

The Role of Traditional Market Retribution Subsectors on Local Own Revenue in Ternate City

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ABSTRACT

Ternate city has several modern and traditional markets. This study focuses on the traditional markets. They are found in several locations, such as in Gamalama village, Dufa-Dufa village, and Bastiong village. Meanwhile the local government builds traditional markets in Kota Baru village. The existence of traditional markets as centers for trade contribute to the Local Own-source Revenue of the region from retributions. Ternate's Own-source Revenue increased during the period of 2010 to 2015, as well as the level of retribution as one of its contributing factor. This study aims to determine the development of traditional market retribution and their perks sector of the Local Own-source Revenue of Ternate City. This study was carried out in Ternate City. This study is a descriptive research with secondary data analysis. The data were analyzed with simple linear regression tools in time series formatted as $Y = \beta + x$. The study findings reveal that there is a very strong relationship between Local Own-source Revenue and traditional market retribution. The correlation coefficient (R) of 0.987 and the coefficient of determination (R²) of 0.975 illustrate 97.5% contribution to the revenue. It recommends the Ternate Local Government to perfectly manage the retribution to realize a positive relationship between the fees taken and the service provided. This is mutually beneficial between the government and the community in general.

Keywords: Local Own-source Revenue, Retribution, Traditional Markets

INTRODUCTION

Regional development as an integral part of national development is carried out based on the principles of regional autonomy and resource management which provide opportunities for enhancing democracy and regional performance in the context of creating regional development stability in achieving prosperity for the community. Besides, it enables exploration for the existing potentials for to support and realize the ideals of national development.

The development of the Republic of Indonesia as a rule of law, has resulted in rapid development in national life. It demands continuance with the support of the government and all potentials within society. In line with the development objectives, namely creating a just and prosperous society, it is necessary to make efforts to increase local revenues from various potential sources, one of which is the regional tax and retribution sector. Substantially, national development fully complies with regional development. To carry it out, regions are given the task and authority to manage their own households, financial budgets and take on the tasks assigned by the central government. This is in accordance with Article 18 of the amended 1945 Constitution

and Law No.32 of 2004 concerning Regional Government, granting autonomy rights to provinces and districts/cities enabling them to regulate and manage their own households.

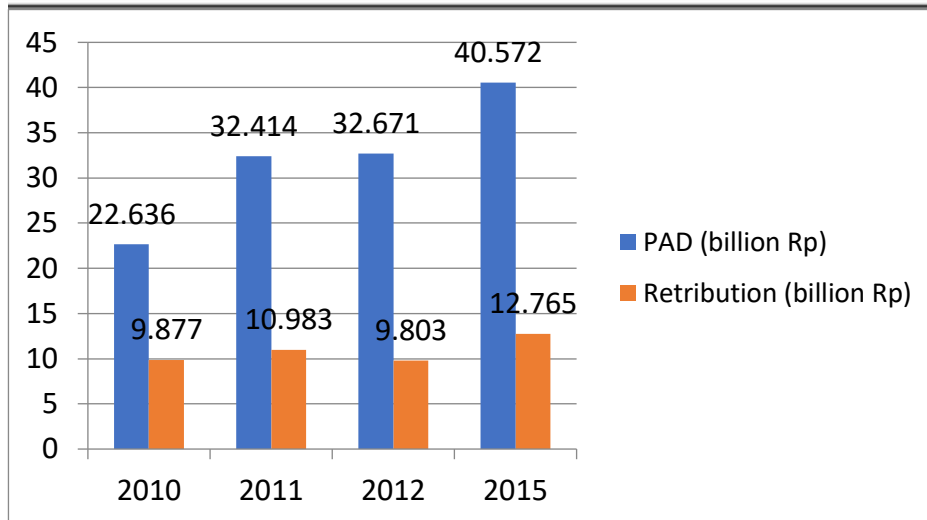
In the extension of regional autonomy, the regions need to design work programs contemplating the desires and aspirations following the regional potentials. To attend their own household as well as possible, it is necessary to provide them with sufficient funding sources, and regulate development planning areas with a lot of funds. It leads a region to carry out its duties and obligations as well as the authority that lies with it in regulating and managing its household. Furthermore, its basic and fundamental characteristics are lost. Concrete steps need to be taken in a thorough manner. However, considering that not all sources of financing can be provided to the regions, they are required to explore all financial sources themselves based on the prevailing regulations.

Pertaining to the importance of financing in managing regional households, the central government provide the regions with appropriate sources of financing to appropriately bear their responsibility. These are crucial due to the development as well as its continuity sustainability are inseparable from funding to ensure the results are as good as planned. To support the development of real, dynamic, harmonious and responsible autonomy, government financing and regional development are sourced from local revenue. The regulation must be further improved, especially those derived from regional taxes. Due to the fact that not all sources of direct financing can be provided, it is obligatory for regions to explore financial sources both from Local Own-source Revenue (PAD) in the form of local taxes, retributions and local company revenues, as well as takings of regional wealth management.

Local revenue, Local Own-source Revenue in particular, is strongly influenced by regional tax and retribution revenues. Regional tax sector is one of the potential sources in contributing financial resources to help finance development. As for the law that regulates Regional Taxes and Regional Retributions is Law Number 18 of 1997 which was later amended by Law Number 34 of 2000.

One of the local revenue sources is Market Restitution, a part of regional and service fees. It is a payment for the provision of traditional / simple facilities which constitute a yard or equipment for booths and feet or overhangs that are managed by the Regional Government and particularly for traders, excluding those processed by regional companies. The provisions are stipulated in Regional Regulation No. 9 of 1996.

Ternate city has several modern and traditional markets. This study focused on traditional markets. They are located in several locations, such as in the Gamalama village, Dufa-dufa village, Bastiong village, and currently the local government is building a traditional market in Kota Baru Village. They make enormous contribution to local revenue through retribution. It had significantly increased since 2010 to 2015, as well as the level of retribution as one of its contributing factor. The graph below illustrates the outgrowth.



Source: Ternate Regional Revenue Office

The authors are interested in conducting research on the extent to which the retributions provide inputs as a source of funds in carrying out development in Ternate City by suggesting the title “The Role of Traditional Market Retribution Subsectors on Local Own-source Revenue in Ternate City”.

The Problem Formulation

The problem formulation is a) How is the development of traditional market retribution and Ternate’s Local Own-source Revenue in the period 2010-2017? b) How is the effect of traditional market retributions on Ternate’s Local Own-source Revenue in the period 2010-2017?

Local Own-source Revenue

Local Own-source Revenue (PAD) is revenue obtained by a region from sources within its own territory collected based on regional regulations in accordance with the prevailing laws and regulations (Siahaan, 2005). It is derived from regional taxes, retribution, takings of the management of separated regional assets, and other legitimate revenues. It provides flexibility in exploring funds in the implementation of regional autonomy as a manifestation of the principle of decentralization.

Regional revenue is the right of the regional government which is recognized as an addition to net worth (Afrizal, 2009). The regional revenue comes from 1) Local Own-source Revenue, comprising of Local Taxes, Retributions, Asset Management and others; and 2) Balancing Fund originating from the State Budget which consists of Profit Sharing Fund (DBH), and General Allocation Fund (DAU).

Levy Theory

According to Mardiasmo (2009), retribution is a regional levy as payment for services or the granting of certain permits specifically provided and / or given by local governments for the benefit of individuals or entities. Retribution is an obligatory payment from residents to the state due to certain services provided by the state for its individual residents (Marihot, 2005). According to Law Number 34 of 2000, retribution are regional levies as payment for services or the granting of certain permits specifically provided and / or given by local governments for the benefit of private or

public individuals. Retribution, according to Law Number 28 of 2009 is a payment for services or the granting of certain permits specifically provided and / or given by the Regional Government for the benefit of private persons or entities.

Regional Retribution

Retribution, according to PP. 66 of 2001, is "Regional Retribution", a regional levy as payment for services or the granting of certain permits specifically provided and / or granted by the Regional Government for personal or corporate interests. Retribution is a regional levy as payment for certain services or permits that are specifically provided and / or given by local governments for the benefit of individuals or entities (Siahaan, 2005).

The hypothesis proposed in this study is traditional market retributions have a significant effect on local revenue in Ternate City during the study period.

RESEARCH METHOD

This research was conducted in Ternate City, North Maluku Province for the reason that it has traditional markets located in several places, and is currently carrying out economic development through several policies based on the vision and mission of regional development. The data used in this research is secondary data obtained from the Central Bureau of Statistics (BPS), Regional Revenue Office, and Market Office of Ternate City. The data were the development of PAD, the development of market retribution in Ternate City, and other supporting data.

For data analysis, this study used descriptive methods, and simple linear regression as follows:

$$Y = \beta_0 + \beta_1 X_1 + e$$

Y = Ternate' Local Own-source Revenue

β_0 = Constant

β_1 = Regression Coefficient

X₁ = Traditional Market Retribution

RESULTS AND DISCUSSION

The Ternate' Local Own-source Revenue Development 2010-2017

The local revenue sector plays an important role to finance government activities and regional development. The increase in local revenue (PAD) absolutely must be carried out by local governments to finance their own regional needs, so that regional government dependence on the central government decreases and in the end the regions can become independent. Law No. 33 of 2004 states that the local own-source income consists of several components supporting the creation of regional income by local taxes, retributions, takings of separated regional property management (HPK) and others. The table below shows the development of Ternate's Local Own-source Revenue in 2010 - 2017.

Table 1. Ternate's Local Own-source Revenue in 2010 – 2017

Year	Revenue (IDR)	Percentage Increase (%)
2010	22.636.398.069	-
2011	32.414.607.120	30
2012	32.671.661.820	0.8
2013	40.572.363.457	19.5
2014	54.908.436.723	26
2015	57.788.256.435	4.9
2016	66.061.665.814	12.5
2017	70.235.833.237	5.9

It shows positive development with several fluctuations.

The Development of Ternate's Local Retribution in 2011-2017

The central government has issued another regulation on regional taxes and retributions, through Law number 28 of 2009. It provides regional benefits with the existence of new revenue sources. On the other hand, there are several sources of local revenue that must be eliminated as it can no longer be collected by the regions, especially from local retribution.

According to Law No. 28 of 2009, in total there are 30 types of retributions collectable by regions. They are grouped into 3 categories including public service retribution, business service retributions, and certain licensing retributions. Table 2 below exhibits the level of revenue from the retribution.

Table 2. The Development of the Ternate's Local retribution in 2010-2017

Year	Retribution (IDR)	Percentage Increase (%)
2010	9.877.897.760	-
2011	10.981.935.038	10.3
2012	9.862.509.634	-11
2013	12.765.797.677	22.7
2014	14.785.987.140	13.6
2015	15.075.264.386	1.9
2016	16.197.456.472	6.9
2017	17.002.784.438	4,7

Source: Ternate's Regional Revenue Office (processed data)

In addition to taxes, retributions greatly influence the formation of Local Own-source Revenue. Ternate's local revenue from retribution during the 2010-2017 posted negative growth from the previous year. In 2011 it increased by 10.3% from the previous year, however in 2012 it decreased by -11%. In 2013 it increased by 22.7%

and 13.6% in 2014. In 2015 it posted 1.9% growth, 6.9% in 2016, and 4.7% in 2017. This proves retributions positively contribute to Ternate's Local Own-source Revenue.

Development of Traditional Markets' Merchants in 2011-2017

Markets are places where buyers and sellers meet for transactions. Recently, on-line markets have highly developed enabling buyers and sellers to no longer meet directly to can make transactions. However, the existence of non-online markets is unquestionably necessary since sellers and buyers can directly meet and choose the goods and services they want. Besides, their existence, especially traditional markets, greatly helps the general public in buying and selling processes. The government can take advantage by making market levies (retribution) as local revenue.

Provided with traditional markets in several places, Ternate is a city with good economic growth. Until 2017 it has five traditional markets, in addition to improving the economy of the citizens, increasing government local revenue from the sub-sector of market retribution.

This study confirms the amount of traditional market retribution, for the period 2011 to 2017, has increased. It is influenced by several factors, including the development of the number of shops. Table 3 below shows the development.

Table 3. Development of Number of Merchants in Ternate's Traditional Market

Year	Merchants (people)	Development (%)
2011	1964	-
2012	1964	-
2013	2213	11,25
2014	2376	6.86
2015	2354	-0.93
2016	2411	2.36
2017	2632	8.39

Source: Ternate's Market Office

The data above shows that the development of the number of merchants in 2011 to 2017 has increased significantly. In the 2011 and 2012, there are no addition in the number implying the number of merchants did not increase nor decrease. However, in 2013 there are 2213 people or increases by 11.25% from the previous year.

The Development of Traditional Market Retribution in 2011-2017

The increase in the number of traders in traditional markets shows the level of supply for goods and services, as well as the ability to rotate the regional economy. It has a great influence on the government as policy provider and regulation. An undeniable influence is the increase of local revenue originating from the sub-sector of traditional market retribution. The local revenue from the traditional market retribution sub-sector in 2011-2017 has significantly increased.

Table 4. The Development of Ternate Traditional Market Retribution

Year	Retribution (IDR)	Development (%)
2011	3.300.479.648	-
2012	2.827.162.156	-16.7
2013	3.380.523.622	16.3
2014	5.673.420.251	40.4
2015	6.124.669.551	7.3
2016	7.127.006.996	14
2017	8.226.827.809	13.3

Source: Ternate Market Office

The data illustrate that the significant development of the sub-sector of traditional market retribution in Ternate. In 2011, it was 3.3 billion and decreased 16% in 2012 by 2.8% due to lack of administrative factors, in which the number of merchants was not well recorded. However, in 2013 there was an increase of 16.3% or 3.38 billion. This increase is the realization of the desired target of 3.6 billion.

This study aims to determine how the contribution and relationship or influence of the level of traditional market retribution on local revenue in Ternate City. The data used is time series data in 2011 to 2017 or over a period of 8 years. For data processing, the author used descriptive methods and simple regression analysis techniques aided with SPSS software. Table 5 below shows the contribution percentage of traditional market retribution to local revenue in Ternate.

Table 5. Retribution Contribution of Ternate Traditional Markets on Local Own Source Revenue

Year	Contribution (%)	Development %
2011	10.18	-
2012	8.65	-17,6
2013	8.33	-3.8
2014	10.33	19.3
2015	10.59	2.5
2016	10.78	1.7
2017	11.71	7.89

This confirms the contribution of the retribution sub-sector by 8% to 11.71% of all components. The largest contribution was made by the traditional market at the end of

2017 with a total contribution of 11.71%. The smallest contribution was in 2013 by 8.33%.

Furthermore, a simple regression analysis test was used to determine the influence of the traditional market retribution subsector on the Ternate's Local Own-source Revenue. Table 6 below shows the summary.

Table 6. Simple Regression Analysis

Component	Value	Sig.
R	0,987	
R2	0,975	
b0	12.292	
X	7.332	
T	13,926	0,000
F	193.929	0,000

Source: Processed Results

The results of the analysis above shows the value of the correlation coefficient (R) is 0.987. It implies a very strong relationship between traditional market retribution variable and local revenue. Furthermore, the coefficient of determination (R2) is 0.975, which means that the level of market retribution is able to influence local revenue by 97.5%, while 2.5% is influenced by other variables not included in this study.

The constant value (b0) of the analysis results is 12,292 meaning that if other factors are considered constant, the amount of local revenue will be Rp. 12,292 billion. The value of X for traditional market retribution is 7.332 meaning that if the rate of traditional market retribution increases by 1 million rupiah, it will increase local revenue by 7.332 million rupiah. Likewise, if the it reduces by 1 million rupiah, it will decrease local revenue by 7.332 million rupiah.

The t-test value shows a positive value of 13.926 with a significant value of 0.00 which indicates that there is a significant effect of traditional market retributions on local revenue. Thus, the hypothesis proposed in this study, traditional market retributions have a significant effect on Ternate's Local Own-source Revenue is accepted.

This study findings are consistent with the research conducted by Rosidi 2010 examining market retribution receipts in increasing local revenue in Kampar Regency, and the research conducted by Azima Dewi 2013 et al, examining the contribution of traditional and modern markets to local revenue in the city of Semarang. However, these two studies only reveal descriptively about the retribution contribution to local revenue through the resulting percentages.

This study displays not only a descriptive point of view but also the magnitude of the coefficients affecting the traditional market retribution variable on the local revenue to assess the effect. Descriptively, the level of traditional market retribution on local revenue is 8% to 12%. This shows a significant value considering that local revenue in Ternate has several structures, including local taxes, regional retributions, wealth management, and others.

CONCLUSIONS

The results of the analysis conclude that there is a strong influence between the traditional market retribution variable on Ternate's Local Own-source Revenue by 0.987. This shows the local revenue is largely contributed by market retribution. In addition, t test confirms the significant effect of traditional market retributions. This study fosters Law number 32 of 2004 concerning local government in article 157 explaining regional revenue. The local government should be able to maximize regional income with the various resources they have, such as traditional market retributions.

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