MEASURING THE EFFECTIVENESS OF GOVERNMENT POLICY: CONTROLLING LOCAL GOVERNMENT IDLE FUND
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Article Information	Abstract
	By the end of 2015, the government has adopted a conversion policy for the distribution of Revenue Sharing Funds (DBH) and General Allocation Funds (DAU) in the form of non-cash as an effort to: a) Encourage the management of healthy, efficient and effective APBDs; b) Encouraging optimal and timely absorption of the local budget; and; c) Reducing cash and local government deposits in banks by an unnatural amount. This study is intended to determine the effectiveness of the implementation of the policy, especially in an effort to reduce cash and local government deposits in banks in an unnatural amount. The parametric statistical test results using paired sample t-test / a two-tailed test show that there is sufficient evidence to support the statement that there are significant differences in the average savings of regional governments in banks between before and after the implementation of idle fund control policies. Thus, it can be said that the implementation of the conversion policy for the distribution of DBH and DAU in the form of non-cash has been implementing effectively in an effort to reduce cash and local government deposits in banks in an unnatural amount.

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1. Introduction

Regional autonomy and fiscal decentralization have been implemented for two decades in Indonesia. The birth of Law Number 22 of 1999 concerning Regional Government and Law Number 25 of 1999 concerning Financial Balance between Central and Regional Governments is the milestone in the implementation of regional autonomy and fiscal decentralization policies in Indonesia. Regional autonomy gives authority to the regions to take care and regulate all government affairs outside those which are the affairs of the Central Government. Regions have the authority to make regional policies in the context of providing services and community empowerment aimed at improving the welfare of the community by always paying attention to the interests and aspirations that grow in the community. Whereas fiscal decentralization is intended to support funding for the transfer of functions to the regions as a logical consequence of regional autonomy. The implementation of fiscal decentralization in a proportional, democratic, fair and transparent manner by taking into account the potential, conditions and needs of the region following the functions of government which are the obligations and responsibilities of each level of government.

The fiscal decentralization policy in Indonesia focuses more on decentralization on the expenditure side. The authority delegated to the regions to obtain revenue is still relatively limited. According to Ebel & Serdar (2002) governance structures in any country have their own uniqueness reflectinng historical, social and cultural evolution of the people. Differences in governance structures are a natural consequence of these factors. Despite such differences, the structure of the intergovernmental financial system in many countries shows certain patterns, such as inadequate availability of local resources from local governments to finance the expenditure function, heterogeneity of local governments, and the lack of regional autonomy to collect taxes that can produce sufficient income to meet the needs of the region. While on the other hand, the region is given considerable authority to spend the funds it manages. This is indicated by the fact that based on the 2019 APBD the average portion of PAD is only around 12.9% of total regional income. While to support regional funding needs, the Government provides an average transfer of 78.7% of total regional revenue.

With this wide regional expenditure discretion, the quality of regional expenditure will be largely determined by the choices and methods adopted by the region itself. Regions are always required to have the right strategy in managing and allocating funds efficiently in order to provide optimal public service output. The role of the Central Government is also important in maintaining the quality of regional spending.

Government accelerate the provision of funds in the hope of accelerating the implementation of activities / development in the regions. In addition, the government also encouraged regions to carry out activities earlier to reduce the remaining budget by the end of the year. But ironically, development in the regions is still hampered. In recent years the absorption of APBD has not been optimal and local government funds in banks have tended to increase in large amounts. According to Dewi (2016) there has been an increase in local government deposits, namely Rp 92.4 trillion in 2013 to Rp 113.1 trillion in 2014 and up to November 2015 the figure has risen to Rp 246.36 trillion. Then in December 2015, the amount of deposits decreased by Rp 147.66 trillion to Rp 99.68 trillion. The increase in local government savings or known as idle funds is considered to be able to hamper regional spending, especially capital expenditure for infrastructure development that needed to stimulate economic performance.

An effort to encourage increased APBD absorption and control of local government idle funds, at the end of 2015 the Government established a conversion policy for the distribution of Revenue Sharing Funds (DBH) and General Allocation Funds (DAU) in the form of non-cash through Law Number 14 of 2015 concerning the 2016 State Budget and Minister of Finance Regulation Number 235 /

PMK.07 / 2015 concerning Conversion of Production Sharing Funds (DBH) and General Allocation Funds (DAU) in Non-Cash Forms.
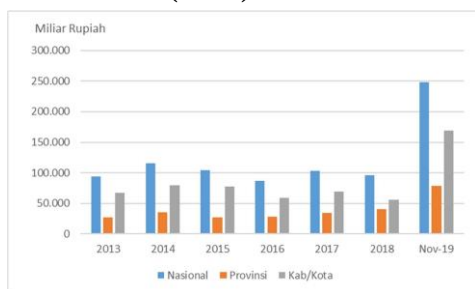
This policy is carried out through the issuance of Government Securities (SBN) which aims to:
a. Encourage healthy, efficient and effective APBD management;
b. Encourage the optimal and timely absorption of the local budget;
c. Reducing unnecessary cash and local government deposits in banks.

Based on Regulation of The Minister of Finance of The Republic of Indonesia Number 18/PMK.07/2017 concerning the Conversion of Distribution of Revenue Sharing Funds (DBH) and General Allocation Funds (DAU) in Non-Cash Forms, it is stated that one of the objectives of the stipulation of the policy is to reduce cash and local government deposits in banks in an unnatural amount. Based on the regulation of the Minister of Finance, Regions that have cash and local government deposits in an unreasonable amount are regions that have a cash position after deducting estimates of Operating Expenditures, Capital Expenditures, Revenue Sharing Transfers, and Transfers of Financial Assistance for the following three months period. The number of regional government deposits in banking can be illustrated in following chart (Graph. 1).

Based on graph 1, the position of regional government deposits in banks at the end of the year fluctuated and tended to increase. Where at the end of 2015 local government savings in banking nationally amounted to Rp 103.7 trillion, then at the end of 2016, 2017 and 2018 it became Rp 87.1 trillion, Rp 103.4 and Rp 95.7 trillion. Until the end of November 2019, regional government deposits in banking nationally are Rp. 247.9 trillion.

Graphic 1. Regional Government Deposits in Commercial Banks and Rural Banks Position at the End of the Year
Source: Central Bank, (2020)

During the implementation of the conversion policy for the distribution of Revenue Sharing Funds (DBH) and General Allocation Funds (DAU) in the form of non-cash, there are regions that have an unusual amount of cash position. Based on the Decree of the Minister of Finance Number 26 / KMK.7 / 2016 dated April 5, 2016, there are 6 regions that have unreasonable amounts of cash positions. Furthermore, based on the Decree of the Minister of Finance Number 54 / KMK.7 / 2016 dated June 26, 2016, there are 3 regions that have unreasonable amounts of cash positions.

Considering fluctuations in the aggregate balance of regional government savings in banks that tend to increase as presented in graphic 1, there are allegations that there are problems in the regions in managing regional cash which causes high idle funds in the regions. For this reason, a comparative study is needed to compare the position of regional government deposits in banks before and after the implementation of an idle fund control policy.

The research hypotheses that can be formulated are:
H_0 = No significant difference in the average of regional government deposits in banks between before and after the implementation of the conversion policy for the distribution of DBH and DAU in the form of non-cash.
H_1 = There is a significant difference in the average savings of regional governments in banks between before and after the implementation of the non-cash DBH and DAU distribution conversion policy.

The results of this study are expected to be input for the Central Government in evaluating the implementation of idle fund control policies.

2. Methods

The average of regional government deposits in banks referred to in this study is the average of regional government deposits in banks at the end of the year during the period before the

implementation of the idle fund control policy, namely in 2013 to 2015 and after the implementation of the policy, namely in 2016 to 2018.

Whereas what is meant by regional government deposits in an unnatural amount in this study as referred to in the Minister of Finance Regulation Number 18/PMK.07/2017.

Stages of analysis in this study include descriptive statistical tests, normality tests, and hypothesis testing. According to Nisfiannoor (2009), Descriptive statistics test is a statistical method used to collect, summarize, present and describe data so that it can provide useful information. Data presented in descriptive statistics are usually in the form of centralized data (mean, median and module), measurement of data distribution (standard deviation and variance), tables and graphs (histograms, pie and bars)

To test hypotheses, two alternative methods can be done, namely parametric statistical tests and nonparametric statistical tests. Determination of the use of the method is based on normality test results. If the test results show that the data are normally distributed then parametric statistical tests are used which use paired sample t-test / a two-tailed test technique. Meanwhile, if the test results show that the data are not normally distributed then nonparametric statistical tests will be used using the Wilcoxon signed ranks test.

The sample consisted of 400 provinces, districts and cities taken by the simple random sampling method. Given the amount of data > 30 thus to conduct hypothesis testing can use the parametric statistical analysis method (paired sample t-test technique).

3. Results and Discussion
3.1 Descriptive Statistics

The following (table 1) is an overview of research data that includes the sample size, average, minimum value, maximum value and standard deviation.

The lowest number of local government savings in banks before the implementation of the idle fund control policy was Rp. 3,124,422 while the highest amount was Rp. 2,294,501,027,291. After implementing the idle fund control policy, the number of regional government deposits in banks has the lowest value of Rp 114,812,908, while the highest value is Rp. 3,103,139,211,348.

In general, the average year-end balance of regional government deposits in banks has decreased after the implementation of the policy. Initially Rp.183,893,468,767 to Rp. 147,696,760,904. It seems that the decline in the average value shows that the idle fund control policy has been effective. However, this still needs further testing.

Local government deposits in banks before the implementation of the policy are more varied compared to the conditions after the implementation of the policy. This can be shown in the relatively higher standard deviation values.

3.2 Hypothesis testing

Hypothesis testing using paired sample t-test techniques from the output produced by the SPSS program is as follows in table 2.

Hypothesis testing can be done by comparing the statistical value of the test or p-value. According to Triola (2015), if using a critical value approach, if the statistical value of the test is in the rejection area then the decision is Reject H_0 and if it is outside the rejection area then it is not rejected H_0. Meanwhile, if using the P-value approach, if the P-value < level of significance (α) then the decision is to reject H_0. Conversely, if P-value > α then the decision is not reject H_0.

When using the critical value approach, based on table 2, the test statistic value is 3,722. While the critical value that can be seen from table t (degree of freedom = 399 and area in two tails 5%) is 1.966. Because the test statistic value is in the critical region, the decision is to reject H_0. The results of the hypothesis test can be seen in picture 1.

When using the P-value approach, based on table 2, the P-value (Sig 2-tailed) is 0,000. Because the P-value <α (level of significance of 5%), the decision is to reject H_0.

Based on the results of the hypothesis test, it can be concluded that there is enough evidence

to support the statement that there are significant differences in the average savings of regional governments in banks between before and after the implementation of the conversion policy for non-cash DBH and DAU distribution.

Picture 1.
T Distribution Curve
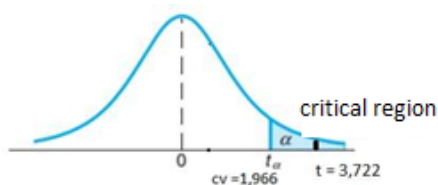
Based on table 2, the test statistic value is 3,722. This shows that the average local government savings in banks before the implementation of the policy, the value is higher than after the implementation of the policy. Thus it can be said that the implementation of the conversion policy for non-cash DBH and DAU distribution effective in an effort to reduce cash and local government deposits in banks in an unnatural amount.

4. Conclusion

The implementation of the conversion policy for the distribution of DBH and DAU in the form of non-cash has been effective in an effort to reduce cash and local government deposits in banks in an unnatural amount. Considering the positive impact of idle fund control policies, especially in enhancing the fiscal growth of organizations and countries as conveyed in Shilpa & Rakesh and Sakanko research, it is necessary for this policy to continue to be implemented of course taking into account the dynamics of economic change.

The conversion policy for DBH and DAU distribution in the form of non-cash has three objectives as stated in the Minister of Finance Regulation Number 18/PMK.07/2017. However, given the limitations of the research, the researcher provides suggestions for further research on the effectiveness of the policy in an effort:

a. Encourage healthy, efficient and effective APBD management;

b. Encouraging optimal and timely absorption of the local budget.

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Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Before	400	3.124.422	2.294.501.027.291	183.893.468.767	275.814.952.081
After	400	114.812.908	3.103.139.211.348	147.696.760.904	262.770.637.266
Valid N (listwise)	400				

Table 2. Paired Sample Test

Paired Samples Test								
		Paired Differences						
					Difference			
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	before - after	36.196.707.864	191.908.097.610	9.595.404.881	17.332.839.494	55.060.576.234	3,772	399	,000