 40 observations were based on a purposive sampling approach and examined using linear regression. The findings indicate that both variables have a significant negative impact on the level of regional financial autonomy. The study results can guide future financial management strategies for the regional government. In addition, this study contributes to the understanding of regional financial autonomy characteristics, particularly in Yogyakarta.

**Keywords:** public sector accounting; regional finance; regional financial management

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## INTRODUCTION

Law No. 9/2015 junto (jo.) Law No. 23/2014, concerning regional government, defines regional autonomy as the rights, authority, and obligations of autonomous regions to manage and regulate their own government affairs, including the interests of local communities, under statutory regulations (Rangkasa, 2017). Based on the principle of autonomy, regional governments have the authority to manage and regulate all government activities that are not part of the affairs or authority of the central government (Bunga, 2020).

To realize regional financial autonomy, regional governments need to explore regional potential to maximize and generate income (Wahyuni & Ardini, 2018). A region's ability to explore its potential can be measured by how much Regional Original Income (Indonesian: *Pendapatan Asli Daerah*, abbreviated PAD) is obtained (Rinaldi, 2013). Thus, broad autonomy requires regions to improve their competitiveness (Fauzi, 2019). The financial capacity of a region reflects the level of regional autonomy. High original regional income indicates a high level of regional financial autonomy. This condition characterizes the success of regional autonomy (Darwis, 2015). Regional financial autonomy is not only measured by the amount of original regional income but also by how each region manages its income to fund regional activities. This variety of activities can be seen in regional expenditure which is included in the Regional Revenue and Expenditure Budget (Indonesian: *Anggaran Pendapatan, dan Belanja Daerah*, abbreviated APBD) (Ariani & Putri, 2016). Based on regulations Government Number 12 of 2019 concerning Regional Financial Management, regional spending is all recognized government obligations as a deduction from the value of net assets in the fiscal year (JDIH BPK RI, 2023). One type of financial autonomy is the ability of local governments to realize expenditure using collected original regional income without fully relying on transfer income from the central government (Wahyuni & Ardini, 2018).

Operational expenditure is the largest regional expenditure. Most of the operational expenditure is personnel expenditure which is also a component of direct regional expenditure. Employee spending is spending to appreciate all employees who have carried out their obligations to the government (Sefira & Budiwitjaksono, 2022). The average employee expenditure is multiple capital expenditure consisting of six accounts (Rinaldi, 2014). Restricted regional expenditure is mandatory regional government expenditure, including personnel expenditure, interest, and subsidies (Fanggidae, 2020). Besides that, spending on education and health is also mandatory. The distinction between mandatory and restricted spending lies in their usage. Mandatory expenditure is used to finance public facilities and infrastructure. If the amount of discretionary spending is quite significant, the fiscal space of regional governments will decrease. This situation hampers regional development stemming from capital expenditure (Fanggidae, 2020).

According to Darwis (2015), having less spending on capital than personnel spending is a main concern, including allowances for Civil Servants (Indonesian: *Pegawai Negeri Sipil*, abbreviated PNS) and State Civil Apparatus (Indonesian: *Aparatus Sipil Negara*, abbreviated ASN). If personnel expenditure is higher than capital expenditure, the regional government will have a small fund allocation for developing, maintaining, and improving public facilities (Fitriyani & Suwarno, 2021). This is the phenomenon of shrinking fiscal space. This condition occurs in all districts and cities in the Special Region of Yogyakarta Province.

The Yogyakarta government has developed a regional financial policy focus, mainly in the form of a regional fiscal study (Indonesian: *Kajian Fiskal Regional*, abbreviated KFR). The Special Region of Yogyakarta (Indonesian: *Daerah Istimewa Yogyakarta*, abbreviated DIY) Provincial Government is working on achieving appropriate spending on development targets and regional challenges by paying attention to the regional economy and fiscal matters. This involves analyzing leading sectors such as the processing industry, accommodation provision, and food and beverage services, as well as assessing

regional potential in the construction sector. Additionally, they are aiming to harmonize central and regional spending (DJPK Kementerian Keuangan, 2023). Through these policies, it is hoped that the contribution to DIY Gross Regional Domestic Product or GRDP (Indonesian: *Produk Domestik Regional Bruto*, abbreviated PDRB) will increase and, therefore, the support from transfer to regions and villages (Indonesian: *Transfer ke Daerah dan Desa*, abbreviated TKDD) will be decreased. Four districts and one city in DIY Province will have GRDP and 19 growth levels following an exploration of the potential of each region. Each region will have different ways of allocating regional spending to improve regional management (Putra, 2013). However, in terms of Regional Revenue and Expenditure Budgets implementation (Indonesian: *Anggaran Pendapatan dan Belanja Daerah*, abbreviated APBD), the DIY Provincial Government's income at the end of 2022 is still dominated by TKDD, at around 66.77% (DJPK Kementerian Keuangan, 2023).

Data from the Yogyakarta Provincial Government's Revenue and Expenditure Budget Realization Report (APBD) in Table 1 shows that the allocation of personnel expenditure tends to be higher than capital expenditure.

Table 1. Realization of capital expenditure and personnel expenditure of Yogyakarta Special Government to total regional expenditure

Years	Capital Expenditure	Personnel Expenditure	Total Expenditure (Rp)
2017	25%	34%	2,475,425,098,581.60
2018	25%	33%	2,645,620,835,788.74
2019	23%	34%	2,588,966,940,365.85
2020	22%	36%	2,502,870,809,638.94
2021	12%	28%	2,216,380,281,472.39
2022	13%	29%	2,309,546,429,919.38

Source: ppidjogjapro.go.id

Data series of APBD, APBD realization, and balance sheet in 2021-2022 by the Directorate General of Fiscal Balance of the Ministry of Finance (Indonesian: *Direktorat Jenderal Perimbangan Keuangan*, abbreviated DJPK) show that the Special Region of Yogyakarta (DIY) has the second-largest ratio of personnel expenditure to total regional expenditure in 2021 in Java after DKI Jakarta, as shown in Table 2. The ratio of personnel expenditure in DIY increased from 28.6% in 2021 to 29.4% in 2022. This rise makes DIY the highest ranked for the ratio of personnel expenditure because DKI Jakarta experienced a decrease in personnel expenditure (DJPK Kementerian Keuangan, 2022).

Table 2. Personnel expenditure ratio between provinces on Java Island

Province	2021	2022	Increase (decrease)
DKI Jakarta	30,0%	27,3%	(2,7%)
DI Yogyakarta	28,6%	29,4%	0,8%
Jawa Timur	24,5%	23,4%	(1,1%)
Jawa Tengah	22,5%	24,6%	2,1%
Banten	11,8%	19,5%	7,7%
Jawa Barat	15,4%	20,4%	5%

Source: djppkkemenkeu.go.id

The highest ratio of personnel expenditure on the island of Java indicates that districts and cities in DIY Province have a large realization of personnel expenditure. Besides that, expenditure for development or realization of district and city capital expenditure in DIY has an insignificant ratio



compared to personnel expenditure. This is proven by the APBD data series, APBD realization, and balance sheet by the DJPK Ministry of Finance as shown in Table 3.

Table 1. Ratio of capital and regency expenditures and city personnel expenditures in DIY Province in 2022 to total regional expenditures

Regency/Cities	Capital Expenditures	Personnel Expenditures
Bantul	9,76%	37,55%
Gunungkidul	13,42%	41,18%
Kulonprogo	9,54%	43,92%
Sleman	15,34%	35,79%
Yogyakarta	14,42%	39,60%

Source: djpkkemenkeu.go.id

Table 3 shows that capital expenditure has a very low ratio, below 20%, while personnel expenditure has a ratio above 30%. Although the personnel expenditure does not exceed 50%, local governments are expected to carry out development through capital expenditure. However, the realization of district and city capital expenditure in DIY is relatively low. Additionally, with the implementation of tax harmonization (Indonesian: *Undang-undang Hubungan Keuangan antara Pemerintah Pusat dan Pemerintah Daerah*, abbreviated UU HKPD), it is hoped that regions will allocate 40% of the budget for capital expenditure.

According to DJPK, the Ministry of Finance, in 2022, the composition of DIY district and city regional income for Original Regional Income is at 16.05% to 38.72% and Transfer Funds to Regions is 52.69% to 75.04% (Suryani, 2022). This percentage shows that the average regional dependence in the DIY region is still high. This can also be seen from the trend in the ratio of regional financial autonomy in district and city governments in DIY Province. The average financial autonomy ratio for each regional government in the 2017-2021 period is PAD of 23.98% and 63.34% is transfer funds (Suryani, 2022). The details of the average regional financial autonomy ratio of the DIY Regional Government are shown in Table 4 below.

Table 4. Average regional financial autonomy in regency/cities of Yogyakarta Special Region Province from 2017 to 2021 from the composition of central transfer funds

Regency/Cities	Average Ratio
Yogyakarta	52,28%
Sleman	54,59%
Bantul	65,44%
Kulonprogo	69,40%
Gunungkidul	75,01%

Source: djpkkemenkeu.go.id

The data on the financial performance of Regency/City Regional Governments in DIY Province from 2017 to 2021 show that Bantul, Kulonprogo, and Gunungkidul regional Governments have a level of autonomy below 25%, which means very low. The following is the ratio for regional financial autonomy in districts and cities in DIY in 2022.



Table 5. Regional financial autonomy ratio

Regency/Cities	Ratio
Bantul	31,57%
Gunungkidul	18,78%
Kulomprogo	25,35%
Sleman	54,73%
Yogyakarta	62,31%

Source: Processed data (2024)

The data on the financial autonomy ratio calculated from Original Regional Income compared to central or provincial government transfers and loans, three districts in DIY province are still below 32%. This is a consultative relationship pattern which means low regional financial capacity (Mahsun, 2006). Dependence on transfer income indicates that regional PAD collection is not optimal. Regional Original Income (Indonesian: *Pendapatan Asli Daerah*, abbreviated PAD) is the result of the realization of expenditure used for public purposes or services, so the allocation of expenditure composition for routine expenditure which is relatively less productive needs to be reduced (Fatimah et al., 2020).

This research was conducted to prove whether there is an influence of capital expenditure and personnel expenditure on the level of regional financial autonomy of district and city governments in D.I. Yogyakarta Province in 2015-2022. Previous research in the districts and cities of West Sumatra Province has proven a negative influence of capital and personnel expenditure on the level of regional financial autonomy. This research is expected to contribute technically and academically. The Yogyakarta regional government can evaluate the composition of capital expenditure and personnel expenditure to increase regional financial autonomy. At an academic level, this research can strengthen the results of empirical studies on the influence of capital expenditure and personnel expenditure on regional financial autonomy.

## Theoretical Framework and Hypothesis Development

### Stewardship theory

This research uses stewardship theory. Stewardship Theory defines a successful organization as an organization that can demonstrate the optimization of the utility of the principal and management groups. Maximizing the utility will maximize the interests of an individual in the organizational group (Jefri, 2018). This theory states that the level of existence of regional or city government as an organization or public service institution is trusted to carry out its duties and functions appropriately for the public interest to achieve maximum community welfare (Oktavianus Pasaloran, 2001). If the government as a steward can achieve its goals, then the people as principals will feel satisfied and have more confidence in the government's performance. Regional governments with a high level of regional financial autonomy are regional governments that can fund their government activities independently (Anton, 2010).

### The influence of capital expenditures on the level of financial autonomy of regency and city governments in the Special Region of Yogyakarta Province

Capital expenditure is the realization of the budget for the acquisition of fixed assets and other assets that have a useful life of more than 12 months or one accounting period and are used for government activities. (Halim & Kusufi, 2012). Following the Stewardship Theory, local governments are required to manage capital expenditure optimally and on target so that the level of service to the public is of higher quality (Ernawati & Riharjo, 2017). To manage capital expenditure optimally, strong

cooperation between local governments as stewards and the community is needed to achieve community satisfaction.

Rivandi and Anggraini (2022) found that a large PAD indicates that the region is financially independent and can prepare a more optimal capital expenditure budget. However, if the increase in capital expenditure is not accompanied by an increase in PAD, it could result in the regional government's inability to fund capital expenditure. As a result, regional governments will always depend on the central government to fund capital expenditure.

Research by Darwis (2015) found that capital expenditure had a significant and negative influence on the level of regional financial autonomy of district and city governments in West Sumatra. This means that increasing capital expenditure will reduce the level of regional financial autonomy. If the remaining budget from PAD which is used for mandatory expenditure and restricted expenditure cannot be used to fund capital expenditure, then capital expenditure will be financed with general allocation funds, one of which is transfers from the central government. Research by Imawan and Agus, (2014) shows the same findings, that capital expenditure had a negative effect on regional financial autonomy. Based on the explanation above, a hypothesis is formulated:

*H1. Capital Expenditures have a negative effect on the Level of Regional Financial Autonomy*

### **The influence of personnel expenditures on the level of financial autonomy of regency and city governments in the Special Region of Yogyakarta Province**

According to Darise (2007), employee expenditure is expenditure for imbalances and corrections, namely in the form of basic salary, allowances, and other income handed over to Civil Servants (PNS) as reciprocity for obligations that have been carried out. Included in personnel expenditure is work related to capital formation as determined by law. Appropriately and optimally selected employee expenditure will improve the quality of regional apparatus performance. Regional officials as managers and executors of functions will receive payments in the form of salaries and allowances. Therefore, regional officials are required to be responsible for managing resources to provide optimal services to the community. If the performance of regional officials as administrators is well supported by a good governance system, then regional financial autonomy will be achieved.

According to Darwis (2015), employee spending can influence the level of regional financial autonomy, both positively and negatively. A positive influence occurs when employee spending can support the productivity of regional apparatus performance. Meanwhile, a negative influence occurs if personnel expenditure is greater than the capital expenditure used to develop and implement public services. Excessive personnel spending will affect regional spending and burden financial stability, thereby hampering regional development. Darwis's statement (2015) is proven by the results of his research that spending on district and city government employees in West Sumatra Province has a negative influence on the level of regional financial autonomy. Research by Wahyuni and Ardini (2018) regarding the Influence of PAD, Capital Expenditures, and Personnel Expenditures on the Level of Regional Financial Autonomy shows that personnel spending has a negative influence on the level of regional financial autonomy. Regional financial stability in East Java is influenced by a significant increase in personnel spending. From the explanation above, a hypothesis is formulated:

*H2. Personnel Expenditures have a negative effect on the Level of Regional Financial Autonomy*

## **RESEARCH METHOD**

### **Research Plan**

This research used descriptive quantitative research methods. The type of data used was secondary data obtained from the publication of Regional Regulations on Accountability for the Realization of District and City Regional Government APBDs in the Special Region of Yogyakarta

Province (DIY) in 2015-2022. The data source was obtained from the Legal Documentation and Information Network (Indonesian: *Jaringan Dokumentasi dan Informasi Hukum*, abbreviated JDIH) and Officer of Information and Documentation Management (Indonesian: *Pejabat Pengelola Informasi dan Dokumentasi*, abbreviated PPID) portals regarding Regional Regulations regarding Accountability for the Realization of Regional Revenue and Expenditure Budgets (APBD) of Regency and City Governments in D.I Yogyakarta for 2015-2022. Documentation technique was used to collect the data. The population was District and City Governments in DIY Province. The sampling technique was carried out using a purposive sampling approach to determine samples from the population that met the criteria.

### Definition of Variable and Measurement

The variables used in this research consist of two independent variables (X), one dependent variable (Y), and five controlling variables. The following is an explanation of these variables:

The level of regional financial autonomy (Y)

Halim and Kusufi (2012) said that the ratio of regional financial autonomy or fiscal autonomy is the ability of a region to fund its government activities, development, and services to the public who have paid taxes and retribution as a source of regional income.

$$Y = \left( \frac{\text{Regional Original Income (PAD)}}{\text{Central, Provincial Government Transfers \& Loans}} \right) \times 100\%$$

Information:

Y = The regional financial autonomy ratio

Source: Halim and Kusufi (2012)

Capital expenditure (X1)

Capital expenditure is the realization of the budget for the acquisition of fixed assets and other assets that have a useful life of more than 12 months or one accounting period for use in government activities.

$$X1 = \left( \frac{\text{Capital Expenditure}}{\text{Total Regional Expenditure}} \right) \times 100\%$$

Information:

X1 = Capital expenditure ratio

Source: Simatupang (2016)

Personnel expenditure (X2)

Darise (2007) states employee expenditure is an expenditure in the form of salaries and allowances as well as other income handed over to PNS (Civil Servants) as an imbalance of obligations carried out, except for work related to capital formation as determined by statutory regulations.

$$X2 = \left( \frac{\text{Personnel Expenditure}}{\text{Total Regional Expenditure}} \right) \times 100\%$$

Information:

X2 = Personnel expenditure ratio

Source: Simatupang (2016)

Regional tax (Control 1)

Based on Nggilu (2016), regional taxes are retributions imposed or charged by regional governments on individuals or entities without direct compensation. They are coercive based on statutory regulations and are used to fund the administration of regional governments.

Regional retribution (Control 2)

Regional retribution is the result of regional retribution originating from payments for services or the granting of certain permits to individuals or entities by the regional government for certain purposes (Novitasari & Novitasari, 2019).

General allocation fund (DAU) (Control 3)

General Allocation Funds (Indonesian: *Dana Alokasi Umum*, abbreviated DAU) are funds originating from APBN revenues and allocated to regions to equalize regional finances in meeting the needs of each region in the context of implementing decentralization (Marizka, 2013).

Special Allocation Fund (DAK) (Control 4)

Special Allocation Funds (Indonesian: *Dana Alokasi Khusus*, abbreviated DAK), are funds originating from APBN revenues and allocated to regions to finance special activities which include regional affairs and are in line with national priorities in the context of basic services to the public (Nurhasanah & Maria, 2017).

Profit Sharing Funds (DBH) (Control 5)

Profit Sharing Funds (Indonesian: *Dana Bagi Hasil*, abbreviated DBH) funds originally come from APBN revenues and are allocated to regions based on percentage figures to finance regional needs in implementing decentralization (Marizka, 2013).

$$Ratio = \left( \frac{Realization\ of\ PD, RD, DAU, DAK, DBH}{Realization\ of\ Total\ Regional\ Income} \right) \times 100\%$$

Information:

PD = Indonesian: *Pajak Daerah* (Regional Tax)

RD = Indonesian: *Retribusi Daerah* (Regional Retribution)

Source: Nurhasanah and Maria (2017)

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

The following is a table of Descriptive Statistics for Research Variables.

Table 6. Descriptive statistic

	Mean	Std. Deviation	N
Regional Financial Autonomy	34,2138	17,20408	40
Capital Expenditure (X1)	16,1928	3,56830	40
Personnel Expenditure (X2)	45,5745	5,51669	40
Regional Tax (X3)	12,0537	9,21127	40
Regional Retribution (X4)	3,0283	9,73482	40
DAU (X5)	42,8560	6,88943	40

	Mean	Std. Deviation	N
DAK (X6)	12,5772	5,04463	40
DBH (X7)	1,8640	0,67179	40

Source: Processed data (2024)

Table 6 shows the dependent variable has an average of 34.2138 with a standard deviation of 17.20408. Based on the autonomy ratio table with the pattern of financial relations between the central government and regional governments, districts and cities in DIY Province are included in the consultative relationship pattern with a ratio of >25-50%. The capital expenditure variable as an independent variable or X1 is proxied to have a mean level of 16.1928 and a standard deviation of 3.56830. The percentage of capital expenditure during 2015-2022 has the highest value of 25.24% and the lowest value of 9.54%. The personnel expenditure variable as an independent variable X2 has a mean of 45.5745 and a standard deviation of 5.51669. Personnel expenditure has a maximum personnel expenditure percentage of 57.34% and the lowest percentage is 35.79%.

**Classic Assumption Test**

**Normality test**

The normality test was carried out using the “Kolmogorov-Smirnov” Test. Data is said to be normal when the significance level exceeds 0.05. In detail, the results of the residual normality test can be seen in the following table.

Table 7. One-sample kolmogorov-smirnov test

	Value
N (Amount of Data)	40
Kolmogorov – Smirnov Significance Value	0,200
<i>Monte Carlo Sig, (2-tailed)</i> Sig	0,722
99% Confidence Lower Bound	0,710
Interval Upper Bound	0,734
Testing Criteria	Sig > 0,05
Significance Value	0,200 > 0,05

Source: Processed data (2024)

Based on Table 7 regarding the results of the residual normality test, it can be seen that the “Kolmogorov-Smirnov” value is 0.200 or 20%, this value is shown from asymp. Sig. (2-tailed) and it has been proven that the value exceeds 0.05 (0.200 > 0.05), it is concluded that the residual data for this study is normally distributed.

**Multicollinearity Test**

The multicollinearity test is used to determine whether there is a correlation between independent variables or not. Multicollinearity can be seen from the VIF (Variance Inflation Factor) and tolerance values. If the tolerance value is > 0.1 and VIF < 10, then the model is free from correlation. Based on this test, the tolerance and VIF values were obtained as follows.

Based on Table 8. above, the calculation results of the Tolerance and VIF values can be seen. The Tolerance value for the capital expenditure variable (X<sub>1</sub>) is 0.865 and the VIF value is 1.157. Then for the personnel expenditure variable (X<sub>2</sub>), the tolerance value is 0.330, while the VIF has a value of 3.030. Through these results, it can be concluded that the capital expenditure and personnel expenditure variables as independent variables have a tolerance value of more than 0.10 (> 0.10) and a VIF (Variance

Inflation Factor) of less than 10 (< 10). The results of the multicollinearity test showed that there was no multicollinearity between all the independent variables in the research.

Table 8. Multicollinearity test

Coefficient		<i>Collinearity Statistic</i>	
Model		<i>Tolerance</i>	<i>VIF</i>
1	Capital Expenditure	0,865	1,157
	Personnel Expenditure	0,330	3,030
	Regional Tax	0,156	6,418
	Regional Retribution	0,505	1,979
	General Allocation Fund (DAU)	0,305	3,282
	Special Allocation Fund (DAK)	0,331	3,023
	Profit Sharing Funds (DBH)	0,394	2,541

Source: Processed data (2024)

**Autocorrelation Test**

The autocorrelation test used in this research is the “Durbin Watson” test (DW test) with the results that there is no autocorrelation if the DW value is more than -2 and less than +2 (-2 < DW < +2) (Ghozali, 2009). The following are the results of the autocorrelation test:

Table 9. Autocorrelation Test

Model	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>	<i>Durbin-Watson</i>
1	0,992	0,984	0,980	2,42756	1,223

Source: Processed data (2024)

From Table 9 above, the Durbin-Watson results are obtained with a value of 1.665. Based on the criteria used in the DW test, the calculated DW value is between -2 and 2, namely  $-2 \leq 1.223 \leq 2$ , so it can be concluded that in this study there are no symptoms of autocorrelation.

**Heteroscedasticity Test**

The heteroscedasticity test is a test to determine whether the data has symptoms of heteroscedasticity or not. A good model criterion is if heteroscedasticity does not occur with a significance of > 0.05. Based on the table below, you can see the significance value of the heteroscedasticity test results.

Table 10. Heteroscedasticity test

Coefficient		
Model		Significance
1	(Constant)	0,912
	Capital Expenditure	0,788
	Personnel Expenditure	0,782
	Regional Tax	0,459
	Regional Retribution	0,205
	General Allocation Fund (DAU)	0,902
	Special Allocation Fund (DAK)	0,492
	Profit Sharing Funds (DBH)	0,700

Source: Processed data (2024)



In Table 10 above, the significance value of the independent variables X1 and Both results are above 0.05, which means that the data tested does not have symptoms of heteroscedasticity.

**Multiple Linear Regression Analysis**

The value of the regression equation and the correlation coefficient value used are as follows:

Table 11. Multiple linear regression analysis

Coefficient				
	Model	Regression Coefficient ( $\beta$ )	t count	Sig.
1	(Constant)	14,403	2,160	0,038
	Capital Expenditure	-0,232	-2,500	0,018
	Personnel Expenditure	-0,241	-2,158	0,039
	Regional Tax	2,032	20,878	<0,001
	Regional Retribution	0,400	7,823	<0,001
	General Allocation Fund (DAU)	0,327	3,518	0,001
	Special Allocation Fund (DAK)	-0,293	-2,411	0,022
	Profit Sharing Funds (DBH)	0,497	0,597	0,555

a. *Dependent Variable* : The Level of Regional Financial Autonomy

Source: Processed data (2024)

Based on t-Table 11 regarding statistical data processing, it is known that the multiple linear regression equation is as follows:

$$Y = (a + b1X1 + b2X2 + b3X3 + b4X4 + b5X5 + b6X6 + b7X7 + e)$$

$$Y = 14,403 - 0,232 (X1) - 0,241 (X2) + 2,032 (X3) + 0,400 (X4) + 0,327 (X5) - 0,293 (X6) + 0,497 (X7)$$

**Model Equation 1**

The equation obtained from this test is as follows:

a) Constant ( $\alpha$ )

The constant value of the model is 14.403, which means that if the independent variables: capital expenditure and personnel expenditure, and the control variables: regional taxes, regional retribution, DAU, DAK, and DBH, have a value of zero (0), then the dependent variable is the level of regional financial autonomy. The region has a value of 14,403.

b) Regression Coefficient ( $\beta$ ) Capital Expenditure Variable ( $X_1$ )

The value of the regression coefficient for the independent variable capital expenditure ( $X_1$ ) has a value of 0.232 or 23.2%. This figure shows that every 1% increase in the proportion of capital expenditure will cause a decrease in the level of regional financial autonomy by 0.232, this is by using the assumption that personnel expenditure and the control variable have a value of zero or remain constant.

c) Regression Coefficient ( $\beta$ ) Personnel Expenditure Variable ( $X_2$ )

The regression coefficient value of the independent variable personnel expenditure ( $X_2$ ) has a value of 0.241 or 24.1%. If interpreted, this means that every 1% increase in the proportion of personnel expenditure will result in a decrease in the level of regional financial autonomy by 0.24, assuming that capital expenditure and control variables are zero or fixed.

### Hypothesis Testing

#### Coefficient of determination test (R<sup>2</sup>)

The coefficient of determination test or Adjusted R Square is a statistical value needed to see how much influence the two independent variables contribute to the dependent variable. The test can be seen from the table below:

Table 12. Coefficient of determination test

Model Summary				
Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	0,993	0,986	0,984	2,20986

Source: Processed data (2024)

Based on Table 12, the Adjusted R Square value obtained is 0.984 or 98.4%. This Adjusted R Square value is obtained from two independent variables, namely capital expenditure and personnel expenditure, as well as five control variables, namely regional taxes, regional retribution, general allocation funds, special allocation funds and profit-sharing funds.

#### Significance test (F-test)

A significance test or F-test is a test to see how the independent variable influences the dependent variable. To see the results of the F Test, namely in the following table:

Table 13. Significance test (f-test)

Model	F Count	Sig.
1 <i>Regression</i>	333,105	0,0001 <sup>b</sup>
Testing Criteria	F Count > F table	Sig < 0,05
Results	333,1 > 2,24	0,0001 < 0,05

Source: Processed data (2024)

The results of the significance test (F test) in Table 13 show that the calculated F value is 333.105, this value is greater than the F table which has a value of 2.249 (333.1 > 2.24). Then the test results can also be seen from the significance value of <0.05 (0.001 <0.05), so that the regression model can test the influence of the independent variable on the dependent variable.

### Hypothesis Discussion

#### Partial test (t-test)

Partial test or t-test is carried out to see how much influence the independent variable has on the dependent or dependent variable. The following is a table of results from the t test.

Table 14. Partial test (t-test)

Coefficient				
Model	Regression Coefficient (β)	t count	Sig.	
1 <i>(Constant)</i>	14,403	2,160	0,038	
Capital Expenditure	-0,232	-2,500	0,018	
Personnel Expenditure	-0,241	-2,158	0,039	
Regional Tax	2,032	20,878	<0,001	

Coefficient			
Model	Regression Coefficient ( $\beta$ )	t count	Sig.
Regional Retribution	0,400	7,823	<0,001
General Allocation Fund (DAU)	0,327	3,518	0,001
Special Allocation Fund (DAK)	-0,293	-2,411	0,022
Profit Sharing Funds (DBH)	0,497	0,597	0,555

Source: Processed data (2024)

Based on Table 14, which presents the results of statistical data processing in a t-test or hypothesis test, it shows the influence of independent variables on the dependent variable.

### H1: Capital Expenditures Have a Negative Effect on The Level of Regional Financial Autonomy

From Table 14, it can be seen that the  $\beta$  coefficient value for the proportion of capital expenditure is negative with a value of 0.232, where the calculated t value  $>$  t table ( $2.500 > 1.682$ ) and the significance value is  $0.018 < 0.05$ . Thus, it can be concluded that capital expenditure has a significant negative effect on the level of regional financial autonomy. **Based on this test, the first hypothesis (H1) is supported.**

Table 14 displays the  $\beta$  coefficient value, indicating that the proportion of capital expenditure has a negative value of 0.232. Additionally, the calculated t-value (2.500) is greater than the t-table value (1.682), and the significance value is 0.018, which is less than 0.05. Therefore, we can conclude that capital expenditure has a significant negative effect on the level of regional financial autonomy. This supports our first hypothesis (H1).

These results align with the findings of previous research. Darwis (2015) stated that capital expenditures had a significant negative effect on the financial autonomy of district and city governments in West Sumatra from 2009 to 2013, while Defitri (2020) found similar results for the West Sumatra regional government from 2016 to 2017. In our study, we found that the cases faced by districts and cities in DIY Province are similar to those in West Sumatra Province. The average realization of capital expenditure for all districts and cities in DIY is only 16.19%. Capital expenditure has a significant and negative impact on the level of regional financial autonomy, indicating that capital expenditure not accompanied by an increase in PAD will result in greater funding from central government transfer funds. Furthermore, the unequal proportion of capital expenditure in districts and cities in DIY leads to inequality in the level of regional financial autonomy.

Looking at the cases that occur in districts and cities in DIY Province regarding the results of local revenue collection which are still less than optimal because the percentage of tied spending is large and there is no remaining budget to finance development spending, causing greater dependence on transfer funds. This dependence can be proven by the results of the ratio of regional tax revenues and retribution which is far below the ratio of general allocation funds. On average, regional tax and levy revenues are below 30% and general allocation funds are above 30%, reaching 43% in 2022 in Gunungkidul Regency. Based on this explanation, it can be concluded that if there is an increase in capital expenditure in all districts and cities in DIY and reality it is funded more by DAU (General Allocation Fund) then the level of regional financial autonomy will decrease.

### H2: Personnel Expenditure has a Negative Effect on The Level of Regional Financial Autonomy

Based on Table 14, it can be seen that the  $\beta$  coefficient value for the proportion of personnel expenditure has a negative value of 0.241, where the calculated t value  $>$  t table is  $2.158 > 1.682$  and the significance value is  $0.039 < 0.05$ . It can be concluded that capital expenditure has a significant influence

in a negative direction on the level of regional financial autonomy. **Thus, the second hypothesis (H2) is supported.**

The research findings are consistent with Darwis' research in 2015, demonstrating that personnel expenses have a negative impact on regional financial autonomy. This is due to the significant allocation of personnel expenditure in the district and city budgets in West Sumatra, primarily for routine spending, leading to a decline in regional financial autonomy. Additionally, the research by Sefira and Budiwitjaksono (2022) indicated that personnel expenditure in Regencies and Cities in East Java Province from 2019 to 2020 had a negative impact, albeit not a significant one. According to Sefira & Budiwitjaksono, an increase in personnel expenditure can lead to a decrease in the level of regional financial autonomy.

In the research conducted in districts and cities in DIY Province, the proportion of personnel expenditure exceeded 30%, while capital expenditure was below 15%. The level of regional autonomy was calculated using the autonomy ratio. Notably, in 2022, three districts, Bantul Regency, Gunungkidul, and Kulonprogo had a percentage below 32%. Regional governments need to prioritize public services and aim for public satisfaction rather than purely organizational profit. They are also expected to innovate in collecting original regional income and reduce reliance on central transfer funds or other regional transfers. When personnel expenditure comprises a large portion of the budget, regional governments must focus on increasing their regional income. Failure to do so will result in more funds being allocated to personnel expenditure at the expense of regional development or capital expenditure.

## CONCLUSION

The results of this study indicate that the contribution of Original Regional Income (PAD) to the level of regional financial autonomy in districts and cities in DIY is a concern. However, PAD collection is still insufficient, and dependence on each district and city in DIY is still high. The regional financial autonomy ratio in 2022 is still below 32% for Bantul, Gunungkidul, and Kulonprogo Regencies. Original regional income is still low, with a high proportion of fixed or dependent expenditure, especially in terms of personnel expenditure. This is evident from the low personnel expenditure ratio of only 35%, which means that most development expenditure is funded by central government transfer revenues. The findings indicate that capital expenditure has a significant negative effect on the level of financial autonomy of all districts and cities in DIY Province from 2015 to 2022.

Furthermore, it was found that personnel expenditure had a significant negative effect on the level of financial autonomy of all districts and cities in DIY Province from 2015 to 2022. The negative coefficient's direction in the formulated hypothesis indicates that if higher capital expenditure is not accompanied by an increase in original regional income (PAD), it will lead to most capital expenditure being funded by transfer income, thereby decreasing regional financial autonomy. Higher expenditure on personnel as fixed or bound expenditure will decrease the remaining budget, resulting in reduced funds for development and increased dependence on central transfer funds.

The evidence from this study points toward several considerations that can be used by local governments and future researchers. Government, the original regional income is crucial in establishing a high level of financial independence for all districts and cities in the Special Region of Yogyakarta Province. In addition to covering fixed expenses such as personnel costs, which make up the largest portion of the regional budget, it's important to note that local original income should be able to fund the development of public infrastructure to enhance public satisfaction, including providing comfortable and safe public facilities. This way, an increase in capital expenditure would not lead to a decrease in regional financial autonomy, as regions can fund more development from their original regional income and reduce their reliance on the central or other regional governments. Researchers, it is suggested that future researchers consider adding various variables related to other regional

expenditures that could affect this study, and to increase the sample size when testing regional financial autonomy. A larger sample can help to identify the factors that contribute to both increases and decreases in the level of regional financial autonomy in districts and cities.

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## Evaluation of Minimum Service Standard Implementation in Surakarta City in 2020-2022

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### ABSTRACT

This study aims to examine the development of the Minimum Service Standards (SPM) budget in Surakarta City from 2020 to 2022 and evaluate the implementation of SPM according to the principles set out in Government Regulation Number 2 of 2018. The research employs a descriptive qualitative approach, utilizing data collection methods such as interviews, observations, literature review, and documentation. The results of this study reveal that the SPM budget in Surakarta City fluctuated between 2020 and 2022, with increases due to the COVID-19 pandemic and subsequent decreases as the pandemic's impact lessened. Surakarta City has complied with all the SPM principles outlined in Government Regulation Number 2 of 2018. This study recommends that the Surakarta City Financial and Asset Management Agency (BPKAD) continue prioritizing the SPM budget. Moreover, it is advised that BPKAD ensure that relevant regional authorities adhere to SPM principles effectively.

**Keywords:** budget; evaluation; implementation; principle; SPM

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## INTRODUCTION

Currently, the Surakarta City Government employs a performance-based budgeting system to develop the Work Plan and Budget (Indonesian: *Rencana Kerja dan Anggaran*, abbreviated RKA). This system emphasizes allocating funds and measuring outputs to achieve the objectives of the specified activities. Suryanto and Kurniati (2019) suggest that the performance-based approach emphasizes achieving the goals of activities through a systematic approach to ensure maximum implementation rather than merely monitoring fund spending. According to Romenda and Ningsih (2020), the purpose of a performance-based approach is to enhance efficiency and transparency in budgeting. Moreover, performance-based budgeting aims to increase the flexibility and accountability of units in implementing programs and activities.

According to the Minister of Home Affairs Regulation (Indonesian: *Peraturan Menteri Dalam Negeri*, abbreviated Permendagri) Number 77 of 2020 on Technical Guidelines for Regional Financial Management, performance-based budgeting requires that every proposed program and its budget consider mandatory government functions related to basic services. Therefore, the Minimum Service Standards (Indonesian: *Standar Pelayanan Minimal*, abbreviated SPM) must be established to serve as benchmarks for evaluating the performance regarding the type and quality of basic services provided within a fiscal year. As defined by Government Regulation (Indonesian: *Peraturan Pemerintah*, abbreviated PP) Number 2 of 2018, SPM is the specification for the type and quality of basic services that constitute mandatory government responsibilities and must be provided to every citizen at a minimum level. SPM encompasses public services aimed at fulfilling the fundamental needs of citizens.

Table 1. SPM achievement index of Surakarta City

Year	Index	Category
2020	98.66	Fully completed
2021	99.18	Fully completed
2022	98.76	Fully completed
Average	98.87	Fully completed

Source: Report on the Implementation of SPM in Surakarta City

Based on the Minimum Service Standards (SPM) Implementation Report from 2020 to 2022, the average SPM achievement index in Surakarta City reached 98.87. As presented in Table 1, the SPM achievement in Surakarta City over the past three years has consistently been classified as the "Fully Completed" category. According to the SPM achievement index categories in the Minister of Home Affairs Regulation Number 59 of 2021, "Fully Completed" indicates that the SPM achievement meets the minimum quality standards and the basic service recipients score between 90 and 99 out of a maximum of 100. This suggests that the SPM achievement in Surakarta City is quite high. However, there is still potential to improve the SPM achievement index to reach the maximum level in the "Perfectly Completed" category (<https://spm.bangda.kemendagri.go.id/>).

As time progresses, a region naturally strives to enhance its performance. Similarly, the Government of Surakarta City is committed to improving the implementation of its SPM. By continuously raising the achievement index, the basic services provided are expected to be better than before.

This research is significant to ensure that the already high SPM achievement index in Surakarta remains stable or even improves. A continuous increase in the SPM achievement index is expected to facilitate the local government in preparing the necessary budget for the following years. According to Halim and Kusufi (2014), SPM is a key instrument that local governments use as a reference for planning and budgeting government administration. In the budgeting process, local governments must prioritize

meeting SPM requirements before addressing other targets, as SPM represents fundamental and ideal standards that must be considered first.

Based on the above phenomena, the authors are interested in evaluating the implementation of SPM in Surakarta City, which has not achieved the maximum target figures. This evaluation is conducted based on the principles for establishing and implementing SPM as outlined in Government Regulation Number 2 of 2018. This regulation specifies that SPM should be established and implemented according to the principles of authority alignment, availability, accessibility, sustainability, measurability, and target accuracy. Moreover, this study analyzes the SPM budget in Surakarta City for 2020-2022.

Based on the background provided, the research questions for this study are as follows: (1) How has the budget for SPM in Surakarta City developed from 2020 to 2022? (2) How does the implementation of SPM in Surakarta City align with the principles for establishing and implementing SPM as outlined in Government Regulation Number 2 of 2018?

This research is expected to produce a credible evaluation of the development of the SPM budget in Surakarta City from 2020 to 2022, as well as an assessment of the implementation of SPM in the city based on the SPM establishment and application principles as specified in the Government Regulation Number 2 of 2018.

## RESEARCH METHOD

This research was conducted at the Regional Government of Surakarta City by collecting data from BPKAD, located at Jl. Jenderal Sudirman Number 2, Kampung Baru Village, Pasar Kliwon Sub-district, Surakarta, Central Java, 57133. The research employed a qualitative descriptive method. Qualitative research is a form of research to understand the phenomena experienced by research subjects such as behaviour, perceptions, motivations, actions and others which are carried out as a whole using descriptive methods and presented in the form of words and language (Moleong in Harahap, 2020). This study utilized two types of data, including primary and secondary data. Primary data is obtained through observation by collecting data on the object of research which can be done directly or indirectly and then compiled systematically (Hardani et al., 2020) and direct interviews with sources. Secondary data comes from books, journals, government regulations, reports, and related articles (Sugiyono, 2019).

Data were collected using interviews, observations, literature reviews, and documentation. Interviews were conducted with two key informants: the head of Budgeting and an officer at the Data Processing Information Division in the Budgeting Division of Financial and Asset Management Agency (Indonesian: *Badan Pengelola Keuangan dan Aset Daerah*, abbreviated BPKAD) Kota Surakarta. Moreover, observation was carried out on the SPM implementation in Surakarta City by reviewing the SPM Implementation Report issued by the Regional Secretariat through the Governance Section.

The literature review was conducted through books, journals, government regulations, and reports (Husna & Suryana, 2017). Various official state documents were used as sources for documentation, such as Laws (Indonesian: *Undang-undang*, abbreviated UU), Government Regulations (PP), Minister of Home Affairs Regulations (Permendagri), Regional Regulations (Indonesian: *Peraturan Daerah*, abbreviated Perda), and Mayor's Regulations (Indonesian: *Peraturan Walikota*, abbreviated Perwali).

Test the validity and accuracy of the data using triangulation techniques. Triangulation is a method of checking data from various sources to test data credibility (Fitrah & Luthfiah, 2017). Source triangulation is done by checking the data obtained from the source which is then concluded, while the triangulation technique is done by confirming the interview technique.

## RESULTS AND DISCUSSION

### The Development of the SPM Budget in Surakarta City in 2020-2022

Table 2. The development of the SPM budget in Surakarta City in 2020-2022

Type of Basic Services	2020		2021		2022	
	Budget	Realization	Budget	Realization	Budget	Realization
Education	126,973,816,548	123,295,568,952	185,195,891,670	159,468,789,310	183,857,580,947	70,425,152,818
Health	3,649,934,231	2,831,780,896	5,938,841,270	5,493,213,896	8,373,822,438	8,125,508,534
Public works	7,240,750,000	6,954,017,928	6,921,345,000	6,904,091,245	6,494,085,000	5,357,188,861
Housing	0	0	14,001,199,853	13,989,332,800	3,573,253,564	3,437,999,100
Transmigration, public order, and community protection	758,876,220	632,932,050	13,491,832,350	12,324,702,159	4,703,347,865	4,233,919,839
Social services	1,384,750,085	1,352,459,510	4,069,810,371	3,027,884,313	2,298,014,899	1,822,132,190
Total	140,008,127,084	135,066,759,336	229,618,920,514	201,208,013,723	209,300,104,713	93,401,901,342

Source: Report on the SPM Implementation in Surakarta City in 2020-2022

Table 3. Growth of the SPM budget in Surakarta City in 2020-2022

Type of Service	2020 to 2021	2021 to 2022
Education	46%	-1%
Health	63%	41%
Public works	-4%	-6%
Housing	0%	-74%
Transmigration, public order, and community protection	1,678%	-65%
Social services	194%	-44%

Source: Report on the SPM Implementation in Surakarta City in 2020-2022

In the basic education sector, the budget increased by 46% in 2021 due to the allocation of free internet quotas for students in Surakarta City. Furthermore, there was assistance provided in the form of smartphones for underprivileged students to support their remote learning needs. In 2022, the budget decreased by 1% because in-person classes resumed, although the implementation was still limited. The budget was redirected to provide schools with soap, masks, and hand sanitizers.

In 2021, the budget for basic health services increased by 63% to support the operational needs of hospitals in Surakarta for treating individuals infected with COVID-19. Based on the budget data analyst at BPKAD, the increase was also due to incentive funds provided to healthcare workers in Surakarta. In 2022, the budget for basic health services continued to rise by 41% to aid in the recovery of the city's health conditions following the pandemic.

In the basic public work sector, the budget consistently declined from 2020 to 2022. In 2021, there was a 4% decrease, followed by a 6% decrease in 2022. This decline was attributed to the reduced industrial activity, which led to decreased demand for wastewater management services. Also, the closure of restaurants, food stalls, and hotels resulted in a decreased need for clean water for drinking, bathing, and cooking, as people stayed home and reduced their travel.

In the area of public housing services, no budget was allocated in 2020 due to the reallocation of funds for handling COVID-19 in Surakarta. In 2021, there was an increase in the budget due to the planned reconstruction of the Semanggi simple rental apartment (Indonesian: *Rumah Susun Sederhana Sewa*, abbreviated *rusunawa*), relocation of residents from the Mojo Village, and reconstruction of a

house affected by a landslide, as well as the rehabilitation of three houses damaged by a tornado. In 2022, the budget decreased as it was solely focused on the maintenance of the public simple rental apartment. Moreover, natural disasters in 2022 did not cause damage to residential houses in Surakarta, so there was no need for reconstruction or rehabilitation.

In the basic service sector of transmigration, public order, and community protection (Indonesian: *Transmigrasi, Ketertiban Umum, dan Perlindungan Masyarakat*, abbreviated *trantibumlinmas*), there was an increase in the budget in 2021 due to operational funds for implementing Community Activity Restrictions (Indonesian: *Pemberlakuan Pembatasan Kegiatan Masyarakat*, abbreviated PPKM) in Surakarta. In 2022, as COVID-19 cases in Surakarta began to decrease and PPKM regulation was relaxed, the budget for basic services in this sector decreased by 65%.

In 2021, the budget for social services increased by 194% due to the growing demand for burial services. However, in 2022, the budget decreased by 44% because the number of COVID-19-related deaths in Surakarta declined, reducing the need for burial services. Despite this reduction, the budget for social services in 2022 remained relatively high, as it was allocated for the social rehabilitation of vagrants and beggars, who had become more prevalent in Surakarta due to the economic impact of the pandemic.

Based on the explanation above, it can be concluded that the development of the SPM budget in Surakarta over the past three years has experienced both increases and decreases. The increases primarily occurred from 2020 to 2021 due to the impacts of the COVID-19 pandemic on various basic services. As the pandemic began to subside, the SPM budget in Surakarta decreased. However, some areas of basic services still require substantial funding to adapt to the post-pandemic conditions.

### **Evaluation of SPM Implementation in Surakarta Based on the Principles of SPM Establishment and Implementation as Set Out in the Government Regulation Number 2 of 2018**

Table 4. Evaluation of the implementation of SPM principles in Surakarta

Principle	Minister of Home Affairs Regulation Number 2 of 2018	Conditions in Surakarta City	Status
Authority Alignment	SPM is applied following the authority of provincial and regency/city governments based on the division of governmental responsibilities related to basic services.	SPM in Surakarta has been implemented by the city authority to provide basic services.	Completed
Measurability	SPM is established and implemented to meet the basic needs of citizens through measurable goods and services.	Goods and/or services provided to meet the basic needs of the people in Surakarta can be objectively measured.	Completed
Target Accuracy	SPM must ensure that the basic services provided meet the specified targets.	The recipients of basic services in Surakarta have been appropriately aligned with the designated targets.	Completed

Principle	Minister of Home Affairs Regulation Number 2 of 2018	Conditions in Surakarta City	Status
Availability	The SPM is established and implemented to ensure the availability of goods and/or services necessary to meet the basic needs that every citizen is entitled to receive at a minimum level.	The SPM in Surakarta has successfully provided the goods and/or services necessary to meet the basic needs that every resident is entitled to.	Completed
Accessibility	The SPM must be easily accessible to citizens to ensure that the basic services provided by the government are delivered effectively.	The SPM in Surakarta City is readily accessible to all residents.	Completed
Sustainability	The SPM is established and implemented to ensure the continuous availability of goods and/or services necessary for the basic needs of every citizen.	The SPM in Surakarta has consistently provided the goods and/or services necessary for the basic needs of the community from year to year.	Completed

Source: Government Regulation Number 2 of 2018 (processed data, 2024)

### 1. Authority Alignment

In implementing SPM, Surakarta City has met the six types of basic services and the indicators that serve as the benchmarks for SPM implementation at the regency and city levels. This is evident from the report on SPM implementation in Surakarta City evaluated in this study. The report shows that Surakarta City has already provided six types of basic services. Education services have covered early childhood education, basic education, and equal education for the residents of Surakarta City.

In terms of basic health services, Surakarta City has fulfilled all the service indicators, including healthcare for pregnant women, childbirth, newborns, and toddlers. Moreover, health services have been provided for individuals of school age, productive age, and elderly residents of Surakarta City. Furthermore, the city has offered health services for individuals with hypertension, diabetes mellitus, severe mental disorders, and tuberculosis, as well as those at risk of infections that could compromise the immune system.

Based on the SPM Implementation Report, it is evident that Surakarta has provided basic public works services, including meeting the daily drinking water needs of its residents and offering wastewater treatment services in the city. Also, in the housing sector, Surakarta provides home rehabilitation services for disaster-affected residents. If there are any government program relocations, Surakarta has ensured the availability of adequate housing facilities for affected individuals.

In terms of basic services for transmigration, public order, and community protection, Surakarta has provided services that follow the regulations. This includes the maintenance of public order and security, enforcement of local regulations, information services, disaster prevention, and preparedness, as well as emergency rescue and evacuation services for disaster and fire victims. Moreover, for social services, Surakarta has offered social rehabilitation of care facilities for



individuals with disabilities, neglected children, abandoned elderly, and socially marginalized individuals, and provides social protection during and after disasters.

Based on the above explanation, it is evident that Surakarta City has implemented SPM under its authority. The city government has a clear understanding of the indicators falling under its responsibility and outside its jurisdiction, which becomes the authority of the provincial level. This indicates that the city government can understand the limits of its responsibility for SPM implementation. Therefore, it can be concluded that the implementation of SPM in Surakarta has adhered to the principle of authority alignment.

## 2. Measurability

Based on the SPM Implementation Report for Surakarta City, it is evident that the basic services provided in Surakarta have measurable goods and/or services. This is demonstrated by the quantifiable amounts of goods and/or services detailed in the report. The goods and/or services used for the implementation of SPM in Surakarta City include the following.

### 1) Education

- a) Textbooks, drawing books, and learning modules;
- b) Learning supplies such as writing and coloring tools;
- c) Educational institutions and Community Learning Centers (Indonesian: *Pusat Kegiatan Belajar Masyarakat*, abbreviated PKBM) accredited C at a minimum;
- d) Provision of personnel costs for students;
- e) Educational staff (school principals, teachers, administrative staff, laboratory staff) with a bachelor's degree (S-1/D-IV) at a minimum; and
- f) Number of learning groups in educational institutions.

### 2) Health

- a) Medications, vitamins, and vaccines;
- b) Medical equipment;
- c) Disposable medical supplies;
- d) Medical records cards, service books, health forms, and questionnaires;
- e) Communication, Information, and Education (Indonesian: *Komunikasi, Informasi, dan Edukasi*, abbreviated KIA) media.

### 3) Public works

- a) Quantity and quality of drinking water;
- b) Service for the Drinking Water Supply System (Indonesian: *Sistem Penyediaan Air Minum*, abbreviated SPAM) through piped and non-piped networks;
- c) Quantity and quality of wastewater management; and
- d) Transportation and treatment of wastewater and fecal sludge.

### 4) Public housing

- a) House rehabilitation;
- b) Reconstruction of houses;
- c) Relocation or rebuilding of houses in new locations;
- d) Assistance for renting livable homes;
- e) Facilities for compensation of land and/or building ownership rights; and
- f) Provision of livable homes.

### 5) Transmigration, public order, and community protection

- a) Material loss services;
- b) Medical services;

- c) Civil Service Police Unit (Indonesian: *Satuan Polisi Pamong Praja*, abbreviated Satpol PP) equipped with adequate facilities, infrastructure, appropriate standard operating procedures, and sufficient personnel capacity;
  - d) Disaster-prone area mapping;
  - e) Identification of citizens in disaster-prone areas;
  - f) Socialization of disaster-prone areas;
  - g) Evacuation signs and public information boards;
  - h) Rapid response to extraordinary events and disaster emergencies;
  - i) Search and rescue operations for disaster victims; and
  - j) Issuance of disaster victim certificates for important document processing.
- 6) Social service
- a) Emergency services;
  - b) Burial services;
  - c) Clothing;
  - d) Assistive devices;
  - e) Health supplies;
  - f) Physical, mental, and spiritual guidance;
  - g) Social guidance for families;
  - h) Facilities for making national identity numbers (Indonesian: *Nomor Induk Kependudukan*, abbreviated NIK), identity cards (Indonesian: *Kartu Tanda Penduduk*, abbreviated KTP), birth certificates, marriage certificates, and child identification cards (Indonesian: *Kartu Identitas Anak*, abbreviated KIA);
  - i) Access to basic education and health services;
  - j) Family tracing and reunification services;
  - k) Refugee shelters; and
  - l) Specialized care and psychosocial services

Based on the explanation above, it can be seen that the quality fulfillment of the SPM in Surakarta City consists of various goods and/or services. These goods and/or services support the implementation of SPM in serving the residents of Surakarta City. The quantity of all the goods used and the number of services provided to the community can be measured. Therefore, Surakarta City is considered to have applied the measurability principle in implementing SPM.

### 3. Target accuracy

The recipients of basic services under SPM in Surakarta City are as follows.

- 1) SPM of Education, for residents of Surakarta City with the following criteria:
  - a) Children aged 5-6 years participating in early childhood education;
  - b) Children aged 7-15 years participating in primary education; and
  - c) Individuals aged 7-18 years who have not completed basic and secondary education and are participating in equal education.
- 2) SPM of Health, for residents of Surakarta City with the following criteria:
  - a) Pregnant women;
  - b) Women in childbirth;
  - c) Newborns;
  - d) Toddlers;
  - e) Individuals of primary education age;
  - f) Productive-age individuals;
  - g) Elderly individuals;
  - h) People with hypertension;

- i) People with diabetes mellitus;
  - j) Individuals with severe mental disorders;
  - k) Individuals suspected of having tuberculosis (TB); and
  - l) Individuals at risk of infections that weaken the immune system.
- 3) SPM of Public works, for every resident of Surakarta City.
  - 4) SPM of Housing, for residents of Surakarta City with the following criteria:
    - a) Those whose homes are affected by disasters; and
    - b) Those affected by relocation due to government programs in Surakarta City.
  - 5) SPM of Transmigration, Public Order, and Community Protection, for residents of Surakarta City with the following criteria:
    - a) Those affected by disturbances in public order and community protection due to law enforcement actions against violations of local regulations, particularly mayor’s regulation;
    - b) Those in disaster-prone areas and victims of disasters; and
    - c) Victims of fires or those affected by fires.
  - 6) SPM of Social Services, for residents of Surakarta City with the following criteria:
    - a) Abandoned persons with disabilities;
    - b) Abandoned children;
    - c) Abandoned elderly individuals;
    - d) The homeless and beggars; and
    - e) Victims of disasters at the regency or city level

The explanation provides evidence that among the six types of basic services that are the mandatory responsibilities of regional governments, Surakarta City has effectively targeted the recipients of basic services according to the provisions set out in Government Regulation Number 2 of 2018. This validates that Surakarta City has a clear understanding of the target recipients for each type of basic service. Therefore, it can be concluded that Surakarta City has implemented the principle of target accuracy in SPM implementation.

4. Availability

Table 5. Availability of goods and/or services for SPM in Surakarta City

Type of Service	2020 (in units)	2021 (in units)	2022 (in units)
Education	294,420	180,403	193,884
Health	1,599,859	1,901,065	2,250,619
Public works	1,156,700	1,044,728	143,546
Housing	0	763	95
Transmigration, public order, and community protection	1,098,253	759,779	966,591
Social service	10,408	70,112	9,653

Source: Report of SPM Implementation in Surakarta City (processed data, 2024)

In the field of education services, there was a decrease in the availability of goods and/or services from 2020 to 2021 due to a reduced number of qualified educators and educational institutions with C accreditation at minimum. However, in 2022, both of these essential services began to increase again.

In the field of health services, over the three years evaluated, the availability of goods and/or services was lowest in 2020. This was due to the COVID-19 pandemic, which led to a decrease in public visits to healthcare facilities, such as community health centers (Indonesian: *Pusat Kesehatan Masyarakat*, abbreviated puskesmas), clinics, and integrated health posts (Indonesian: *Pos Pelayanan Terpadu*, abbreviated posyandu), because many people were afraid to leave their homes.

In the field of public works services, the availability of goods and/or services continued to decrease from 2020 to 2022. This was due to a reduction in industrial waste as economic activities halted in Surakarta during the COVID-19 pandemic. Moreover, the termination of industrial activities also impacted the demand for drinking water supply in office areas and entertainment venues.

In 2020, the Surakarta City Government did not provide goods and/or services for basic housing services because the budget had been rationalized. However, in 2021, the availability of goods and/or services increased because of the construction or rehabilitation of homes affected by disasters in the city. Furthermore, the city government made an effort to improve slum areas in Mojo Village, with 253 houses addressed. In 2022, the availability of goods and/or services decreased because the natural disasters in that year did not cause damage to residents' homes, so there was no reconstruction or rehabilitation of houses carried out.

In 2020, basic services in the field of transmigration, public order, and community protection had a high availability of goods and/or services due to the enforcement of urban road closures aimed at reducing public mobility into and out of Surakarta. Moreover, services for maintaining public order and safety, such as the closure of businesses that remained open during the COVID-19 pandemic, were conducted. However, in 2021, there was a decrease in services related to disaster information due to limitations in identifying residents of Surakarta living in disaster-prone areas during the pandemic. In 2022, when the COVID-19 pandemic began to subside and restrictions eased, these services started to increase, allowing for the implementation of disaster awareness, communication, and information for the community.

In the basic social services, there was an increase in the availability of goods and/or services from 2020 to 2021 because of a high demand for burial services. In 2022, while the need for burial services decreased, the post-pandemic conditions led to new social issues, such as a rise in homelessness and begging. This increased the demand for basic social rehabilitation services for socially marginalized individuals, such as the homeless and vagrants.

The information provided indicates that the Surakarta City Government has effectively ensured the provision of necessary goods and/or services for each indicator of basic service fulfillment. Despite fluctuations in the quantity of goods and/or services available each year, the government has maintained a consistent commitment to their availability. This underscores that the SPM implementation in Surakarta adheres to the principle of availability.

5. Accessibility

Table 6. Realization of SPM recipients in Surakarta City from 2020 to 2022

Recipients of Services	2020		2021		2022	
	Target (individuals)	Realization (individuals)	Target (individuals)	Realization (individuals)	Target (individuals)	Realization (individuals)
Children aged 7-15 years old	77,058	76,609	88,316	88,316	81,422	80,541
Children aged 5-6 years old	15,657	15,657	15,103	15,103	16,596	16,210

Recipients of Services	2020		2021		2022	
	Target (individuals)	Realization (individuals)	Target (individuals)	Realization (individuals)	Target (individuals)	Realization (individuals)
Individuals aged 7-18 years old	1,456	1,456	1,104	1,104	1,964	1,850
Pregnant women	10,301	10,301	10,451	10,451	10,435	10,435
Women in childbirth	9,620	9,620	9,683	9,683	9,713	9,703
Newborns	9,629	9,629	9,690	9,690	9,705	9,705
Toddlers	23,665	23,665	26,885	26,885	27,593	27,593
School-age individuals	93,155	83,868	92,462	92,462	92,462	92,462
Productive-age individuals	234,400	234,400	332,771	332,771	379,244	379,244
Elderly individuals	50,421	50,421	67,880	67,880	71,487	71,487
Individuals with hypertension	26,875	26,875	34,917	34,917	92,614	92,614
Individuals with diabetes mellitus	8,884	8,884	12,105	12,105	18,833	18,833
Individuals with severe mental disorders	757	757	903	903	1,135	1,135
Individuals suspected of tuberculosis	5,256	5,256	4,682	4,682	10,235	10,235
Individuals at risk of viral infections affecting the immune system	12,532	12,532	12,532	12,532	12,756	12,756
Community receiving daily basic drinking water needs	578,350	547,408	522,364	494,005	150,810	140,043
Community receiving domestic wastewater treatment services	578,350	544,170	522,364	507,755	150,810	146,742
Disaster victims	0	0	4	4	0	0
Relocation victims	0	0	253	253	95	95
Individuals receiving services related to law enforcement	578,350	578,350	578,492	578,492	579,212	579,212
Individuals receiving disaster risk information services	359,434	359,434	240,038	240,038	466,944	466,944

Recipients of Services	2020		2021		2022	
	Target (individuals)	Realization (individuals)	Target (individuals)	Realization (individuals)	Target (individuals)	Realization (individuals)
Individuals receiving disaster prevention and preparedness services	359,434	359,434	240,038	240,038	466,944	466,944
Individuals receiving disaster evacuation services	9,840	9,840	19,604	19,604	12,988	12,988
Individuals receiving fire victim evacuation services	57	57	256	256	87	87
Individuals with disabilities	0	0	8	8	211	211
Abandoned children	22	22	52	52	96	96
Elderly individuals	161	161	161	161	228	228
Socially marginalized individuals	385	385	240	240	349	349
Individuals receiving protection and social security during disaster emergencies	9,840	9,840	67,925	67,925	3,022	3,022

Source: Report of SPM Implementation in Surakarta City (processed data, 2024)

Table 6 presents that nearly all service targets for the Minimum Service Standards (SPM) in Surakarta City have been achieved. However, a few targets have not yet reached 100%, such as the elementary education services in 2020, which achieved only 99.42% of the target. This shortfall is attributed to the suboptimal data collection by the Department of Education, which was hindered by the COVID-19 pandemic. In addition, the SPM for education have not been achieved to the maximum level because many communities have not fully understood the programmes and facilities provided by the city government (Kelele, Tasik, & Kawung, 2023).

In 2020, health services for elementary school-age children did not meet the specified target. This underperformance was due to some students lacking smartphones, which made it difficult for them to complete the online health forms provided by the Department of Health for monitoring health during the COVID-19 pandemic.



Basic public works services did not meet the specified targets from 2020 to 2022. In 2020, the targets were not fully reached due to several houses built in illegal areas, such as riverbanks, roadways, and railway margins, which impeded water treatment services in Surakarta City. In 2021 and 2022, the lack of coordination among regional authorities regarding the provision of drinking water and wastewater treatment services was a contributing factor. Moreover, the suboptimal achievement of these services was due to a shortage of personnel responsible for implementing the planned activities.

Furthermore, in 2020, the indicator for basic social rehabilitation services for persons with disabilities did not function optimally due to budget reallocations for the COVID-19 response. In addition, the indicators of basic social rehabilitation services for persons with disabilities have not run optimally due to ineffective communication aspects, lack of human resources for service providers and not optimal capacity building for service providers for persons with disabilities (Carisa & Nugroho, 2019). In 2022, none of the indicators for basic education services was achieved. This shortfall was primarily due to the Department of Education's inadequate assessment of needs, especially for early childhood education (Indonesian: *Pendidikan Anak Usia Dini*, abbreviated PAUD). The post-pandemic conditions in Surakarta City led to numerous PAUD centers closing or failing to enroll the expected number of students.

In 2022, not all targets for maternal health services were met because many pregnant women returned to their hometowns (outside the city) to deliver their babies. Although they received prenatal care at community health centers in Surakarta City, their return for childbirth led to a discrepancy between the number of service recipients and the targeted figures. In addition, suboptimal efforts made by puskesmas in reaching out to the community, especially pregnant women, both through the availability of resources, socialisation of health services provided and persuasive steps, also influence the non-achievement of SPM targets at the maximum level (Afrianis, Suryawati, & Kusumastuti, 2021; Wardani, et al., 2019). The non-achievement of SPM targets in Surakarta City in this study is in line with the results of previous research conducted by Prakasa and Agustina (2022) that Surakarta City is one of the cities in Indonesia that has a low achievement rate.

Based on the information presented, it can be concluded that out of 29 basic service indicators, 7 have not been met. These include basic education, early childhood education (PAUD), equal educational programs, health services for school-age children, maternal health services, drinking water needs, and wastewater treatment. Despite some indicators not reaching their targets, the majority of the SPM in Surakarta City has been largely achieved. This suggests that the implementation of SPM in Surakarta City has effectively met most of the established targets. Therefore, it can be inferred that SPM in Surakarta City is principally accessible to the community, demonstrating that the accessibility principle is adhered to.

## 6. Sustainability

Based on the analysis of the SPM Implementation Report of SPM in 2020 to 2022, the SPM in Surakarta City has maintained consistent indicators, recipients, and quality of basic services. This demonstrates that the implementation of SPM in Surakarta City has achieved program and activity continuity from year to year. Thus, it can be concluded that the implementation of SPM in Surakarta City successfully maintains continuity.

## CONCLUSION

The research conducted on the BPKAD of Surakarta City draws the following conclusions. First, the SPM budget in Surakarta City increased from 2020 to 2021 but then experienced a decrease from 2021 to 2022. The increase in funding occurred due to the impact of the COVID-19 pandemic on the city.

This rise in budget was a response to the pandemic's widespread effects on various service sectors. However, from 2021 to 2022, there was a decline in the budget for many basic services as the pandemic's impact began to diminish. Despite this overall reduction, some basic services continued to receive relatively high levels of funding due to necessary adjustments for the post-pandemic situation. Second, Surakarta City has effectively implemented all the principles outlined in Government Regulation Number 2 of 2018 regarding Minimum Service Standards (SPM). Among the six defined principles, Surakarta City has fulfilled each one. The city has executed the SPM within its jurisdiction, ensured measurable quality in basic services, targeted the correct recipients, provided goods and/or services that meet essential needs, reached the majority of intended service recipients and maintained continuity in SPM implementation from year to year.

Based on the conclusions above, this study recommends the following to the BPKAD of Surakarta City and future researchers. For the BPKAD institution: first, this study recommends that the BPKAD of Surakarta City continue prioritizing the fulfillment of the community's basic needs when planning the SPM budget. BPKAD should ensure that all basic services in the city are adequately funded to achieve community welfare. Second, it is necessary to ensure that the Regional Work Units (*Satuan Kerja Perangkat Daerah*, abbreviated SKPD) responsible for basic services adhere to the principles of implementing SPM. BPKAD should support SKPD throughout the SPM process, including planning activities and budgets, conducting regular monitoring, and performing annual evaluations. For future researchers: future researchers are encouraged to conduct a more in-depth evaluation of SPM in Surakarta City. It is suggested that the evaluation focus on a specific type of basic service to allow for a more detailed analysis in that particular area. Also, interviewing the SKPD responsible for basic services could provide more comprehensive information, leading to a more objective research outcome on SPM.

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## Analysis of Changes in Non-Taxable Entrepreneurs to Taxable Entrepreneurs: Case Study on CV ABC

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### ABSTRACT

This study seeks to gain insights into the company in question by examining the factors involved in confirming its status as a Taxable Entrepreneur (TE), specifically about Value-Added Tax (VAT) and the responsibilities that must be fulfilled by VAT-Registered Persons. Moreover, there are consequences of officially confirming a taxable company for taxpayers officially confirmed by the Director General of Taxes. The author utilized a descriptive qualitative research method to analyze data obtained from CV ABC. The data were processed using interviews and data documentation. The analysis technique included data presentation and conclusion. The results are based on the author's research and analysis, indicating that CV ABC did not immediately confirm its status as a Taxable Entrepreneur independently. The researcher provided a calculation of Taxable Entrepreneur assumptions. CV ABC experienced a decline in sales, leading to losses caused by VAT collection, as the company did not increase selling prices. Due to indications of being confirmed as a Taxable Entrepreneur by authorities, CV ABC must comply with all the consequences and obligations of being a Taxable Entrepreneur as required by the authorities.

**Keywords:** charge; corporate income tax; taxable entrepreneur; taxable enterprise confirmation; VAT

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## INTRODUCTION

Minister of Finance, Sri Mulyani Indrawati reports that tax revenue in 2023 reached Rp1,869.2 trillion or 108.8% of the APBN target. The tax revenue managed to exceed the target that had been set for three consecutive years since 2021. This tax revenue is influenced by non-oil and gas Income Tax (ITa) reaching Rp993 trillion or 101.5% of the target, growing 7.9% (year on year). Then, VAT and Luxury Goods Sales Tax (Indonesian: *Pajak Penjualan atas Barang Mewah*, abbreviated PPnBM) were in second place reaching Rp764.3 trillion or 104.6% of the target, growing 11.2% (year on year) (kemenkeu.go.id, January 3rd 2024).

Based on the tax revenue data presented previously, in addition to income tax (ITa), VAT also provides the second largest contribution to tax revenue, thus affecting the amount of government sector revenue. VAT collection is carried out by individual taxpayers and business entities with Taxable Entrepreneurs (TE) status. As a VAT taxpayer, TE must intensively calculate, pay and report VAT every month, even though there are no VAT activities. If the entrepreneur has become a TE, the entrepreneur is obliged to collect the VAT owed and is required to deposit it by using a Tax Payment Slip (Indonesian: *Surat Setoran Pajak*, abbreviated SSP), and is required to report it through a Periodic Notification Letter (Indonesian: *Surat Pemberitahuan Masa*, abbreviated SPT Masa). Conversely, if the company does not yet have a turnover of Rp4.8M and/or has not been confirmed as a TE, it cannot be called a taxable entrepreneur (non-TE). Thus, non-TE do not yet have the obligation to collect VAT and carry out tax obligations as TE obligations. Thus, non-TE are only obliged to deposit Income Tax (ITa). If in one tax year it is found that a businessman with TE status has a turnover of less than Rp4.8M, he can submit an application to revoke his appointment as a TE.

Taxpayers with TE status show that their business management can be more trusted by various consumers. The credibility of the company in the industrial world is clearly seen in the orderly handling of tax obligations. Opportunities for cooperation with large companies are very broad, especially the opportunity to do business with the state and participate in auctions held by the state. In addition, product efficiency increases, which means that financial stability is more guaranteed and financial circulation improves.

Referring to the General Provisions of Taxation Law Article 2 paragraph (4), that "The Director General of Taxes issues a Taxpayer Identification Number and/or confirms a Taxable Entrepreneur ex officio if the Taxpayer or Taxable Entrepreneur does not fulfill his/her obligations". Then, the Director General of Taxes (DGT) has the authority to collect tax debts within a maximum period of 5 (five) years starting from the fulfillment of subjective and objective requirements in accordance with tax laws and regulations. This incident likely occurred because the entrepreneur did not understand the taxation system regulations or was based on the entrepreneur who deliberately did not immediately register after meeting the requirements as a TE.

Based on the explanation above, it has been explained that companies whose requirements have been met as TE are required to report their business to be confirmed as TE, if not, it will be imposed ex officio by the DGT. Such as the case of CV ABC which is a corporate taxpayer in the service sector that has been operating for 3 (three) years as a corporate taxpayer and now its turnover has reached Rp4.8M in less than 1 (one) year, but has not registered itself as TE, so it can be indicated that CV ABC will be confirmed as TE ex officio by the DGT.

The rationale behind CV ABC's decision not to register its business as a TE is largely attributable to the implications of Value Added Tax (VAT). There are numerous factors to be taken into account with regard to the operation of the company in question should it be granted TE status. With regard to the collection of value-added tax (VAT), it is clear that this will have a significant impact on the price, including the selling price. In the event that CV ABC begins to collect VAT, it will have two possible courses of action: it may either increase the price of its products or set a fixed price. A price increase will



undoubtedly have a significant impact on the market, as consumers will inevitably seek alternative services at a more competitive price point. Consequently, the collection of VAT from the selling price or the non-increase of the price will have a significant impact on the company's profitability. A fixed price will inevitably necessitate a reduction in the VAT rate applied to the set price, resulting in a corresponding reduction in profit. In light of the diminishing profit margins, there arises a concomitant speculation as to whether the company's profit target can be met with such modest returns.

Considering that CV ABC has been registered as a corporate taxpayer for a period of three years, it is evident that the tax calculation for this company continues to utilize the final 12 rate despite the fact that the company has already generated a turnover exceeding Rp4.8M. In accordance with the provisions set forth in the Income Tax Law, the final rate of 0.5% pertaining to income tax on a specified gross turnover is a facility extended to corporate taxpayers in the form of CVs, with a maximum utilization period of four years since the year of its establishment. This is a matter of particular concern for the company in question. Given the company's turnover, it should have been confirmed as a Taxable Entrepreneur (TE). However, the company has not confirmed itself due to the VAT. Consequently, following a period of four years, CV ABC is obliged to confirm its status as a TE. In the event that this is not done, the DGT will proceed to confirm this status *ex officio*.

Research on compliance to become a TE has been conducted by several researchers including Ayub (2023); Edwin and Ysifa (2023); Ragilia (2022); Stefanus (2018); Kristanto (2017); Rizqi (2015). The study shows that some taxpayers have complied with becoming TE and some have not complied with becoming TE. This study is different from previous studies because this study does take a case study on a company that has not become a TE and should have become a TE, the company CV ABC has also not been audited. Therefore, this study will be input for CV ABC to find out the consequences of becoming a TE.

This study will examine the company's profit and taxation aspects, as well as the impact of the establishment of TE positions on CV ABC in carrying out its tax obligations as a taxable entrepreneur. It will also provide an understanding of the importance of immediately establishing itself as a TE when the turnover in one fiscal year has exceeded Rp4.8M, as well as the consequences or sanctions that may be imposed on the company if it cannot fulfill its tax obligations in accordance with applicable regulations. This research can contribute to two distinct yet interrelated objectives. Primarily, it can inform taxpayers of the taxation aspects regarding TE, thereby enabling them to comply with tax regulations and avoid sanctions. Secondly, it can provide the Directorate General of Taxes with insights into the extent of taxpayer awareness of tax regulations, which can inform strategies to enhance compliance.

## RESEARCH METHOD

This research employed a descriptive qualitative approach, focusing on a single case study of CV ABC. The company is engaged in the provision of large-scale laundry services. CV ABC has two branches, both of situated in Central Java, specifically in Solo Raya. The company offers a range of services, including laundry, the distribution of drinking water products, and convection services. CV ABC has been operational for three years and currently employs a total of 67 individuals distributed across two branches and the head office.

As Sugiyono (2022) suggests, the descriptive qualitative research method is a research approach based on the philosophy of post-positivism. It is a valuable tool for studying the conditions of natural objects, where the researcher plays a key role. Interviews were conducted with taxpayers to obtain financial report data for 2021-2023. This research then carried out the following analysis stages.

1. Calculating CV ABC's profit and loss under Non-TE conditions
2. Calculating CV ABC's profit and loss under TE assumptions



3. Comparing CV ABC's profit and loss under Non-TE conditions and TE assumptions
4. Calculating CV ABC's Income Tax Payable under Non-TE conditions
5. Calculating CV ABC's Income Tax Payable under TE assumptions
6. Calculating CV ABC's VAT Payable under TE assumptions
7. Comparing CV ABC's tax payable under Non-TE conditions and TE assumptions
8. Comparing CV ABC's tax aspects under Non-TE conditions and TE assumptions
9. Explaining the sanctions that can be imposed on CV ABC if it is confirmed as a TE by position.

## RESULTS AND DISCUSSION

### Comparison of Profit at CV ABC Non-TE Conditions and TE Assumptions

CV ABC is a service business that has been established for 3 (three) years and is considered successful because its annual turnover reaches billions of rupiah. The author obtained specific data in the form of CV ABC's commercial profit and loss report during the internship. The commercial profit and loss report presented is data from 2021 to 2023 with the current state of the company, namely before being confirmed as a TE and the assumption of the company's condition after TE confirmation.

This study assumes that the amount of commercial gross income in the previous non-TE condition is income that has not been reduced by VAT deposits. Due to limited data, the author also assumes that with this TE assumption there is no Input VAT, so it only takes into account output VAT. Thus, the nominal turnover of the commercial profit and loss report on the TE assumption will be smaller because the income already includes VAT. The calculation of VAT on CV ABC's service sales with the TE assumption is as follows.

In 2021, CV ABC's service sales amounted to Rp4,838,824,649 because there was an assumption of 10% VAT deposit since the turnover of Rp4.8 billion was reached, which was Rp43,138,499, which is the Taxable Base of VAT. So that below Rp4.8 billion is not subject to VAT. Therefore, the VAT deposited in 2021 was Rp4,313,850.

$$\begin{aligned} \text{DPP VAT 2021} &= \text{initial turnover} - \text{Rp4,800,000,000} \\ &= \text{Rp4,843,138,499} - \text{Rp4,800,000,000} \\ &= \text{Rp43,138,499} \end{aligned}$$

Information:

DPP: Tax basis (Indonesian: *Dasar Pengenaan Pajak*, abbreviated DPP)

$$\begin{aligned} \text{VAT 2021} &= \text{DPP VAT 2021} \times \text{VAT rate} \\ &= \text{Rp43,138,499} \times 10\% \\ &= \text{Rp4,313,850} \end{aligned}$$

$$\begin{aligned} \text{Assumed turnover of TE in 2021} &= \text{initial turnover} - \text{VAT} \\ &= \text{Rp4,843,138,499} - \text{Rp4,313,850} \\ &= \text{Rp4,838,824,649} \end{aligned}$$

In 2022, CV ABC's service sales amounted to Rp6,255,142,452 because in 2022 until March, VAT was still at 10% and then starting in April 2022, VAT was at 11%, so the calculation is as follows.

Table 1. Calculation of VAT CV ABC in 2022 on the TE assumption

Period	Initial Turnover	DPP	VAT
Jan – Marc	1,509,665,632	100/110 x initial turnover = 1,372,423,302	137,242,330
Apr – Dec	5,419,818,257	100/111 x initial turnover = 4,882,719,150	537,099,107
<b>Total</b>	<b>6,929,438,889</b>	<b>6,255,142,452</b>	<b>674,341,437</b>

Assumed turnover of TE in 2022 = initial turnover – VAT  
 = Rp6,929,438,889 – Rp674,341,437  
 = Rp6,255,142,452

In 2023, CV ABC's service sales amounted to Rp6,099,767,793 because there was an assumption of 11% VAT deposit of the total turnover, which was Rp6,770,742,250, which was the Taxable Base for VAT, so that the VAT deposited in 2023 was Rp670,974,457.

DPP VAT 2023 = 100/111 x initial turnover  
 = 100/111 x Rp6,770,742,250  
 = Rp6,099,767,793 VAT 2023  
 = DPP VAT 2023 x VAT rate  
 = Rp6,099,767,793 x 11%  
 = Rp670,974,457

Assumed turnover of TE in 2023 = initial turnover – VAT  
 = Rp6,770,742,250 – Rp670,974,457  
 = Rp6,099,767,793

Based on the VAT calculation above, the following is a summary of CV ABC's commercial profit and loss report with the TE assumption.

Table 2. Report summary of CV ABC commercial profit and loss of TE assumptions

	2021	Changing	2022	Changing	2023
Turnover	4,838,824,649	29%	6,255,142,452	-2%	6,099,767,793
Gross Profit	3,748,702,611	9%	4,103,752,608	-2%	4,002,282,470
Total Cost	2,849,491,032	27%	3,628,226,028	10%	3,985,769,906
Depreciation	417,517,184	55%	189,424,639	35%	255,438,581
Non-business					
Income	35,107,442	-1%	34,662,857	111%	73,282,992
Other costs	789,664	169%	2,126,287	18%	2,512,902
EBIT	516,012,173	-38%	318,638,511	-153%	(168,155,927)

In addition to the cost aspect of CV ABC, which is typically on the rise, the collection of VAT also impacts the profitability of the company. This is because the company does not raise the selling price to account for the inclusion of VAT in its sales. Consequently, the net profit before tax is diminishing, which is also affecting the company's losses. This is because in this condition the VAT collection assumed is

only from output VAT, which is causing the amount of turnover in the TE assumption to decrease from the previous condition. The situation is different in the event that input VAT can be credited, thereby reducing the amount of VAT that must be paid.

The reduction in the company's profit and loss under the TE assumption is attributable to the collection of value-added tax (VAT) exclusively from output VAT when the company encounters a decline in sales. A decline in sales will consequently result in a decline in profits. This condition has the potential to exacerbate the situation, as it increases the cost burden, even in instances where the company is unable to fully pass on the VAT burden to consumers through price increases. Consequently, the VAT must be borne by the company, which ultimately reduces the already narrow profit margin.

### Comparison of Tax Due on CV ABC of Non-TE Conditions and TE Assumptions

It is established that the gross turnover of CV ABC in non-TE conditions starting from 2021 has exceeded the value of Rp4.8 billion or Rp4,843,138,499, so basically the calculation of CV ABC's corporate income tax uses the normal rates of Article 17 and Article 31E because it is still below Rp50 billion. However, in this condition, CV ABC still uses the final rate for calculating its corporate income tax, because it still gets the facility to use final income tax for 4 (four) years since the establishment of the company for corporate taxpayers in the form of CVs, as regulated in Article 59 paragraph (1) of the Income Tax Law.

The tax base or taxable income for calculating this final income tax is the company's gross turnover multiplied by the final rate of 0.5%. So, the calculation of CV ABC's final corporate income tax for 2021-2023 in non-TE conditions is as follows.

Table 3. Comparison of calculation of corporate income tax CV ABC for non-TE conditions

Period	Gross	Final Rate PP 23 2018	Income Tax Payable
2021	4,843,138,499	0.5%	24,215,692
2022	6,929,483,889	0.5%	34,647,419
2023	6,770,742,250	0.5%	33,853,711

The author has conducted a fiscal reconciliation of the commercial income statement that has been presented previously in each period. This fiscal reconciliation is part of the calculation stage of CV ABC's corporate income tax on the assumption of TE, as TE is required to keep books. There are several things that are clearly found not to be in accordance with tax provisions, so the author only analyzes several aspects of CV ABC's commercial income statement, while in other aspects the author assumes that they are in accordance with tax regulations so that no fiscal correction is necessary.

The extant profit and loss report indicates that CV ABC generated a profit in both 2021 and 2022, whereas in 2023 it incurred a loss. Consequently, in 2023 it is not liable for annual taxation, but is nevertheless required to submit the 2023 Annual Corporate Tax Return.

CV ABC has an Income Tax (ITa) 23 tax credit in 2021 of Rp5,102, so the tax that CV ABC still has to pay for 2021 is Rp58,693,682. In this first year, CV ABC paid VAT of Rp4,313,850, this amount is obtained by calculating 10% VAT starting from the fulfillment of a turnover of Rp4.8 billion.

CV ABC has a ITa23 tax credit in 2022 of Rp2,041, so the tax that CV ABC still has to pay for 2022 is 45 of Rp34,013,548. In this second year, CV ABC paid VAT of Rp674,341,437, this amount was obtained by removing 10% VAT for January to March and 11% for April to December from the total commercial turnover in 2022.

CV ABC in 2023 did not make a profit or in other words suffered a loss, so basically it does not need to pay annual taxes, but must still report it on the 2023 Annual Corporate Tax Return. In this third year, CV ABC paid VAT of Rp670,974,457. This amount was obtained by removing 11% VAT from the total commercial turnover in 2023.

Table 4. Comparison of tax payable by CV ABC in non-TE conditions and TE assumptions

Period	Income Tax Payable		VAT		Tax Fee	
	Non-TE	TE Assumption	Non-TE	TE Assumption	Non-TE	TE Assumption
2021	24,215,692	58,698,784	0	4,313,850	24,215,692	63,012,634
2022	34,647,419	34,015,589	0	674,341,437	34,647,419	708,357,025
2023	33,853,711	0	0	670,974,457	33,853,711	670,974,457

The table above presents a comparison of taxes payable to CV ABC in non-TE conditions and TE assumptions. It can be clearly seen that in non-TE conditions the company does not have any obligations related to VAT, so VAT is only calculated on the TE assumption.

### Comparison of Tax Aspects in CV ABC Non-TE Conditions and TE Assumptions

#### 1. Taxation aspects of CV ABC of non-TE condition

a. No value added tax (VAT) obligations

An entrepreneur or business entity is referred to as a non-taxable entrepreneur (non-TE) if it does not meet the criteria as a TE or has not registered to be confirmed as a TE. These criteria include an annual turnover that has not reached 4.8 billion rupiah. Therefore, non-TE do not yet have an obligation to collect VAT, and do not need to carry out the tax obligations that apply to TE.

b. Not required to keep books

Non-TE are not subject to the tax obligations that apply to Taxable Entrepreneurs (TE), so they are not required to keep books because their annual turnover is relatively small, which is less than 4.8 billion rupiah. By not being required to keep books, non-TE can focus more on developing their business and of course there are no obligations related to VAT, so they do not require detailed bookkeeping. However, for corporate taxpayers CV after four years, they must continue to keep books even though the condition is non-TE and the turnover is less than 4.8 M. This is in accordance with PP Number 55 of 2022.

c. Final corporate income tax (ITa) of companies

Non-TE companies are not required to collect, deposit and report VAT, but Non-TE companies must still contribute to the state through the Final Income Tax obligation which is calculated annually. This is based on Government Regulation (Indonesian: *Peraturan Pemerintah*, abbreviated PP) 55 of 2022 article 57 paragraph (1) which stipulates that the category of Micro, Small and Medium Enterprises (MSMEs) or taxpayers who earn income with a gross turnover of less than Rp4.8 billion in one tax year, are subject to final tax, namely at a rate of 0.5% of the gross income owned. However, for corporate taxpayers CV after four years, they must still calculate tax according to the rate of article 31E even though the condition is non-TE and the turnover is less than 4.8 M.

## 2. Taxation aspects of CV ABC of TE assumptions

### a. Value added tax (VAT) liabilities

The author assumes that CV ABC collects VAT from the sale of its services and there are no purchases from TE, so that the VAT value has been included in gross income and there is no Input VAT.

- 1) Basically, TE is required to transact with fellow TE in order to get creditable Input VAT, so that it can reduce the amount of VAT payable. For example: TE X for the delivery of Taxable Goods recorded Output VAT of Rp55,000,000. TE X made purchases entirely by transacting with fellow TE with Input VAT recorded at Rp36,000,000.

$$\begin{aligned}\text{VAT payable} &= \text{Output VAT} - \text{Input VAT} \\ &= \text{Rp}55,000,000 - \text{Rp}36,000,000 \\ &= \text{Rp}19,000,000 \text{ (VAT underpayment)}\end{aligned}$$

The difference above can be called underpaid VAT because the value of Output VAT is greater than the value of Input VAT, so the underpayment must be paid to the state treasury. Conversely, if the Input VAT value is greater than the Output VAT value, it can be called overpaid VAT, so that it can apply for restitution or to credit the next tax period.

- 2) Transacting with TE

If TE does not transact with fellow TE, then it must bear the full VAT because it does not receive Input VAT that should be credited. For example: TE X makes purchases or transactions with fellow TE and also non-TE. TE Purchase = Rp350,000,000

$$\begin{aligned}\rightarrow \text{Input VAT (11\%)} &= \text{Rp}38,500,000 \text{ Non-TE purchases} = \text{Rp}100,000,000 \\ \rightarrow \text{Input VAT} &= \text{Rp}0 \text{ TE X sells with a profit of 15\%} \\ \rightarrow \text{Sales} &= (\text{Rp}350,000,000 + \text{Rp}100,000,000) + \text{Rp}67,500,000 = \text{Rp}517,500,000 \\ \rightarrow \text{Output VAT} &= \text{Rp}517,500,000 \times 11\% = \text{Rp}56,925,000 \\ \rightarrow \text{VAT payable} &= \text{Output VAT} - \text{Input VAT} \\ &= \text{Rp}56,925,000 - \text{Rp}0 \\ &= \text{Rp}56,925,000\end{aligned}$$

If the purchase to non-TE of Rp100,000,000 above is considered a purchase to fellow TE, then it can be calculated as follows.

$$\begin{aligned}\text{TE Purchase} &= \text{Rp}450,000,000 \\ \rightarrow \text{Input VAT (11\%)} &= \text{Rp}49,500,000 \\ \rightarrow \text{VAT payable} &= \text{Output VAT} - \text{Input VAT} \\ &= \text{Rp}56,925,000 - \text{Rp}49,500,000 \\ &= \text{Rp}7,425,000\end{aligned}$$

It can be observed that if a TE makes a purchase transaction to another TE, the VAT payable is smaller compared to a TE who makes a transaction to a non-TE. This is because in transactions between TE, the TE company receives an input invoice, so that the Input VAT can be credited. If the TE still wants to make transactions with non-TE, then the TE must increase the price of its sales so that the larger VAT payable does not burden the company to pay its obligations.

b. Mandatory bookkeeping

TE is categorized as having a turnover exceeding 4.8 billion rupiah, so it is mandatory to do bookkeeping. Related to the entire amount of the acquisition price and delivery of Taxable Goods and/or Taxable Services, collection, calculation, deposit and reporting of VAT in the obligatory Periodic Tax Return, as well as to calculate corporate income tax, must be recorded in the bookkeeping.

c. Corporate income tax (ITa) of normal rate

In the calculation of the actual conditions still using the final rate, the author made calculations with the assumption that should be the calculation of corporate income tax using the normal rate of Article 17 of the Income Tax Law of 22% and Article 31E of the Income Tax Law, namely getting a rate reduction facility of 50% of the normal rate if the gross circulation is still below Rp50 billion. The tax base or taxable income from this calculation is from net profit before tax after the calculation of fiscal reconciliation.

### Sanctions on CV ABC If Officially Confirmed by the Directorate General of Taxes

Companies with a turnover of Rp4.8 M are required to report their business to be confirmed as a TE, if not, the Directorate General of Taxes confirms the TE officially based on the KUP (General Provisions and Tax Procedures, Indonesian: *Ketentuan Umum dan Tata Cara Perpajakan*, abbreviated KUP) Law Article 2 paragraph (4). Confirmation of TE officially is carried out based on the results of an examination or administrative research by the Directorate General of Taxes. Based on the results of the examination, the head of the KPP will issue a TE confirmation letter. After being confirmed as a TE officially, the Directorate General of Taxes has the authority to issue a Tax Assessment Letter (Indonesian: *Surat Ketetapan Pajak*, abbreviated SKP) or Tax Bill (Indonesian: *Surat Tagihan Pajak*, abbreviated STP) for the relevant tax period or tax year to show tax obligations that have not been fulfilled by the taxpayer.

As in the two previous discussions, it is confirmed that CV ABC has not immediately confirmed itself as a TE due to the TE obligation, namely VAT. By collecting VAT from the selling price, turnover will decrease. On the other hand, if CV ABC collects VAT outside the selling price, it will make the selling price higher, so that there is a possibility of a decrease in sales because consumers choose more affordable prices, so that the company's profit cannot be suppressed. Moreover, with the calculation of the TE assumption that has been carried out by the author, it is known that there will be a loss in 2023.

Based on the KUP Law, Article 13 paragraph (1), the Directorate General of Taxes will issue an SKPKB (Tax Assessment Letter for Underpayment, Indonesian: *Surat Ketetapan Pajak Kurang Bayar*, abbreviated SKPKB) for entrepreneurs who are appointed ex officio. The SKPKB is issued for unpaid or underpaid taxes, plus a monthly interest penalty as determined by the Minister of Finance with a maximum fine of 24 months, as stated in Article 13 paragraph (2). In addition to these sanctions, the Directorate General of Taxes will also issue an STP for invoice obligations that are not or are made late, such as CV ABC not issuing tax invoices. For taxable entrepreneurs, in addition to paying the taxes owed, a penalty of 1% of the DPP is imposed on the invoice obligation, as stated in Article 14 paragraph (1). If CV ABC is appointed as a TE ex officio by the Directorate General of Taxes, then it is certain that the amount of tax costs will be even greater due to the fines that must be paid. The amount of tax costs will later be calculated with profit and loss before tax, so that it can be known whether in the relevant year CV ABC still makes a profit or experiences a loss.

CV ABC must immediately confirm itself as a TE before being audited by the DGT to avoid tax sanctions if it is confirmed as a TE by position. Furthermore, CV ABC must also study tax regulations so that it knows the tax aspects of TE so as not to cause company losses and can still comply with tax obligations according to applicable regulations.



## CONCLUSION

In light of the preceding analyses and discussions of the various formulations, the author is able to draw several conclusions. These are as follows:

1. In light of TE confirmation, the author recognizes that if CV ABC is confirmed as TE, it will have an impact on the company's losses. The author postulates that the reason CV ABC did not promptly confirm its status as TE is due to the VAT collection obligations that fall under TE's purview. The outcomes of this assumption exert a detrimental influence on the company, thereby rendering the assertion that CV ABC has not yet confirmed its status as TE a logical conclusion.
2. Corporate income tax (ITa) in non-TE conditions uses a final rate of 0.5%, while in the TE assumption, the normal tax rate calculation is used in Article 17 with a 50% rate reduction facility, namely Article 31E, because the turnover is still below 50 billion, coupled with the collection of VAT which makes the tax costs in the relevant year even greater, so that it also has a major impact on the company's profit.
3. The taxation aspect in non-TE conditions is that there is no obligation related to VAT, no obligation to keep books, and the calculation of corporate income tax uses the final rate. Then, the taxation aspect in TE is that there is an obligation related to VAT, so it is mandatory to keep books, and the calculation of corporate income tax uses the normal rate.
4. The sanction that will be given to CV ABC if it is confirmed as a TE by the DGT is that the taxpayer concerned must pay the tax shortfall on the SKPKB along with the administrative sanctions of Article 13 paragraph (2) every month for a maximum of 24 months, plus an STP sanction for the obligation to issue invoices that are not carried out amounting to 1% of the Taxable Base.

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## GUIDELINES FOR AUTHOR

### AKUMULASI: Indonesian Journal of Applied Accounting and Finance

#### A. Writing format

1. Manuscript is typed using Cambria font.
2. Manuscript is written in a quarto paper size (A4), with upper, below, left, and right margins of 2 cm.
3. The front page of the manuscript includes the title, author's name, institution, country, and email of the corresponding author.
4. The Result of Turnitin Checking (20%) and Author's Statement Letter must be included.
5. All pages are given sequential numbers, including the pages containing references and appendices.
6. Footnotes, headers, and footers are used for additional information about the content (not for providing supplementary information about the author and title of the article).
7. Manuscript is prepared following the template provided by the AKUMULASI: Indonesian Journal of Applied Accounting and Finance available on Paper Template.

#### B. Manuscript organization

1. **TITLE.** The title should be straightforward, clear, and informative. This section is presented in Cambria 12; 1.15 Space; Capitalize Each Word; Bold; Centered.
2. **NAME OF THE AUTHOR, INSTITUTION, CITY, COUNTRY, AND E-MAIL.** This section contains the author's name (without academic title), name of the institution (study program, faculty, university, city), name of the country, and e-mail address (corresponding author). If a manuscript is written by a team, the editor only deals with the first author (or corresponding author). This section is presented in the Cambria 11; 1.15 Space; Capitalize Each Word; Centered.
3. **ABSTRACT.** The abstract is composed of a maximum of 250 words, while keywords are composed of 3-5 words (in alphabetical order). The abstract contains the main issues, objectives, methods, research results, and implications. The abstract title is presented in the Cambria 12; 1.15 Space; UPPERCASE; Bold; Centered. The abstract body is written in Cambria 11; 1.15 Space; Sentence case; Justified. Meanwhile, the keywords are typed with the Cambria 11; 1.15 Space; Sentence case; Left.
4. **INTRODUCTION.** This section describes the background on issues, problems, urgency, research novelty, research rationalization, research objectives and contributions, and literature review. For a research article, the literature review details a synchronization of theoretical frameworks, reviews of previous research, and hypothesis development. Meanwhile, for a conceptual article, the problems/issues are discussed in the Introduction. The Introduction and References are presented in uniform writing format: 1) TITLE-INTRODUCTION, RESEARCH METHOD, etc: Cambria, 12; Space 1.15; UPPERCASE; Bold; Justified; and 2) the body of the article: Cambria, 11; Space 1.15; Sentence case; Justified.
5. **RESEARCH METHOD.** This section presents the research design, scope, data collection techniques, and analysis techniques.
6. **RESULTS AND DISCUSSION.** This section presents the results of the research analysis, describes the results of data processing and logical interpretation of findings, as well as links them to relevant reference sources (can be completed with tables, graphs/pictures, or charts).

7. **CONCLUSION.** This section provides a brief summary of the research results and discussions that address the research objectives and presents certain methodological or procedural difficulties (beyond the researcher's control) as well as practical and theoretical recommendations that are useful for further research.
8. **REFERENCES.** The minimum number of references is 20 (primary reference is recommended), published in the past 10 years. The references only include the works cited in the body of the article. The citations and references are written based on the APA 7<sup>th</sup> Edition Style (American Psychological Association). To help compile references, please use the Mendeley application tool.

### C. Tables and Figures

The following is the format for tables and figures:

1. The title of the table is written above the table with Cambria 11; 1.15 Space; Sentence case; Left. Information in the table is typed with 1 Space, a horizontal line for the first line (table subtitle), and the last line, without a vertical line.
2. The title of the figure (picture) is presented below the picture with Cambria 11; 1.15 Space; Sentence case; Centered. The figure is prepared in printable form (not cropped).
3. Sources of tables and figures must be listed.
4. The titles of tables and figures are numbered sequentially from 1 to the last.

### D. References (the APA 7th Edition Style)

Example:

In-text citation

Cocoa is one of the functional foods in Madiun (Ariyantoro *et al.*, 2019). The research by Widodo *et al.* (2019) has concluded the need for an environmentally friendly approach to preventing bad pollution, particularly by increasing the awareness of public and business actors in managing liquid waste by creating an integrated wastewater treatment system.

Reference list citation

- Ariyantoro, A. R., Anam, C., Kawiji, K., Minardi, S., Zulfa, F., Purnomo, D., ... Widiatmoko, C. (2019). Pengembangan produk coklat couverture dengan penambahan pangan fungsional di Desa Randualas Kecamatan Kare Kabupaten Madiun. *PRIMA: Journal of Community Empowering and Services*, 3(2), 43-38. <https://doi.org/10.20961/prima.v3i2.37835>
- Widodo, T., Budiastuti, M. T. S., & Komariah, K. (2019). Water quality and pollution index in Grenjeng River, Boyolali Regency, Indonesia. *Caraka Tani: Journal of Sustainable Agriculture*, 34(2), 150-161. <https://doi.org/10.20961/carakatani.v34i2.29186>

Other Examples (reference list citation):

#### Journal Article

Dhaliwal, D., Li, O. Z., Tsang, A., & Yang, Y. G. (2014). Corporate social responsibility disclosure and the cost of equity capital: The roles of stakeholder orientation and financial transparency. *Journal of Accounting and Public Policy*, 33(4), 328–355. <https://doi.org/10.1016/j.jaccpubpol.2014.04.006>

#### Print Authored Book

Ghozali, I. (2009). *Aplikasi analisis multivariate dengan program SPSS*. Badan Penerbit Universitas Diponegoro.

**Online Newspaper Article (terdapat nama author)**

Ricky, M. (2020, September 28). Tak efektif, Pemkot Solo turunkan target pemasangan alat monitoring pajak hotel dan restoran. *Solopos.com*. <https://www.solopos.com/tak-efektif-pemkot-solo-turunkan-target-pemasangan-alat-monitoring-pajak-hotel-dan-restoran-1083391>

**Online Newspaper Article (tidak ada nama author)**

Tak efektif, Pemkot Solo turunkan target pemasangan alat monitoring pajak hotel dan restoran. (2020, September 28). *Solopos.com*. <https://www.solopos.com/tak-efektif-pemkot-solo-turunkan-target-pemasangan-alat-monitoring-pajak-hotel-dan-restoran-1083391>

**Law or Regulation**

Standar Akuntansi Pemerintahan, Peraturan Pemerintah Nomor 71 Tahun 2010 (2010). JDIH BPK RI. <https://peraturan.bpk.go.id/Home/Details/5095/pp-no-71-tahun-2010>

**Online Dissertation From a Database**

Wati, T. Z. (2020). *Analisis penerimaan pajak restoran sebelum dan sesudah penggunaan tapping box sebagai Pendapatan Asli Daerah Kota Metro tahun 2015—2019* [Tugas Akhir, Universitas Sebelas Maret]. UPT Perpustakaan Universitas Sebelas Maret. <https://digilib.uns.ac.id/dokumen/detail/80624/Analisis-Penerimaan-Pajak-Restoran-Sebelum-dan-Sesudah-Penggunaan-Tapping-Box-sebagai-Pendapatan-Asli-Daerah-Kota-Metro-Tahun-2015-2019>



7th edition

# Common Reference Examples Guide

This guide contains examples of common types of APA Style references. Section numbers indicate where to find the examples in the *Publication Manual of the American Psychological Association* (7th ed.).

More information on references and reference examples are in Chapters 9 and 10 of the *Publication Manual* as well as the *Concise Guide to APA Style* (7th ed.). Also see the [Reference Examples](#) pages on the APA Style website.

## Journal Article (Section 10.1)

Edwards, A. A., Steacy, L. M., Siegelman, N., Rigobon, V. M., Kearns, D. M., Rueckl, J. G., & Compton, D. L. (2022). Unpacking the unique relationship between set for variability and word reading development: Examining word- and child-level predictors of performance. *Journal of Educational Psychology*, 114(6), 1242–1256. <https://doi.org/10.1037/edu0000696>

## Online Magazine Article (Section 10.1)

Thomson, J. (2022, September 8). Massive, strange white structures appear on Utah's Great Salt Lake. *Newsweek*. <https://www.newsweek.com/mysterious-mounds-great-salt-lake-utah-explained-mirabilite-1741151>

## Print Magazine Article (Section 10.1)

Nicholl, K. (2020, May). A royal spark. *Vanity Fair*, 62(5), 56–65, 100.

## Online Newspaper Article (Section 10.1)

Roberts, S. (2020, April 9). Early string ties us to Neanderthals. *The New York Times*. <https://www.nytimes.com/2020/04/09/science/neanderthals-fiber-string-math.html>

## Print Newspaper Article (Section 10.1)

Reynolds, G. (2019, April 9). Different strokes for athletic hearts. *The New York Times*, D4.



### **Blog Post (Section 10.1)**

Rutledge, P. (2019, March 11). The upside of social media. *The Media Psychology Blog*.  
<https://www.pamelarutledge.com/2019/03/11/the-upside-of-social-media/>

### **Authored Book (Section 10.2)**

Kaufman, K. A., Glass, C. R., & Pineau, T. R. (2018). *Mindful sport performance enhancement: Mental training for athletes and coaches*. American Psychological Association.  
<https://doi.org/10.1037/0000048-000>

### **Edited Book Chapter (Section 10.3)**

Zelege, W. A., Hughes, T. L., & Drozda, N. (2020). Home-school collaboration to promote mind-body health. In C. Maykel & M. A. Bray (Eds.), *Promoting mind-body health in schools: Interventions for mental health professionals* (pp. 11–26). American Psychological Association.  
<https://doi.org/10.1037/0000157-002>

### **Online Dictionary Entry (Section 10.3)**

American Psychological Association. (n.d.). Internet addiction. *In APA dictionary of psychology*. Retrieved April 24, 2022, from <https://dictionary.apa.org/internet-addiction>

### **Report by a Group Author (Section 10.4)**

World Health Organization. (2014). *Comprehensive implementation plan on maternal, infant and young child nutrition*. [https://apps.who.int/iris/bitstream/handle/10665/113048/WHO\\_NMH\\_NHD\\_14.1\\_eng.pdf?ua=1](https://apps.who.int/iris/bitstream/handle/10665/113048/WHO_NMH_NHD_14.1_eng.pdf?ua=1)

### **Report by Individual Authors (Section 10.4)**

Winthrop, R., Ziegler, L., Handa, R., & Fakoya, F. (2019). *How playful learning can help leapfrog progress in education*. Center for Universal Education at Brookings. [https://www.brookings.edu/wp-content/uploads/2019/04/how\\_playful\\_learning\\_can\\_help\\_leapfrog\\_progress\\_in\\_education.pdf](https://www.brookings.edu/wp-content/uploads/2019/04/how_playful_learning_can_help_leapfrog_progress_in_education.pdf)

### **Press Release (Section 10.4)**

American Psychological Association. (2020, March 2). *APA reaffirms psychologists' role in combating climate change* [Press release]. <https://www.apa.org/news/press/releases/2020/03/combating-climate-change>

### **Conference Session (Section 10.5)**

Davidson, R. J. (2019, August 8–11). *Well-being is a skill* [Conference session]. APA 2019 Convention, Chicago, IL, United States. [https://irp-cdn.multiscreensite.com/a5ea5d51/files/uploaded/APA2019\\_Program\\_190708.pdf](https://irp-cdn.multiscreensite.com/a5ea5d51/files/uploaded/APA2019_Program_190708.pdf)

### **Dissertation From a Database (Section 10.6)**

Horvath-Plyman, M. (2018). *Social media and the college student journey: An examination of how social media use impacts social capital and affects college choice, access, and transition* (Publication No. 10937367). [Doctoral dissertation, New York University]. ProQuest Dissertations and Theses Global.

**Preprint Article (Section 10.8)**

Latimier, A., Peyre, H., & Ramus, F. (2020). *A meta-analytic review of the benefit of spacing out retrieval practice episodes on retention*. PsyArXiv. <https://psyarxiv.com/kzy7u/>

**Data Set (Section 10.9)**

O'Donohue, W. (2017). *Content analysis of undergraduate psychology textbooks* (ICPSR 21600; Version V1) [Data set]. Inter-university Consortium for Political and Social Research. <https://doi.org/10.3886/ICPSR36966.v1>

**Film or Video (Section 10.12)**

Docter, P., & Del Carmen, R. (Directors). (2015). *Inside out* [Film]. Walt Disney Pictures; Pixar Animation Studios.

**TV Series Episode (Section 10.12)**

Dippold, K. (Writer), & Trim, M. (Director). (2011, April 14). *Fancy party* (Season 3, Episode 9) [TV series episode]. In G. Daniels, H. Klein, D. Miner, & M. Schur (Executive Producers), *Parks and recreation*. Deedle-Dee Productions; Fremulon; 3 Arts Entertainment; Universal Media Studios.

**Webinar (Section 10.12)**

Kamin, H. S., Lee, C. L., & McAdoo, T. L. (2020). *Creating references using seventh edition APA Style* [Webinar]. American Psychological Association. <https://apastyle.apa.org/instructional-aids/tutorials-webinars>

**YouTube Video (Section 10.12)**

Above The Noise. (2017, October 18). *Can procrastination be a good thing?* [Video]. YouTube. <https://www.youtube.com/watch?v=FQMwmBNNOnQ>

**Song or Track (Section 10.13)**

Nirvana. (1991). *Smells like teen spirit* [Song]. On *Nevermind*. DGC.

**Radio Broadcast (Section 10.13)**

Hersher, R. (2020, March 19). *Spring starts today all over America, which is weird* [Radio broadcast]. NPR. <https://www.npr.org/2020/03/19/817237429/spring-starts-today-all-over-america-which-is-weird>

**Podcast Episode (Section 10.13)**

Santos, L. (Host). (n.d.) *Psychopaths and superheroes* (No. 1) [Audio podcast episode]. In *The happiness lab with Dr. Laurie Santos*. Pushkin Industries. <https://www.happinesslab.fm/season-2-episodes/episode-1>

**Infographic (Section 10.14)**

American Psychological Association. (n.d.). *Data sharing* [Infographic]. <https://www.apa.org/pubs/journals/>

[data-sharing-infographic.pdf](#)

### **PowerPoint From a Classroom Website (Section 10.14)**

Mack, R., & Spake, G. (2018). *Citing open source images and formatting references for presentations* [PowerPoint slides]. [Canvas@FNU](mailto:Canvas@FNU). <https://fnu.onelogin.com/login>

### **Tweet (Section 10.15)**

Obama, B. [@BarackObama]. (2020, April 7). *It's World Health Day, and we owe a profound debt of gratitude to all our medical professionals. They're still giving* [Tweet]. Twitter. <https://twitter.com/BarackObama/status/1247555328365023238>

### **Open Educational Resource (Section 10.16)**

Fagan, J. (2019, March 25). *Nursing clinical brain*. OER Commons. Retrieved January 7, 2020, from <https://www.oercommons.org/authoring/53029-nursing-clinical-brain/view>

### **Webpage (Section 10.16)**

Chandler, N. (2020, April 9). *What's the difference between Sasquatch and Bigfoot?* howstuffworks. <https://science.howstuffworks.com/science-vs-myth/strange-creatures/sasquatch-bigfoot-difference.htm>

### **Webpage on a News Website (Section 10.16)**

Machado, J., & Turner, K. (2020, March 7). *The future of feminism*. Vox. <https://www.vox.com/identities/2020/3/7/21163193/international-womens-day-2020>

### **Webpage With a Retrieval Date (Section 10.16)**

Center for Systems Science and Engineering. (2020, May 6). *COVID-19 dashboard by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University (JHU)*. Johns Hopkins University & Medicine, Coronavirus Resource Center. Retrieved May 6, 2020, from <https://coronavirus.jhu.edu/map.html>

