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Original Article

The Effect of Regional Taxes and Regional Levies on Regional Financial Independence

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Abstract:
Research aims: *This study aims to test, analyse, and demonstrate the impact of regional taxes and levies on regional economic independence.*
Design/Methodology/Approach: *The study was carried out at Bogor City. 10 years' worth of regional taxes, levies, and financial independence from Bappeda of Bogor City served as the research samples.*
Research findings: *The findings showed that regional taxes and levies significantly increase the financial independence of the region.*
Theoretical contribution/Originality: *This study helps to raise regional tax revenues and financial independence in the region.*

Keywords: *Regional Taxes, Regional Levies, Regional Financial Independence.*

I. INTRODUCTION

The decentralized government system that has been implemented for 22 years in Indonesia is an effort by the central government to realize the equitable distribution of regional development throughout Indonesia, which is difficult when the government implements a centralized system. A centralized system is one that is fully regulated by the central government. However, because of Indonesia's scattered area, the central government has difficulty carrying out national development transparency evenly and proportionally. The impact is significant inequality and a gap in several regions (Andriani & Wahid, 2018).

According to Law Number 9 of 2015, regional autonomy under the Unitary State System of the Republic of Indonesia is defined as the right, power, and duty of autonomous regions to control and manage their own governmental affairs and the interests of the local population. The central government gives the regions more flexibility and power in implementing regional autonomy. Having the power and freedom to impose rules, set up the government, carry out as many tasks as feasible, and discover the region's potential. Local government, as the state apparatus that implements regional autonomy, is considered to understand the needs of the region better than the central government (Saraswati & Nurharjanti, 2021).

The central government published Law Number 18 of 1997 concerning Regional Taxes and Regional Levies as a result of the decentralisation system and to support the independence of the regional administration, which was later changed to Law Number 28 of 2009. Later, Law Number 28 of 2009 on Central and Regional Financial Relations was repealed, and Law Number 1 of 2022 took its place. According to this regulation, local governments must identify revenue streams that can pay their expenditures within the context of national and regional growth.

Bogor City is a service city that has quite a lot of potential both in terms of natural resources, economics, human resources, cultural arts, and tourism. Based on data from the Central Statistics Agency of Bogor City in 2021, the population of Bogor City amounted to 1,052,359 people, with a workforce level of 529,003 inhabitants and an inflation rate of 5.82 percent. In the government system, the decentralization of regional potential is a very important component of regional original revenue (ROR). Bogor City's original revenue continues to increase from year to year. In 2012, the Bogor City ROR was still at Rp 360 billion; in 2021, the ROR of Bogor City had increased by Rp 1.1 trillion. The increase in Bogor City ROR is caused by various factors. Among them, the rapid development of Bogor City infrastructure helped foster good investment, ranging from the mushrooming of hotels, restaurants, and housing over the past ten years to the growth of tourism, which made more tourists come to the city of Bogor and spend their money there. All of this has an impact on the income from local taxes and regional levies, two components of ROR. The potential of the area that is managed and empowered optimally will contribute to large amounts of rupiah in the coffers, and regional revenue will increase (Rahmayani, Melia Wida, and Kurnadi, 2022).

Table 1: Total population, labor force, inflation, local tax, regional levies and local revenue from Bogor City in 2021

No.	Description	Angka
1.	Population of Bogor City	1.052.359
2.	Labor force (work)	466.645
3.	Labor force (open unemployment)	62.358
3.	Inflation	5,82
4.	Local tax	Rp 600 Billion
5.	Regional levies	Rp 36 Billion
6.	Locally-generated revenue	Rp 1,1 Trillion

Source:Bappeda Bogor City

Because the regions can satisfy their demands, increased regional original revenue (ROR) may have an impact on the regional government's independence. The regional government financing sources, which include regional original revenues (ROR), balance funds, regional loans, and other legal income, enable local governments to finance their operations, community development, and social services. The local government must consider the local revenue component as it relates to the financial independence of the region. Local taxes, regional levies, the proceeds of divided regional assets, and other legitimate ROR make up this ROR. The accomplishment of regional financial independence and equitable community welfare is anticipated to be positively impacted by regional taxes and regional levies, one of the four sources of ROR.

The ability of the region to meet its own financial demands and advance while lessening reliance on the national government is referred to as regional financial independence. In accordance with Halim (2018), regional financial independence refers to local governments' capacity to fund their own operations, development, and provision of services to citizens who have paid taxes and levies as a source of necessary regional income.

(Sunarto & Sunyoto Y, 2016) Mentioning regional taxes to hear regional independence. Local tax revenue and high regional levies means that the amount of money entering the regional treasury is increasing, so that the regional government can advance the regional economy. Regions with a high level of ability means that the regency/city is able to meet their needs without involving outsiders, in this case the central government. The intervention of the central government becomes smaller if the independence of the area is high. However, if the independence of the region is small, the interference of the central government will be even greater.

Several prior academics have conducted studies on the impact of local taxes and regional levies on regional financial independence. (Dewantoro, 2022) evaluated the effects of regional tax arrangements and levies on regional financial independence in 27 regencies and cities in the West Java Province between the years of 2016 and 2018. The findings indicated that regional financial independence was significantly positively influenced by both local taxes and the determinants of regional levies. These findings are consistent with research (Febriayanti & Faris, 2019) conducted in East Java Province for the years 2015–2017, which found that regional taxes and regional levies significantly increase regional financial independence. Additionally, regional tax variables and regional levies have an impact on regional financial independence simultaneously. This means that through raising regional taxes and levies, the region will be able to become financially more independent.

This is consistent with research findings (Novitasari & Novitasari, 2019) that regional taxes and levies have an impact on regional financial independence. Similar to this, Saprudin (2018) claimed in Gorontalo Regency that regional taxes and levies have a favourable impact on regional financial capacity. Additionally, according to (Novalistia, 2016), regional tax variables and regional levies both have a favourable impact on the degree of regional financial independence. This is due to the fact that the two sources of ROR's most significant regional revenue are local taxes and local levies.

In contrast to the results of research that says regional taxes and regional levies have a positive effect on regional finances (Rahmayani, Melia Wida, and Kurnadi, 2022), the Regency and City of West Java Province show different results from Dewantoro (2022), despite the research conducted in the province. The same. (Rahmayani, Melia Wida, and Kurnadi, 2022) resulted in the conclusion that local taxes have a significant effect on regional financial independence. However, the variables of regional levies show that the results have no significant effect on regional financial independence. The same results were obtained (Saraswati & Nurharjanti, 2021), which said that regional taxes had a positive and significant influence on regional financial independence, while regional levies, capital expenditure, and balance funds had no significant effect on regional financial independence. (Sunarto & Sunyoto Y., 2016) Obtaining the same results, namely that regional taxes have a significant positive effect on regional financial independence while regional levies have a significant negative effect on regional financial independence.

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

A) Regional Taxes

Regional taxes, as defined by Law Number 1 of 2022, are obligatory payments to regions that are owing by people or organisations and are required by the law despite not receiving any immediate benefits. They are used for regional objectives to provide the greatest prosperity for the population. Regional taxes, according to research (Febriayanti & Faris, 2019), are payments made by people or organisations without receiving a fair direct benefit. These payments can be required in accordance with the rules and regulations in effect and are used to fund the operation of the regional government.

Whereas in the study (Saprudin, 2018), "regional taxes" are defined as a legally required payment to the region that is payable by the person or entity and used for regional purposes for the best prosperity of the people. One component of local original income that significantly contributes to the collection of regional original revenue (ROR) is local taxes. Regional taxes cannot contradict with the taxes or policies of the federal government and must be established by regional rules after receiving approval from the Regional Representative Council.

B) Types of Local Taxes

The type of tax is divided into two types, namely Provincial Tax and Regency/City Tax, in Law Number 28 of 2009 about Regional Taxes and Regional Levies as revised to Law Number 1 of 2022 concerning Central and Regional Financial Relations. The Bogor City Government collects the following sorts of district and city taxes:

1. A hotel tax is a cost for services rendered by a hotel, namely the facility that provides lodging or resting services. Related services subject to fees include motels, inns, tourist huts, guesthouses, lodging houses, and boarding houses with more than ten rooms.
2. A restaurant tax is a levied on the products and/or services offered by eateries, such as cafeterias, canteens, stalls, bars, and similar establishments, as well as catering and catering services.
3. A tax on the provision of entertainment, or all kind of spectacles, performances, and/or crowds that are enjoyed by being collected, is known as an entertainment tax.
4. The advertisement tax is a charge on the use of billboards, which are things, tools, behaviours, or forms of media whose patterns and forms are created for commercial purposes in order to encourage, market, and draw public attention to things that can be seen, read, heard, felt, and/or enjoyed.
5. The electricity used for street lighting is subject to a tax, regardless of whether it was generated on-site or from a different source.
6. A parking tax is a charge placed on the use of parking places outside the main road body that are made available to businesses, particularly those that offer automobile maintenance.
7. A groundwater tax is a fee imposed on the extraction and/or use of groundwater, which is found beneath the surface of the land in a layer of rock or soil.
8. Earth and/or buildings that are owned, controlled, and/or used by individuals or entities are subject to land and rural and urban building taxes, with the exception of areas used for plantation, forestry, and mining commercial operations.
9. A legal action or occurrence that results in the purchase of land and/or building rights by people or organisations is the payment of the acquisition fee for land and building rights. The land, including any management rights and any buildings on it, are referred to as "rights to land and/or buildings" in the context of land and building law.

C) Regional levies

Regional levies are defined as regional levies as payments for services or granting certain permits that are specifically provided or granted by local governments for the benefit of individuals or entities in Law of the Republic of Indonesia Number 1 of 2022 concerning Central and Regional Financial Relations.

According to research (Febriayanti & Faris, 2019), regional levies are required contributions from citizens to the government or state because of certain services the state provides for its citizens. Only individuals who pay levies receive services from the state; the service is direct. Regional levy funds will eventually be incorporated into the regional budget as ROR revenues.

Another case, according to research (Novalistia, 2016), is that the levy is a regional levy that is imposed on the community that directly enjoys certain facilities provided by the local government and must be outlined in regional regulations.

D) Regional Levies Object

The numerous services offered by local governments are the targets of regional taxes. Only a certain number of local government services are eligible for levies, depending to socioeconomic factors, so not all services offered by local governments can be paid for.

According to Law Number 1 of 2022, the types of regional levies are divided into:

1. Public service levies are levies imposed on the community for the services provided. Services classified as business services are classified as quasi-goods and services that require control in their communication, and the cost of providing services is quite large, so it is feasible to charge the community. Among them are health service levies, waste services, Panggamam and Mastering Services, Public Road Parking Services, Market Services, Motor Vehicle Testing, Fire Extinguisher Inspection, Map Print Replacement, and Fishery Vessel Testing.
2. Business service levies are levies charged to regions related to the provision of inadequate services provided by the private sector and leasing assets or regional assets that have not been utilized. Among them: levies on the use of regional wealth; wholesale market levies and/or shops; auction place levies; terminal levies; recreational and sports places; liquid waste treatment levies; footout fees; and animal slaughterhouse levies.
3. Certain agreement levies are levied on specific activities carried out by local governments to allow individuals or entities for guidance, regulation, control, and supervision of spatial use activities, use of goods, infrastructure, facilities, or specific facilities in order to safeguard the public interest and preserve the environment. Levies for alcoholic beverage sales permits, disturbance permits, route permits, and fishery business licences are a few of them.

E) Regional Financial Independence

Regional finances, according to Law Number 23 of 2014, are all regional rights and duties within the framework of regional governments that may be valued in monetary terms as well as any other types of wealth that can be converted into regional property. Regional Financial Independence, as defined by Law Number 23 of 2014 respecting Regional Government, refers to the ability of the Regional Government to manage its own financing and financial accountability within the framework of the decentralisation principle.

The ability of local governments to finance their own governmental affairs, development, and services to people who have paid taxes and levies as a source of money needed by the region is referred to as regional finance independence (Dewantoro, 2022). Regional financial independence is the attempt made by the local government to fund the needs of its regions, both for operational financing and for financing for infrastructure, by relying on sources of income obtained from their regions, according to some of the definitions given above. The quantity of regional original revenue, particularly from regional taxes and levies, is a measure of the region's financial independence. The degree of independence also demonstrates how much the local population contributes to regional taxes and levies, two of the four ROR components.

Additionally, some of these factors, such as the regional economic potential in relation to the benchmark of gross regional product, policies and regulations set by regional leaders, and the capability and performance of the Regional Revenue Agency in terms of innovation in the collection of local taxes and regional levies so that local taxes and regional levies received are in line with the target, can affect the independence of regional finances. Bapenda is anticipated to reduce taxpayer fraud by carrying out routine oversight.

F) Framework

The framework of thinking, according to Sugiyono (2020), is a conceptual model of how theory is connected to the elements that have been recognised as significant difficulties. The relationship between independent and dependent variables can theoretically be explained with the right mindset. The dependent variable in this study is regional financial independence, whereas the independent variables are regional taxes and levies. As a consequence, the following statement best describes the thinking framework:

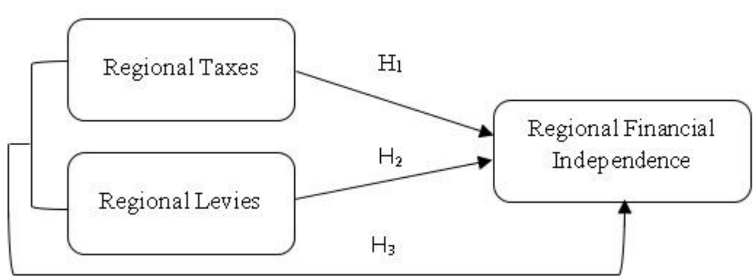

Figure 1. Research Framework

G) Hypotheses Development

The hypothesis is a speculative claim that has the greatest chance of being true, but it still has to be confirmed by research. It also serves as a temporary solution to the research challenge.

a. Regional taxes have an impact on the government of Bogor's financial stability.

The effect of municipal taxes on the ratio of regional financial independence has also been shown in earlier studies. The findings of Dewantoro's study (2022) show that local taxes have a favourable and significant impact on the ratio of regional financial independence. Research by Febriayanti (2019), Rahmayani (2022), Novalistia (2016), Saraswati (2021), and Novitasari (2019) that demonstrated the favorable and considerable impact of regional taxes on the ratio of regional financial independence also corroborated these findings.

H1: Local taxes have an impact on the government of Bogor City's regional financial independence.

b. Regional levies have an impact on the government of Bogor's regional financial independence

The effect of regional taxes on the proportion of financial independence among regions has been explained by numerous preceding studies. Dewantoro's (2022) study in the West Java Province found that regional levies have a positive effect on the ratio of financial independence at the regional level. Regional levies have a positive effect on the ratio of regional financial independence, according to studies by Febriayanti (2019), Novalistia (2016), Saprudin (2018), and Novitasari (2019).

H2: Regional levies have an impact on the government of Bogor's financial independence.

c. Regional financial independence is simultaneously impacted by regional taxes and regional levies

Regional taxes and levies are anticipated to be able to lessen the dependence of local governments on the central government because, in theory, the greater the regional original revenue (ROR) to the APBD, the smaller the regional dependence on the central government, which can be a benchmark for regional financial independence. The effect of local taxes and regional levies at the same time on the ratio of regional financial independence has been the subject of numerous past studies, which have offered an explanation. According to Dewantoro's research (2022) in the province of West Java, regional taxes and levies have a favorable impact on the ratio of regional financial independence. According to the conclusions of Novalistia (2016), Febriayanti (2019), and Saprudin (2018) and Novitasari (2019), which demonstrate how regional taxes and levy ratios are positively impacted by regional taxes and levy ratios.

H3: Regional taxes and levies simultaneously affect the city government of Bogor's regional financial independence.

III. RESEARCH METHOD

A trait, characteristic, or phenomenon that can demonstrate something that needs to be observed and quantified but whose value is different or varied is known as a research variable (Silaen, 2013). Independent and dependent variables are the two categories of variables used in this study. Regional financial independence is the study's dependent variable, and regional taxes and levies are its independent variables.

A) Operating Parameters

Operational variables are used to reduce the problem's variables to their smallest possible components so that the classification may be determined. The following are the operational variables used in this study:

Table 2: Operational Variables

Variables	Formulas
Regional Taxes	$\text{RegionalTaxiRatio} = \frac{\text{RegionalIncome}}{\text{TotalRegionalIncome}} \text{X100\%}$
Regional Levies	$\text{RegionalLeviesRatio} = \frac{\text{RegionalLevies}}{\text{TotalRegionalIncome}} \text{X100\%}$
Regional Financial Independence	$\text{RegionalFinancialIncomeRatio} = \frac{\text{Locally} - \text{GeneratedRevenue}}{\text{TotalRegionalIncome}} \text{X100\%}$

B) Sample

A sample is a portion of the population that has been chosen in a way that can accurately reflect all of its members. Saturated sampling is one of the sample methods used in this investigation. Sugiyono (2020) defines saturated sampling as a sample selection method in which every member of the population serves as a sample. The category of nonprobability sampling groups includes the saturation sampling approach. Nonprobability sampling, according to Sugiyono (2020), is a sampling approach that does not give each component of the population members identical chances or possibilities to be selected as samples.

This analysis makes use of secondary data samples from the Regional Budget Realization Report on Regional Revenue and Expenditures for the 2012–2021 Fiscal Year, including regional taxes, regional levies, total ROR, and total regional revenue. The Regional Budget Realization is a component of the financial statements for the Bogor City Regional Government, which researchers downloaded from the site of the Bogor City Government (BKAD.Kotabogor.go.id).

Table 3: Realization of Regional Taxes, Regional Levies, Locally-generated revenue and Regional Revenues of the Bogor City Government in 2012-2021 (in billions of Rp.)

Years	Account	Realization	Years	Account	Realization
2012	Regional Taxes	224,70	2017	Regional Taxes	555,40
	Regional Levies	44,60		Regional Levies	49,00
	Locally-generated revenue	300,90		Locally-generated revenue	978,10
	Regional Revenues	1.356,50		Regional Revenues	2.289,30
2013	Regional Taxes	341,40	2018	Regional Taxes	592,90
	Regional Levies	73,60		Regional Levies	48,40
	Locally-generated revenue	464,60		Locally-generated revenue	912,10
	Regional Revenues	1.574,30		Regional Revenues	2.328,70
2014	Regional Taxes	376,40	2019	Regional Taxes	689,50
	Regional Levies	77,10		Regional Levies	51,30
	Locally-generated revenue	544,80		Locally-generated revenue	1.015,80
	Regional Revenues	1.757,60		Regional Revenues	2.559,80
2015	Regional Taxes	398,40	2020	Regional Taxes	509,00
	Regional Levies	46,20		Regional Levies	35,00
	Locally-generated revenue	627,50		Locally-generated revenue	872,00
	Regional Revenues	1.913,20		Regional Revenues	2.428,50
2016	Regional Taxes	492,10	2021	Regional Taxes	624,70
	Regional Levies	62,70		Regional Levies	36,00
	Locally-generated revenue	783,80		Locally-generated revenue	1.075,20
	Regional Revenues	2.152,30		Regional Revenues	2.644,70

Source: bkad.kotabogor.go.id

C) Statistical Analysis Methods

In order to find solutions to the issues of benefits that can be obtained from this activity that is able to guarantee the accuracy of data from raw data to forms more worthy of analysis, data analysis is a method for transforming data into valid information that is easily understood when presented to the general public. Second, as a first step to comprehending data collecting, write a summary of descriptive statistics.

D) The Standard Hypothesis Test

If the study employs multiple regression techniques, the statistical condition of the classical assumption test must be satisfied. To investigate the impact of numerous independent factors on a single dependent variable, multiple regression analysis is used. This study's traditional assumption test contains tests for heteroscedasticity, multicollinearity, and normality.

E) Analysis of Multiple Regression

The data analysis method employed in this assessment is multiple regression regression analysis, which shows if there are functional connections between two independent variables and one dependent variable or not. The multiple regression model used in this investigation is represented by the equation below:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \varepsilon$$

Where:
Y : Regional Financial Independence
α : Constant
x_1 : Regional Taxes
x_2 : Regional Levies
β_1,β_2 : Regression coefficients
ε : Error

F) Hypothesis Test

A hypothesis is essentially a percentage or answer that is frequently utilized as the foundation for choices or solutions to issues. This study use multiple regression analysis for the hypothesis test. The link or degree of association (closeness) between independent factors and concurrent dependent variables is assessed using multiple regression analysis. Statistical tests and coefficient tests of determination (R2) are used to test hypotheses. Two types of testing are utilized in this work to evaluate hypotheses statistically: simultaneously with the F test and partially with the t test.

The Simultaneous Significant Test (Test F), also known as the F test, demonstrates the relationship or effect between the independent and dependent variables. The F test was employed in this study to examine hypothesis 3 (H3). Testing simultaneously utilizing the F distribution and comparing the F count to the F table under the following circumstances H0 is accepted and Ha is refused if F count > F table, while H0 is approved and Ha is rejected if F count f table.

The statistical test known as the Significant Partial Test (t test) is used to determine the link between independent variables and their individual effects on the dependent variable. The T test was employed in this study to examine hypothesis 1 and 2. The t test is performed by comparing significant t counts to significant t tables under the following conditions: (a) if t counts are more than t tables, H0 is rejected and Ha is accepted; (b) if t counts are less than t tables, H0 is accepted and Ha is rejected.

G) Correlation Coefficient (R)

The nature, intensity, and direction of the relationship between the dependent and independent variables are determined using the correlation coefficient (R) test. In terms of correlation analysis, if R is greater than 0.5, the independent and dependent variables are more strongly correlated, and if R is less than 0.5, the opposite is true.

H) Determination Coefficient (R2)

To determine the percentage of changes in independent variables together with the dependent variable, the Determination Coefficient Test (R2) was used. This test determines the extent to which the study's independent variables can account for the dependent variables. The coefficient of determination, or (0 R2 1), ranges from 0 to 1. A low R2 value indicates a relatively limited capacity of independent factors to explain the variability of dependent variables. A score close to one indicates that practically all the information required to predict the variable dependent variable is provided by the independent variables.

IV. RESULT AND DISCUSSION

A) Result

a. Normality test

The Kolmogorov-Smirnov One Sample Test was used to conduct the normality test in order to determine if the data from each data variable was normally distributed or not. The hypothesis under test is H_0, which states that data are regularly distributed, and H_1, which states that data are abnormally distributed. If the value is significant > 0.05, accept H_0; if it is significant 0.05, reject H_0.

Table 4: Normality test results One-sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		10
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.01709666
Most Extreme Differences	Absolute	.180
	Positive	.133
	Negative	-.180
Test Statistic		.180

Asymp. Sig. (2-tailed)	.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Data Processed

According to the normality test's decision-making criteria, and given that Table 4's normality test findings have a sig.value of 0.200> 0.05, it may be said that the data is normally distributed.

b. Multicollinearity and Heteroscedasticity test

Multicollinearity tests are carried out to see if there is a correlation between the independent variables in the double model. The test's two hypotheses are H_0, which states that there is collinearity between the independent variables, and H_1, which states that there is no collinearity between the independent variables and the decision-making criteria. If the tolerance value is less than or equal to 0.1 or the VIF value is greater than 10, H_0 will be accepted.

Table 5: Multicollinearity and Heteroscedasticity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.008	.025		.313	.764		
	Regional Taxes	1.458E-14	.000	.196	.497	.634	.870	1.149
	Regional Levies	-3.854E-14	.000	-.052	-.132	.899	.870	1.149

a. Dependent Variable: Regional Financial Independence

Source:: data processed

In Table 5, if the tolerance value of regional taxes and regional levies is 0.870 > 0.1 and the VIF value is 1,149<1010, then the data does not exhibit multicollinearity.

The heteroscedasticity test is a data quality test carried out to determine the absence of heteroscedasticity in the regression model with the Glejser test method. The basis of decision-making is that if the significant value is > 0.05, then there are no symptoms of heteroscedasticity in the regression model, and if the value is significant 0.05, then heteroscedasticity symptoms occur. Good data is data that does not exhibit heteroscedasticity symptoms. The results in Table 3 show that regional taxes and regional levies have a sig. value > 0.05, and based on the decision-making criteria, it is stated that there are no heteroscedasticity symptoms in the regression model.

c. Multiple linear regression analysis

Multiple regression analysis is used to determine form of relationship between independent variables (regional taxes and Regional Levies) and dependent variable (regional financial independence).

Table 6: Multiple Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.166	.040		4.112	.005
	Regional Taxes	3.304E-13	.000	.961	6.859	.000
	Regional Levies	2.337E-13	.000	.068	.486	.642

a. Dependent Variable: Regional Financial Independence

Source: data processed

The result of multiple regression equation is obtained as follows:

$$Y = 0.166 + 3.304X1 + 2.337X_2$$

The value of Y is regional financial independence, the value of X1 is regional taxes, and the value of X2 is regional levies, as can be seen in the multiple regression equation formula above. This equation leads to the following conclusion:

1) A constant of 0.166 is a positive number. This indicates that if the constant value in the equation, which is equal to 0.166, is 0, then regional financial independence will be valued as if the variable local taxes and regional levies were 0 (zero).
2) The regional tax regression coefficient has a positive value of 3.304, meaning that every 1 unit rise in the local tax variable will result in a 3.304 unit gain in regional financial independence. On the other hand, if all other factors remain constant, a reduction of 1 unit in the regional tax variable will result in a reduction of 3.304 units in regional financial independence.
3) The regional financial independence will increase by 2.337 units for every additional unit added to the regional retribution variable, according to the levy regression coefficient value of 2.337, which is positive. The regional financial independence will decrease by 2.337 units for every unit decrease in the regional punishment variable, providing all other factors remain unchanged.

d. Hypothesis testing

To ascertain the impact of each independent variable on the dependent variable in a partial hypothesis, a partial test (t test) is performed. In order to perform this test, the value of tcount is compared to the decision-making criteria using a t-table with an error rate of 0.05, or 5%. H0 is rejected if t-count > t-table and sig.value > 0.05, and H1 is accepted if t-count>t-table and sig.value > 0.05. The sample is 10 years, and there are three variables: df=n-k, df 10 - 3 = 7, and the t-table value is known to be 2.365 with a sig. 0.05.

Hypothesis 1: Effect of Regional Tax on Regional Financial Independence

Table 6 reveals that the t-count value is 6.859>2.365 and the sig. value is 0,0000.05. This demonstrates how regional taxes significantly enhance the financial independence of the region for the Bogor City Government. Thus, one of the study's hypotheses was confirmed

Hypothesis 2: Effect of Regional Levies on Regional Financial Independence

Table 6 reveals that the t-count value is 0.486 2.365 and the sig. value is 0.642> 0.05. This demonstrates that regional taxes have little impact on the financial independence of the region. The study's second hypothesis was thus disproved.

The simultaneous hypothesis test aims to determine how far the influence of independent variables simultaneously affects the dependent variable. After getting the F-count value, it is then compared to the F-table value with a sig. level of 0.05 or 5 percent, with H3 criteria rejected if the F-count is less than the F-table and H3 received if the F-count is greater than the F-table. It is known that the number of samples in this study was 10 years, so the calculation method was df1 = K-1, df1 = 3-1 = 2, and df2 = n-K, df2 = 10-3 = 7, whose sig. level is 0.05.

Table 7: Simultaneous Test Results

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.019	2	.010	25.784	.001[b]
	Residual	.003	7	.000		
	Total	.022	9			

a. Dependent Variable: Regional Financial Independence

b. Predictors: (Constant), Regional Taxes, Regional Levies

Source: data processed

Hypothesis 3: Effect of Regional Taxes and Regional Levies on Regional Financial Independence

Based on testing effect of regional tax and regional levies on regional financial independence using F-test, F-count value is 25.784>F-table 4.73 with a significant amount of 0,000<0.05, it can be declared H3 received. From this explanation shows simultaneously the independent variables of this study, regional taxes and regional levies have a significant influence on the dependent variable of regional financial independence.

e. Coefficient of Correlation and Determination

An indicator of the direction and intensity of the association between two independent variables and one dependent variable is the correlation coefficient test. The following rules can be applied to see if there is a connection between regional taxes and levies and regional financial independence:

Table 8: Correlation Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.938[a]	.880	.846	.01939

a. Predictors: (Constant), Regional Taxes, Regional Levies
Source: data processed

Table 8's correlation coefficient test value of 0.938 indicated a very strong association between regional taxes and levies and financial independence at the regional level. The R Square is equivalent to 0.880, or 88 percent. That demonstrates the 88 percent contribution of regional taxes and levies to regional financial independence in the Bogor City Government.

The coefficient of determination was used to assess the degree of influence that regional taxes and levies, an independent variable, had on the dependent variable of regional financial independence.

The value of Adjusted R Square, which equals 0.846 or 84.60 percent, is shown in Table 8. According to this, regional taxes and levies had a simultaneous influence of 84.60 percent on regional financial independence, with other factors influencing the remaining 15.40 percent.

B) Discussion

a. The effect of local tax on regional financial independence

According to the findings of the partial test, regional taxation significantly improves the financial security of the Bogor City Government. The results of this study are consistent with research conducted by Dewantoro (2022), Sarawati & Nurharjanti (2021), Novalistia (2016), Novalitari & Novitasari (2019), Febriayanti & Faris (2019), Rahmayani & Kurnadi (2022), Sunarto & Sunyoto (2016). The seven researchers came to the conclusion that local taxes significantly increased the financial independence of local communities. Without a doubt, local taxes are a source of income the area needs to increase its financial independence. Because more communities contribute to paying regional taxes, the region receives more ROR and can become financially independent.

Regional taxes collected are used to finance regional general expenses. No doubt the regions that produce high regional taxes are able to finance regional general expenditure. However, the region whose regional tax is low is difficult to finance the general expenditure of its region so that to meet their needs depends on transfer funds from the central government and makes the regions not achieve regional financial independence.

Basically, regions that have a wealth of human resources or are not very dependent on local revenue, especially on local tax revenues. It is theoretically possible for regions with high regional taxes to achieve financial independence and stop requiring aid from the federal government.

b. The effect of regional levies on regional financial independence

According to the findings of the partial test, regional levies have no impact on the financial independence of the regional government of Bogor City. The results of this study are consistent with research conducted by Rahmayani & Kurnadi (2022), Sarawati & Nurharjanti (2021), Novalistia (2016) and Saprudin (2016). These four researchers conclude that regional levies have a positive value but have no effect on regional financial independence.

In order for the regional government to attain regional financial independence, regional levies are a component of the Regional Original Revenue (ROR) that must be investigated and continually enhanced. Although regional levies in the Bogor City Government have a positive value, they have no impact on regional financial independence because their share of regional tax revenue, which is actually the most significant component, is much larger.

Regional levies do not significantly increase regional financial independence, nevertheless. The proceeds from regional levies are used to pay for general expenses, and those who have paid levies and utilise government services can directly benefit from them.

c. The effect of local taxes and regional levies on regional financial independence

Regional taxes and levies, which are concurrently independent variables in this study, have a strong beneficial influence on regional financial independence, according to simultaneous test results. This shows the higher the regional tax and regional levies obtained by Bogor City Government affect the financial independence of Bogor City Government. The results of this study are consistent with the results of research from Febriayanti & Faris (2019), Novalistia (2016), Sarawati & Nurharjanti (2021), Sunarto & Sunyoto (2016), Novitasari & Novitasari (2019) which concluded regional taxes and regional levies simultaneously influential positive positive to regional financial independence.

The ability of local governments to finance their own governmental activities is demonstrated by regional financial independence. The quantity of ROR in comparison to regional income from other sources, such as aid from the federal government in the form of General Allocation Funds (DAU) and Special Allocation Funds (DAK), and from loans, demonstrates the region's financial independence. The extent of community involvement in paying regional taxes and regional levies, which are the major elements of ROR, is demonstrated by the independence ratio. The level of community welfare is reflected in the amount of regional taxes and levies that the community pays (Dewantoro, 2022).

V. CONCLUSION AND SUGGESTIONS

A) Conclusion

According on the findings of statistical testing, analysis, and data discussion, researchers came to the following conclusions:

1) A substantial beneficial relationship between local tax factors and regional financial independence was partially demonstrated by the data.
2) The study's findings partially indicated a negligible positive relationship between regional levy characteristics and regional financial independence.
3) The study's findings also revealed a substantial positive relationship between the regional tax variable and the regional levies and their effects on regional financial independence.

B) Suggestions

Researchers can make the following recommendations in light of the study's findings, analysis, and conclusions:

1) For the Bogor City Government

The Bogor City Government can carry out several policies to increase Regional Original Revenue (ROR), especially the two main components, namely Regional Taxes and Regional Levies that affect regional financial independence. In the local tax variable the researcher suggested that the Bogor City Government can further enhance coordination between vertical agencies relating to regional taxes and regional levies, discipline spatial -based PBP data as a basis for the integration of taxation applications and optimize tax receivables and tax levies through the appointment .

Further suggestions for regional levy variables Researchers suggest that the Bogor City Government can optimize the use of information technology in the management of retribution revenue that is to become an e-retribution and administration performance audit.

The next suggestion that can also be carried out by the Bogor City Government is to increase guidance to the ROR implementing regional apparatus related to the preparation of intensification and extensification studies including evaluating the implementation of income and coordinating between local governments to encourage the Provincial Government and the Central Government in terms of policies or rules that support the Regional Government.

2) For further researchers

Researchers can expand this study by include additional variables, in addition to regional taxes and levies, that have an impact on the measurement of regional financial independence. For instance, the outcomes of regional wealth management that is segregated from other acceptable ROR components. and can increase the number of years and samples examined to further expand the scope of this research.

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