

The Analysis on Local Government Public Services in Borneo and Sumatera Districts/Cities

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— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

This study aims to find the factors that improve the level of Public Service in each district and cities in Borneo and Sumatera. The factors that will be analyzed are Budget Absorption, Current Ratio, Operating Revenue to Operating Expenses Ratio, Debt to Equity Ratio, and Level of education of local government employees. The samples used in this study are 138 districts and cities in Borneo and Sumatera. The examination is conducted using multiple regression analysis. The result shows that Budget Absorption and Level of education of local government employees affects Public Service. However Current ratio, Operating Revenue to Operating Expense, and Debt to Equity Ratio do not shows effects to the level of Public Service. Therefore this result suggests that local governments should maximize their Budget Absorption and encourage or support their employees to take higher level of education.

Keywords: Public Service, Local Government, Budget Absorption, Current Ratio, Operating Revenue to Operating Expenses Ratio, Debt to Equity Ratio, and Level of education.

1. INTRODUCTION

To realize an effective and efficient government function, the autonomy policy is implemented. The centralized system is changed into decentralization as a form of reformation in Indonesia (Kusnandar and Siswanto, 2012). The Law Number 32 of 2004 article 1, mentioned that decentralization means giving authority to local government to regulate and manage their own governmental issues as well as determining the allocation of resources under their authority to be used in local spending according to compliance, necessity, and regional capabilities principle as mentioned in the local budget. In the autonomy era, local government has an opportunity to manage funds that are related to government programs and activities in providing public facilities and infrastructure, as well as services for the community (Abdullah and Junita, 2016). However, in the implementation of the authority, there are

problems that arise and the sub-optimal use of budget that disturb Public Services for the community.

One of the problems that may leads to Public Service activities is capital expenditure. The minimum budget for capital expenditure will make local government unable to provide satisfactory Public Services (Lewis and Gilman, 2005).

The first example; there are large numbers of road in the districts in Borneo that have never been developed, or in other words, there are limited number of road construction take place. West Kalimantan has varied natural resources that have high price such as palm oil, latex, and aloe vera, however their people (farmer) cannot run their business comfortably due to low quality of roads which in turn affect their harvest; it is sometimes damaged before they sell it (www.kompasiana.com, 2014).

The next example is, the spokesman of special committee from North Sumatera, Marahalim Harahap, states that the strategic issues and the main developmental problem in North Sumatera mentioned in development roadmap 2013-2018 are, among others, education, health care and infrastructure area development, environment, and disaster management (www.konstruksisumut.com, 2014). The problem at hand is the sub-optimal transportation infrastructure of roads and bridges, communication, and irrigation, especially the area that are hard-to-reach such as remote areas, outer and frontier areas (www.konstruksisumut.com, 2014).

The third case is, according to the ex-ministry of interior, Gamawan Fauzi, the local government budget will be more effective and efficient if personnel expenditure can be reduced (Keuda.Kemendagri.go.id). Increasing capital expenditure is not hard if implemented gradually, starting from 24%, then 26-27%, and then in 2014 the increase will be only 3%. Until this day, there are a few local governments that have reach 30% (www.keuda.kemendagri.go.id, 2013).

The fourth example, the founder of Autonomy Institute (Institut Otonomi), Djohermansyah says that many new autonomous local governments that do not utilize their budget optimally, 90% of transfer funds are used for personnel expenditure and the remaining 10% are used for capital expenditure, thus resulting in very tight fiscal space. (www.tempo.co, 2016).

Looking toward the examples we are interested to study Public Services in districts/cities government in Borneo and Sumatera. Borneo and Sumatera are selected as research object because it located in Indonesia border with the neighboring country. Some parts of Indonesia border are underdeveloped regions with very limited social and economic facilities and infrastructures, and mostly are not touched by development (www.kompas.com, 2016)

2. LITERATURE REVIEW

2.1 Resources Dependence Theory

The theory of resource dependence is the basic theory in this study because this theory is capable in explaining that the main source of local government strength is the capability of local government in question to manage available resources so that Public Services can be delivered continuously.

This theory explains that all organizations need to absorb resources from their environment, in the form of workers, physical supplies, customers and consumers, information, investment or funds, official permit, and legitimacy to operate (Pfeffer and Salancik, 1978). Resources dependence theory is developed by Jeffrey Pfeffer and Gerald Salancik (1978). This theory explains that the ability to control the allocation of

resource is the source of power. In Pfeffer and Salancik view, the power can appear in the following forms:

1. Domination (the power to use resources).
2. Ownership of resources.
3. Control on the access to resources.
4. Control on the use of resources.
5. The ability to regulate resources.

According to resource dependence theory, local government must be able to maximize the use and management of resources they have, thus Public Services for the people can be well implemented and equally distributed. With the maximum use of resources in local governments in Borneo and Sumatera, it is expected that the outskirts areas, remote areas, and isolated areas will receive good Public Services. The resources come from local government funds and human resources. In this study the sources of fund for local government is represented in the Local Government Financial Report (Laporan Keuangan Pemerintah Daerah-LKPD) and human resources are measured from the Education Level of local governments' personnel. The components of Local Government Financial Report are Budget Realization Report (Laporan Realisasi APBD/Laporan Realisasi Anggaran); Operational Report (Laporan Operasional); Statement of Changes in Equity (Laporan Perubahan Ekuitas); Balance Sheet; Cash Flow; and Notes to the Financial Statement (Law Number 15 of 2004).

According to resource dependence theory, this study focuses on the variables Budget Absorption from budget realization report; Current Ratio from balance sheet; Operating Revenue to Operating Expense from operational report; Debt to Equity from the Statement of Changes in Equity. The human resources are measured from the Education Level of local governments' personnel. Education Level has strong effect on the quality of Public Services. With their level of education, it is expected that local government will be able to provide maximum Public Services.

2.2 Public Services

Law Number 25 of 2009 concerning Public Services defines Public Services as follow: Public Service is can activity or series of activities in an attempt to fulfill the need in services according to the prevailing laws for all citizens and inhabitants for goods, services, and/or administrative services provided by Public Services providers. Lewis and Gilman (2005) define Public Service as follows: Public Service is public trust. Citizen wish that Public Service will be able to serve honestly and manage sources of funds correctly, and accountable will generate public trust. Ethics are needed as a pillar and public trust as fundamental to realize good government.

2.2 Local Government Income and Expenditure Budgets (Anggaran Pendapatan dan Belanja Daerah-APBD)

Local Government Income and Expenditure Budgets (Anggaran Pendapatan dan Belanja Daerah-APBD) is interpreted as local government annual financial plan that has been discussed with local government house of representatives (DPRD) and ratified based on Local Government Decree (Ministry of Interior Decree Number 13 of 2006). In the Republic of Indonesia Government Decree Number 58 of 2005 concerning the Management of Local Government Finance, Local Government Income and Expenditure Budgets is a unit that consist of local government income, expenditure, and financing.

Local government income includes all cash revenues through local government account, which increase current equity fund, which belongs to the local government and they do not need to pay it back (Republic Indonesia Government Regulation Number 58 of 2005). Local government expenditure is all expenditure from local government general cash account which reduced current equity funds, and is local government responsibility in a fiscal year that will not be repaid to the local government (Republic Indonesia Government Regulation Number 58 of 2005). Local government funding is all income that has to be repaid and/or expenditure that will be earned back, either in the current fiscal year or in the upcoming years (Republic Indonesia Government Regulation Number 58 of 2005).

Local Government Income and Expenditure Budgets becomes the base for local government in performing local financial management in order to provide services to the public in a fiscal year. This means that in a local government APBD can become an instrument of accountability on the management of public funds because public sector budget can be represented in the form of State Budget for Income and Expenditure (Anggaran Pendapatan dan Belanja Negara-APBN) and Local Government Income and Expenditure Budgets (Mardiasmo, 2002).

3. HYPOTHESIS DEVELOPMENT

3.1 The Effect of Budget Absorption on Public Service

Budget Absorption, especially capital expenditure will have significant effect on economic growth and Public Service (Carlin, 2014). Budget Absorption is implemented through surplus or deficit budget in a fiscal period. The value of the surplus or deficit represents the differences between the budget and the realization. If local government has a good Budget Absorption, their Public Service will be good.

Research regarding Budget Absorption has been conducted by Sinaga (2016) who state that the failure in targeted absorption of budget will results in the disappearance of expenditure benefits, because the allocated funds are not fully utilized. This will affect Public Services. Based on the description, the hypothesis in this study can be stated as follows:

H₁: Budget Absorption has positive effect on Public Service.

3.2 The Effect of Current Ratio on Public Service.

Research that employs equity ratio has been conducted by Cohen (2006). Government debts are an important part of funding. Government debts can be used as a support for the funding of development in the local area if locally-generated revenue and central government transfer are not sufficient for local government (Halim and Damayanti, 2008). The higher the government debts, the better are the Public Services. Based on the description, the hypothesis in this study can be formulated as follows:

H₂: Current Ratio has positive effect on Public Service.

3.3 The Effect of Operating Revenue to Operating Expense (OROE) on Public Service.

Low OROE ratio means that local government has high expenditure and indicates that local government is inefficient, thus resulting in low Public Services. The example of research with OROE efficiency ratio is Cohen (2006). According to the description, the hypothesis in this study is:

H₃: Operating Revenue to Operating Expense has positive effect on Public Service.

3.4 The Effect of Debt to Equity Ratio on Public Service.

High ratio reflects that the entity has responsibility to repay high number of long-term debts using its equity or assets, thus it will affect the quality of Public Service

provided for the community. The example of research with capital structure ratio (debt to equity ratio) is Cohen (2006). The result of the research is debt to equity ratio affect government performance even if it is weak. Government with excellent performance will provide excellent Public Service. Based on the description, the hypothesis in this study can be stated as follows:

H4: Debt to Equity Ratio has negative effect on Public Service.

3.5 The Effect of Public Service Employees Education Level on Public Service

Local government personnel are required not only to be professionally ready but also academically and morally ready (Rudskaian & Rodionov, 2017). The quality of Public Service can be measured using the level of personnel education. Sufficient Education Level is expected to enable local government personnel to understand procedure and regulation regarding Public Service, thus Public Service will run well. Public sector research in Public Service and human resource has been conducted by Abdullah (2008). Based on the description above, the hypothesis in this study can be stated as follows:

H5: The Education Level of Public Service personnel has positive effect on Public Service.

According to literature review, researchers develop research model as a basis in determining hypothesis. The model is presented in the form of systematic diagram through the following graphic:

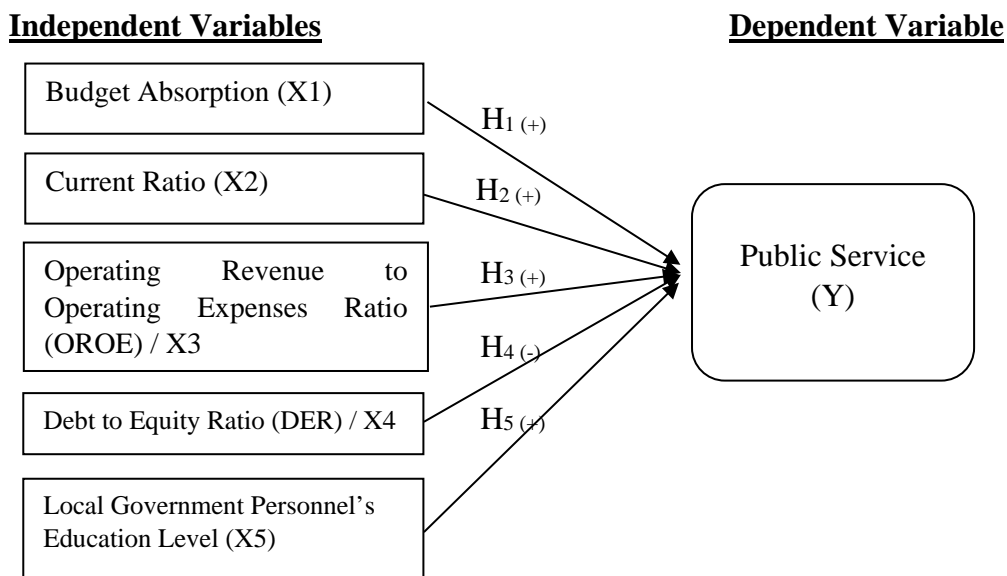


Figure1
Research Framework

4. RESEARCH METHOD

4.1 Research Design

This study is hypothesis testing research. According to Sekaran and Bougie (2006), hypothesis testing should be able to explain the nature of certain relationship, understanding the difference among groups, or independence of two or more variables.

4.2 Data Selection and Collection

The data needed in this study is secondary data collected through download from the audit board of Republic of Indonesia (Badan Pemeriksa Keuangan-BPK) website; www.bpk.go.id and the ministry of interior website; www.kemendagri.go.id.

The population in this study is all districts or cities government in Borneo and Sumatera in a total of 210 districts/cities. There are 56 districts/cities in Borneo and 154 districts or cities in Sumatera. The samples are selected through the following steps:

1. First Step

The first step is determining the number of samples needed. In this study, the total number of samples needed is computed using Slovin's formula. From the population of 210 districts/cities and level of confidence of 5% (d), we selected 138 districts/cities as samples. Random sampling technique is used to determine the number of districts/cities that will represent each province.

2. Second Step

The individual sample is selected using purposive sampling technique; sample is selected based on certain criteria according to the research purposes (Sekaran and Bougie, 2013). The criteria for sample are:

- a. Districts/cities government in Borneo and Sumatera that published financial statement in 2015 and listed in www.bpk.go.id website.
- b. The financial statement covers all data and information needed for variable measurement and data analysis in hypothesis testing.

4.3 Operational Definition of Research Variables

4.3.1 Dependent Variable

Dependent variable is the variable that becomes the focus of the study (Sekaran and Bougie, 2006). Dependent variable is the variable that is affected by another variable, either positively or negatively (Sekaran and Bougie, 2006). The dependent variable in this study is Public Service.

The Presidential Decree Number 2 of 2015 concerning National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional-RPJMN) for 2015-2019 explains the number of capital expenditure that has to be fulfilled by local government in their APBD (www.kemencopmk.go.id, 2015). In book III RPJMN 2015-2019 regarding Regional Development Agenda, is mentioned that the direction of local government financial capacity improvement is increasing local government expenditure that contributes significantly to development, and one of the strategies to achieve the plan in by increasing the proportion of capital expenditure (www.bpkp.go.id, 2015). The Ministry of Finance (Kementerian Keuangan-Kemenkeu) as treasurer will impose sanction on Provincial/Municipal/District government has low Budget Absorption in the form of local government budget conversion from cash to government bonds or government bonds (www.kompas.com, 2016). Based on the description, researchers use the following formula to determine Public Service:

$$\text{Public Service} : \frac{\text{Capital Expenditure}}{\text{Total Local Government Expenditure}}$$

4.3.2 Independent Variables

Independent variable is the variable that affects another variable either positively or negatively (Sekaran, 2006). The independent variables in this study are Budget

Absorption (X1), Current Ratio (X2), Operating Revenue to Operating Expense (X3), Debt to Equity (X4), and local government personnel Education Level (X5).

1. Budget Absorption (X1)

Budget Absorption is a systematic plan that includes all activities for certain time period to be realized (Ministry of Interior Decree Number 59 of 2007). This ratio represents local government ability to cover local government expenditure with local generated income. To compute this ratio, researchers use the formula used by Cohen (2006) as follows:

$$\text{Budget Absorption} : \frac{\text{Surplus (Defisit)}}{\text{Local Generated Income}}$$

2. Current Ratio (X2)

Current Ratio is a ratio that measure company ability in fulfilling its short-term liabilities (Bambang Riyanto, 2003). Current Ratio is a ratio that measures the ability to repay current liabilities (Sutaryo, Sutopo, and Setiawan, 2010). To compute this ratio, according to Cohen (2006) the formula is:

$$CR : \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

3. Operating Revenue to Operating Expense/ OROE (X3)

OROE is the ratio between total operational income of local government and total operational expenditure (Cohen, 2006). Low OROE ratio indicated that local government has high expenditure and is inefficient. According to Cohen (2006) the formula to compute OROE is:

$$OROE : \frac{\text{Total Operating Revenues}}{\text{Operating Expense}}$$

4. Debt to Equity Ratio (X4)

This ratio is the proportion between total debts and total equity or entity assets (Cohen, 2006). The high ratio shows that the entity has liability to fulfill high long-term liabilities using its equities or fixed assets. According to Cohen (2006) the formula to compute this ratio is as follows:

$$DER : \frac{\text{Total Liabilities}}{\text{Equity}}$$

5. Local Government Personnel Education Level (X5)

Local government personnel are required not only to be professionally ready but also academically and morally ready (Abdul Hamid, 2011). Education Level is the level in which somebody taking formal education. High local government personnel Education Level is expected to enable the personnel to understand Public Service regulation, so that Public Service will run well. In this study Education Level is measured using scoring method.

Table 1
Measurement for Education Level

No	Education Level	Score
1	Senior High School	0
2	Bachelor	1
3	Master	2

4.4 Data Analysis Technique

Ghozali (2011) mentions that data analysis is the step to generate relevant information from the data and the result will be used to solve problem. The method used to analyze the data in this study is descriptive statistic, t-test, and multiple regression analysis performed on SPSS version 22. As the condition of multiple regression testing, classical assumption test is performed to make sure the data is valid, unbiased, consistent, and to ensure that the resulted coefficient of regression is efficient (Gujarati, 2003). Classical assumption test includes normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. The multiple regression formula for hypothesis testing is as follows:

$$PP = a + b_1PA + b_2CR + b_3OROE + b_4DER + b_5TP + \varepsilon$$

Notes:

PP	= Public Service
PA	= Budget Absorption
CR	= Current Ratio
OROE	= Operating Revenue to Operating Expense
TP	= Local Government Personnel Education Level
a	= Constant (Y' if $X_1, X_2, \dots, X_n = 0$)
$b_{1,2,3,4}$	= Coefficient of regression (the increases or decreases)
ε	= Error

5. RESULT AND DISCUSSION

The population in this study is all districts/cities government in Borneo and Sumatera.

Table 2
Selecting Sample

Criteria	Total
Total number of district/city governments in Borneo and Sumatera in 2015	2105
Total number of local governments that meet the criteria	72
Total number of local governments selected as samples	138

Based on the sampling method, there are 138 district/cities government selected as the sample in this study. The number is the result of deducting 210 local governments by 72 local governments that do not provide sufficient information.

5.1 Descriptive Statistic

Descriptive statistic testing is performed to describe the information gathered from the data regarding total number of samples, minimum, maximum, means, and standard deviation from each variable (Ghozali, 2011). Descriptive statistic in this study can be seen in Table 3.

Table 3
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PP	138	9.000	72.000	27.860	8.747
PA	138	-8.000	19.000	2.110	3.137
CR	138	0.000	533.000	37.700	78.546
OROE	138	0.000	1.000	0.140	0.152
DER	138	0.000	0.000	0.020	0.024
TP	138	2.000	3.000	2.640	0.480

In Table 3 we can see that Public Service has minimum value of 9.000% in Tanjung Pinang city, with maximum value of 72.000% in Berau District. This means that Public Service with minimum value exists in a city in Sumatera and the maximum Public Service value exists in a district in Borneo. The mean score is 27.860%, which means capital expenditure for infrastructure in all districts/cities government in Borneo and Sumatera is still far from the amount required by the state in RPJMN that is 30%.

In Table 3, the variable Budget Absorption has minimum value of -8.000 in Kepulauan Meranti district, and maximum score of 19.000 in Pesisir Barat district. Thus, both minimum and maximum score of Budget Absorption are located in Sumatera. The mean score is 2.110, which means local governments in Borneo and Sumatera have low surplus balance, which indicated that the governments have good performance because the difference between allocated and implemented funds is low.

In Table 3, the result of descriptive statistics analysis on liquidity variable, Current Ratio (CR) shows that the minimum score is 0.000 in Kepulauan Anambas District, and maximum score of 533.000 in Kepulauan Mentawai district. Thus, the minimum and maximum Current Ratio score is owned by the local government in Sumatera. The mean score is 37.700 which mean that local governments in Borneo and Sumatera have low debts. Local government debt is an important part of funding. Local government debt can be used as a support in local development funding if local government has no sufficient funds.

In Table 3, the result of performance ratio (operating revenue to operating expense-OROE) descriptive analysis shows minimum score of 0 in Bengkulu city and maximum score of 1 in Kepulauan Mempawah District. This means that operating revenue to operating expense (OROE) minimum score is generated by a city in Sumatera and the maximum score is generated by a district in Borneo. The means score of 0.140 shows that local government in Borneo and Sumatera have high expenditures and inefficient financial condition, thus there is a probability the Public Service is not implemented well.

In Table 3 the result of capital structure variable (debt equity ratio-DER) testing shows that the variable has minimum score of 0.000 in Kampar city, while the maximum score is 0.000 in Kepulauan Anambas District. Thus, local governments that have minimum and maximum score are both located in Sumatera. The mean score of 0.02 mean that the proportion of total debts and total equities or assets is low. The low ratio shows that local government has low long-term liabilities to be paid using their equities and assets.

In Table 3 the result of analysis on local government personnel Education Level shows that the minimum score for the variable is 2.000 in Singkawang city and maximum score of 3.000 in Bandar Lampung city. Thus, local government that has highest personnel Education Level is located in Borneo and local government that has lowest personnel Education Level is located in Sumatera. The mean score is 2.640.

5.2 Hypothesis Testing and Discussion

Hypothesis testing in this study is performed through multiple regression analysis with enter method. Enter method is multiple linear regression analysis by entering all the predictors into the analysis directly. The result of multiple regression analysis after classical assumption test is as follows:

Table 4
Multiple Regression Results

Model	Coefficient	T	<i>p-value</i>
(constant)	42.632	11.180	0.000
Budget Absorption	1.114	5.192	0.000
Current Ratio	0.006	0.648	0.518
Operating Revenue to Operating Expense	0.031	0.007	0.994
Debt to Equity Ratio	-1.360	0.049	0.961
Education Level	-6.549	-4.825	0.000
R Square	0.292		
Adjusted R-Square	0.265		
F	10.890		
Sig	0.000		

Dependent Variable: Public Service

Source: Data Analysis Result, 2017

5.3 Multiple Regression Analysis

Based on Table 4, the adjusted determination coefficient is 0.265 or 26.5%. This shows that 26.5% of dependent variable value (Public Service-PP) can be explained by the independent variables: Budget Absorption (PA), Current Ratio (CR), Operating Revenue to Operating Expenses Ratio (OROE), Debt to Equity Ratio (DER), and Education Level (TP). The rest 73.5% cannot be explained by the regression model or affected by other factors outside the model.

Table 4 shows the F value of 10.890 with probability of 0.000 ($p\text{-value} < 0.050$). the F value higher than 4.000 and probability lower than 0.050, shows that the regression model is fit (good overall model fit) thus the model can be used to predicts Public Service quality and to shows that the independent variables simultaneously affect Public Service (Ghozali, 2011).

In Table 4, from all five independent variables (Budget Absorption, Current Ratio, Operating Revenue to Operating Expense, Debt to Equity Ratio, and Education Level) in the research model, we can see that Budget Absorption and Education Level have a significant effect on Public Service (PP). This is indicated by p-value independent variable that is lower than 0.05, thus we can conclude the Public Service (PP) in Borneo and Sumatera is affected by Budget Absorption (PA) and local government personnel Education Level (TP).

Based on Table 4, the t count value is 5.192 with significance of 0.000. With the significance level lower than 0.05, hypothesis 1 is supported. Thus, we conclude that Budget Absorption positively affect Public Service.

Budget Absorption that reflects entity ability to provide financial return with resources they use. The number of surplus or deficit shows the difference between the budget and the realization. If local government has good Budget Absorption, Public Service will be well implemented. This is in line with the study conducted by Carlin (2014).

Based on Table 4, the t-count value is 0.648 with significance level of 0.518. The significance level above 0.05 means that hypothesis 2 is not supported. Thus, we conclude that Current Ratio does not affect Public Service. This contradicts previous research conducted by Cohen (2006). Local government debts are an important part of funding. Government debts can be used as a support for the funding of development in the local area if locally-generated revenue and central government transfer are not sufficient for local government (Halim and Damayanti, 2008).

The higher the local government debts, the better is the Public Service, however it does not rule out the possibility that with the high debts, local government still unable to provide proper Public Service.

Based on Table 4 the t-count value is 0.007 with significance level of 0.994. The significance value is above 0.05, which means hypothesis 3 is not supported. This result contradicts the result from previous study conducted by Cohen (2006). Thus, we can conclude that Operating Revenue to Operating Expense does not affect Public Service. This due to operational expense has no relationship with capital expenditure for local government infrastructure. Operational expense usually covers personnel expenditure such as salary, official travel, and overtime pay.

Low Operating Revenue to Operating Expense (OROE) ratio indicates that local government has high expenditure and is inefficient, so that Public Services are not fulfilled. However, local government with low OROE ratio may have proper Public Services.

Based on Table 4 the t-count value is 0.049 with significance level of 0.961. The significance level is higher than 0.05, which shows that hypothesis 4 is not supported. This contradicts the result of previous study conducted by Cohen (2006). Thus we can conclude that Debt to Equity has no effect on Public Service.

Debts can be used as the determinant of capital structure ratio. This ratio is the proportion between total debts and total equities or assets. High ratio shows that the entity has high long-term liabilities to be paid using its equities or fixed assets. Thus, high number of long-term liabilities may result in poor Public Services. However, it does not rule out the possibility that there is local government with high Debt to Equity and good Public Services.

Based on Table 4 the t-count value for local government personnel Education Level is -4.825 with significance level of 0.000. Lower than 0.05 significance level indicates that hypothesis 5 is supported. This contradicts the result of study conducted by Abdullah (2008). Thus, we can conclude that local government personnel Education Level has negative effect on Public Services. This means that high Education Level without full understanding on regulation in Public Service and unprofessionalism in executing their duties in Public Service will make it hard to run Public Services smoothly and maximally. However, local government personnel may have high Education Level, but they also join training regarding Public Services, so that they

understand about the regulation and implementation of Public Services, thus Public Services will run smoothly and maximally.

T-test analysis is employed to find if the samples are unrelated and have different mean. Thus, the objective of t-test analysis is comparing the mean score from two unrelated groups; whether both groups have similar mean score or not (significantly). If the probability is >0.05 , thus H_0 is supported, thus the variance is similar. If the probability is <0.05 , H_0 is not supported, thus the variance is different. The result of t-test analysis can be seen in the following Table 5 and Table 6 as follows:

Table 5
T-Test Group Statistics

	District/City in	Mean	Std. Deviation
PP	Kalimantan	31.960	9.575
	Sumatera	25.600	7.387

Source: Processed Primary Data, 2017.

Table 6
Independent Sample Test

		Levene's test for Equality of Variances			
		F	Sig.	T	Sig. (2-tailed)
PP	Equal variances assumed	0.450	0.503	4.350	0.000

Source: Processed Primary Data, 2017.

In Table 5 we can see that the mean score for Public Service in Borneo is 31.960 while for Sumatera is 25.600. Thus, we can see that Public Service in the two islands is different. In Table 6, the equal variance assumed is 4.350 and probability significance is 0.000 (two tail). Thus, we can conclude that there is difference between Borneo and Sumatera Public Service because the probability value is < 0.05 .

6. CONCLUSION AND IMPLICATION

The conclusion that can be drawn from the description given in previous chapter is Budget Absorption and local government personnel Education Level affected Public Service. However, Current Ratio, Operating Revenue to Operating Expense, and Debt to Equity variable have no effect on Public Service.

Researcher suggests local governments to maximize their Budget Absorption by implementing programs that have been prepared. The programs must be prepared according to the need and budgeted funds. A well prepared program will result in maximum Budget Absorption. Maximum Budget Absorption shows that local government has effective performance.

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2.3 - The Analysis on Local

by Leon Akbar

Submission date: 30-Jan-2020 12:25PM (UTC+0700)

Submission ID: 1248608892

File name: 2.3_-_The_Analysis_on_Local.pdf (618.42K)

Word count: 6364

Character count: 35806

**The Analysis on Local Government Public
Services in Borneo and Sumatera Districts/Cities**

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ABSTRACT

This study aims to find the factors that improve the level of Public Service in each district and cities in Borneo and Sumatera. The factors that will be analyzed are Budget Absorption, Current Ratio, Operating Revenue to Operating Expenses Ratio, Debt to Equity Ratio, and Level of education of local government employees. The samples used in this study are 138 districts and cities in Borneo and Sumatera. The examination is conducted using multiple regression analysis. The result shows that Budget Absorption and Level of education of local government employees affects Public Service. However Current ratio, Operating Revenue to Operating Expense, and Debt to Equity Ratio do not shows effects to the level of Public Service. Therefore this result suggests that local governments should maximize their Budget Absorption and encourage or support their employees to take higher level of education.

Keywords: Public Service, Local Government, Budget Absorption, Current Ratio, Operating Revenue to Operating Expenses Ratio, Debt to Equity Ratio, and Level of education.

1. INTRODUCTION

To realize an effective and efficient government function, the autonomy policy is implemented. The centralized system is changed into decentralization as a form of reformation in Indonesia (Kusnandar and Siswanto, 2012). The Law Number 32 of 2004 article 1, mentioned that decentralization means giving authority to local government to regulate and manage their own governmental issues as well as determining the allocation of resources under their authority to be used in local spending according to compliance, necessity, and regional capabilities principle as mentioned in the local budget. In the autonomy era, local government has an opportunity to manage funds that are related to government programs and activities in providing public facilities and infrastructure, as well as services for the community (Abdullah and Junita, 2016). However, in the implementation of the authority, there are

problems that arise and the sub-optimal use of budget that disturb Public Services for the community.

One of the problems that may leads to Public Service activities is capital expenditure. The minimum budget for capital expenditure will make local government unable to provide satisfactory Public Services (Lewis and Gilman, 2005).

The first example; there are large numbers of road in the districts in Borneo that have never been developed, or in other words, there are limited number of road construction take place. West Kalimantan has varied natural resources that have high price such as palm oil, latex, and aloe vera, however their people (farmer) cannot run their business comfortably due to low quality of roads which in turn affect their harvest; it is sometimes damaged before they sell it (www.kompasiana.com, 2014).

The next example is, the spokesman of special committee from North Sumatera, Marahalim Harahap, states that the strategic issues and the main developmental problem in North Sumatera mentioned in development roadmap 2013-2018 are, among others, education, health care and infrastructure area development, environment, and disaster management (www.konstruksisumut.com, 2014) . The problem at hand is the sub-optimal transportation infrastructure of roads and bridges, communication, and irrigation, especially the area that are hard-to-reach such as remote areas, outer and frontier areas (www.konstruksisumut.com, 2014).

The third case is, according to the ex-ministry of interior, Gamawan Fauzi, the local government budget will be more effective and efficient if personnel expenditure can be reduced (Keuda.Kemendagri.go.id). Increasing capital expenditure is not hard if implemented gradually, starting from 24%, then 26-27%, and then in 2014 the increase will be only 3%. Until this day, there are a few local governments that have reach 30% (www.keuda.kemendagri.go.id, 2013).

The fourth example, the founder of Autonomy Institute (Institut Otonomi), Djohermansyah says that many new autonomous local governments that do not utilize their budget optimally, 90% of transfer funds are used for personnel expenditure and the remaining 10% are used for capital expenditure, thus resulting in very tight fiscal space. (www.tempo.co, 2016).

Looking toward the examples we are interested to study Public Services in districts/cities government in Borneo and Sumatera. Borneo and Sumatera are selected as research object because it located in Indonesia border with the neighboring country. Some parts of Indonesia border are underdeveloped regions with very limited social and economic facilities and infrastructures, and mostly are not touched by development (www.kompas.com, 2016)

2. LITERATURE REVIEW

2.1 Resources Dependence Theory

The theory of resource dependence is the basic theory in this study because this theory is capable in explaining that the main source of local government strength is the capability of local government in question to manage available resources so that Public Services can be delivered continuously.

This theory explains that all organizations need to absorb resources from their environment, in the form of workers, physical supplies, customers and consumers, information, investment or funds, official permit, and legitimacy to operate (Pfeffer and Salancik, 1978) . Resources dependence theory is developed by Jeffrey Pfeffer and Gerald Salancik (1978). This theory explains that the ability to control the allocation of

resource is the source of power. In Pfeffer and Salancik view, the power can appear in the following forms:

1. Domination (the power to use resources).
2. Ownership of resources.
3. Control on the access to resources.
4. Control on the use of resources.
5. The ability to regulate resources.

According to resource dependence theory, local government must be able to maximize the use and management of resources they have, thus Public Services for the people can be well implemented and equally distributed. With the maximum use of resources in local governments in Borneo and Sumatera, it is expected that the outskirt areas, remote areas, and isolated areas will receive good Public Services. The resources come from local government funds and human resources. In this study the sources of fund for local government is represented in the Local Government Financial Report (Laporan Keuangan Pemerintah Daerah-LKPD) and human resources are measured from the Education Level of local governments' personnel. The components of Local Government Financial Report are Budget Realization Report (Laporan Realisasi APBD/Laporan Realisasi Anggaran); Operational Report (Laporan Operasional); Statement of Changes in Equity (Laporan Perubahan Ekuitas); Balance Sheet; Cash Flow; and Notes to the Financial Statement (Law Number 15 of 2004).

According to resource dependence theory, this study focuses on the variables Budget Absorption from budget realization report; Current Ratio from balance sheet; Operating Revenue to Operating Expense from operational report; Debt to Equity from the Statement of Changes in Equity. The human resources are measured from the Education Level of local governments' personnel. Education Level has strong effect on the quality of Public Services. With their level of education, it is expected that local government will be able to provide maximum Public Services.

2.2 Public Services

Law Number 25 of 2009 concerning Public Services defines Public Services as follow: Public Service is can activity or series of activities in an attempt to fulfill the need in services according to the prevailing laws for all citizens and inhabitants for goods, services, and/or administrative services provided by Public Services providers. Lewis and Gilman (2005) define Public Service as follows: Public Service is public trust. Citizen wish that Public Service will be able to serve honestly and manage sources of funds correctly, and accountable will generate public trust. Ethics are needed as a pillar and public trust as fundamental to realize good government.

2.2 Local Government Income and Expenditure Budgets (Anggaran Pendapatan dan Belanja Daerah-APBD)

Local Government Income and Expenditure Budgets (Anggaran Pendapatan dan Belanja Daerah-APBD) is interpreted as local government annual financial plan that has been discussed with local government house of representatives (DPRD) and ratified based on Local Government Decree (Ministry of Interior Decree Number 13 of 2006). In the Republic of Indonesia Government Decree Number 58 of 2005 concerning the Management of Local Government Finance, Local Government Income and Expenditure Budgets is a unit that consist of local government income, expenditure, and financing.

Local government income includes all cash revenues through local government account, which increase current equity fund, which belongs to the local government and they do not need to pay it back (Republic Indonesia Government Regulation Number 58 of 2005). Local government expenditure is all expenditure from local government general cash account which reduced current equity funds, and is local government responsibility in a fiscal year that will not be repaid to the local government (Republic Indonesia Government Regulation Number 58 of 2005). Local government funding is all income that has to be repaid and/or expenditure that will be earned back, either in the current fiscal year or in the upcoming years (Republic Indonesia Government Regulation Number 58 of 2005).

Local Government Income and Expenditure Budgets becomes the base for local government in performing local financial management in order to provide services to the public in a fiscal year. This means that in a local government APBD can become an instrument of accountability on the management of public funds because public sector budget can be represented in the form of State Budget for Income and Expenditure (Anggaran Pendapatan dan Belanja Negara-APBN) and Local Government Income and Expenditure Budgets (Mardiasmo, 2002).

3. HYPOTHESIS DEVELOPMENT

3.1 The Effect of Budget Absorption on Public Service

Budget Absorption, especially capital expenditure will have significant effect on economic growth and Public Service (Carlin, 2014). Budget Absorption is implemented through surplus or deficit budget in a fiscal period. The value of the surplus or deficit represents the differences between the budget and the realization. If local government has a good Budget Absorption, their Public Service will be good.

Research regarding Budget Absorption has been conducted by Sinaga (2016) who state that the failure in targeted absorption of budget will results in the disappearance of expenditure benefits, because the allocated funds are not fully utilized. This will affect Public Services. Based on the description, the hypothesis in this study can be stated as follows:

H₁: Budget Absorption has positive effect on Public Service.

3.2 The Effect of Current Ratio on Public Service.

Research that employs equity ratio has been conducted by Cohen (2006). Government debts are an important part of funding. Government debts can be used as a support for the funding of development in the local area if locally-generated revenue and central government transfer are not sufficient for local government (Halim and Damayanti, 2008). The higher the government debts, the better are the Public Services. Based on the description, the hypothesis in this study can be formulated as follows:

H₂: Current Ratio has positive effect on Public Service.

3.3 The Effect of Operating Revenue to Operating Expense (OROE) on Public Service.

Low OROE ratio means that local government has high expenditure and indicates that local government is inefficient, thus resulting in low Public Services. The example of research with OROE efficiency ratio is Cohen (2006). According to the description, the hypothesis in this study is:

H₃: Operating Revenue to Operating Expense has positive effect on Public Service.

3.4 The Effect of Debt to Equity Ratio on Public Service.

High ratio reflects that the entity has responsibility to repay high number of long-term debts using its equity or assets, thus it will affect the quality of Public Service

provided for the community. The example of research with capital structure ratio (debt to equity ratio) is Cohen (2006). The result of the research is debt to equity ratio affect government performance even if it is weak. Government with excellent performance will provide excellent Public Service. Based on the description, the hypothesis in this study can be stated as follows:

H₄: Debt to Equity Ratio has negative effect on Public Service.

3.5 The Effect of Public Service Employees Education Level on Public Service

Local government personnel are required not only to be professionally ready but also academically and morally ready (Rudskaian & Rodionov, 2017). The quality of Public Service can be measured using the level of personnel education. Sufficient Education Level is expected to enable local government personnel to understand procedure and regulation regarding Public Service, thus Public Service will run well. Public sector research in Public Service and human resource has been conducted by Abdullah (2008). Based on the description above, the hypothesis in this study can be stated as follows:

H₅: The Education Level of Public Service personnel has positive effect on Public Service.

According to literature review, researchers develop research model as a basis in determining hypothesis. The model is presented in the form of systematic diagram through the following graphic:

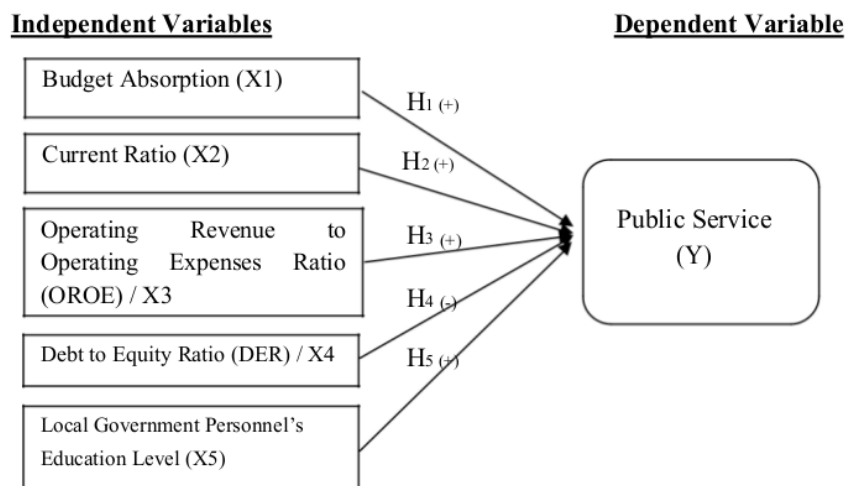


Figure1
Research Framework

4. RESEARCH METHOD

4.1 Research Design

This study is hypothesis testing research. According to Sekaran and Bougie (2006), hypothesis testing should be able to explain the nature of certain relationship, understanding the difference among groups, or independence of two or more variables.

4.2 Data Selection and Collection

The data needed in this study is secondary data collected through download from the audit board of Republic of Indonesia (Badan Pemeriksa Keuangan-BPK) website; www.bpk.go.id and the ministry of interior website; www.kemendagri.go.id.

The population in this study is all districts or cities government in Borneo and Sumatera in a total of 210 districts/cities. There are 56 districts/cities in Borneo and 154 districts or cities in Sumatera. The samples are selected through the following steps:

1. First Step

The first step is determining the number of samples needed. In this study, the total number of samples needed is computed using Slovin's formula. From the population of 210 districts/cities and level of confidence of 5% (d), we selected 138 districts/cities as samples. Random sampling technique is used to determine the number of districts/cities that will represent each province.

2. Second Step

The individual sample is selected using purposive sampling technique; sample is selected based on certain criteria according to the research purposes (Sekaran and Bougie, 2013). The criteria for sample are:

- a. Districts/cities government in Borneo and Sumatera that published financial statement in 2015 and listed in www.bpk.go.id website.
- b. The financial statement covers all data and information needed for variable measurement and data analysis in hypothesis testing.

4.3 Operational Definition of Research Variables

4.3.1 Dependent Variable

Dependent variable is the variable that becomes the focus of the study (Sekaran and Bougie, 2006). Dependent variable is the variable that is affected by another variable, either positively or negatively (Sekaran and Bougie, 2006). The dependent variable in this study is Public Service.

The Presidential Decree Number 2 of 2015 concerning National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional-RPJM) for 2015-2019 explains the number of capital expenditure that has to be fulfilled by local government in their APBD (www.kemenkopmk.go.id, 2015). In book III RPJM 2015-2019 regarding Regional Development Agenda, is mentioned that the direction of local government financial capacity improvement is increasing local government expenditure that contributes significantly to development, and one of the strategies to achieve the plan is by increasing the proportion of capital expenditure (www.bpkp.go.id, 2015). The Ministry of Finance (Kementerian Keuangan-Kemenkeu) as treasurer will impose sanction on Provincial/Municipal/District government has low Budget Absorption in the form of local government budget conversion from cash to government bonds or government bonds (www.kompas.com, 2016). Based on the description, researchers use the following formula:

$$\text{Public Service} = \frac{\text{Capital Expenditure}}{\text{Total Local Government Expenditure}}$$

4.3.2 Independent Variables

Independent variable is the variable that affects another variable either positively or negatively (Sekaran, 2006). The independent variables in this study are Budget

Absorption (X1), Current Ratio (X2), Operating Revenue to Operating Expense (X3), Debt to Equity (X4), and local government personnel Education Level (X5).

1. Budget Absorption (X1)

Budget Absorption is a systematic plan that includes all activities for certain time period to be realized (Ministry of Interior Decree Number 59 of 2007). This ratio represents local government ability to cover local government expenditure with local generated income. To compute this ratio, researchers use the formula used by Cohen (2006) as follows:

0

2. Current Ratio (X2)

Current Ratio is a ratio that measure company ability in fulfilling its short-term liabilities (Bambang Riyanto, 2003). Current Ratio is a ratio that measures the ability to repay current liabilities (Sutaryo, Sutopo, and Setiawan, 2010). To compute this ratio, according to Cohen (2006) the formula is:

3. Operating Revenue to Operating Expense/ OROE (X3)

OROE is the ratio between total operational income of local government and total operational expenditure (Cohen, 2006). Low OROE ratio indicated that local government has high expenditure and is inefficient. According to Cohen (2006) the

4. Debt to Equity Ratio (X4)

This ratio is the proportion between total debts and total equity or entity assets (Cohen, 2006). The high ratio shows that the entity has liability to fulfill high long-term liabilities using its equities or fixed assets. According to Cohen (2006) the formula to compute this ratio is as follows:

5. Local Government Personnel Education Level (X5)

Local government personnel are required not only to be professionally ready but also academically and morally ready (Abdul Hamid, 2011). Education Level is the level in which somebody taking formal education. High local government personnel Education Level is expected to enable the personnel to understand Public Service regulation, so that Public Service will run well. In this study Education Level is measured using scoring method.

Table 1
Measurement for Education Level

No	Education Level	Score
1	Senior High School	0
2	Bachelor	1
3	Master	2

4.4 Data Analysis Technique

Ghozali (2011) mentions that data analysis is the step to generate relevant information from the data and the result will be used to solve problem. The method used to analyze the data in this study is descriptive statistic, t-test, and multiple regression analysis performed on SPSS version 22. As the condition of multiple regression testing, classical assumption test is performed to make sure the data is valid, unbiased, consistent, and to ensure that the resulted coefficient of regression is efficient (Gujarati, 2003). Classical assumption test includes normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. The multiple regression formula for hypothesis testing is as follows:

$$PP = a + b_1PA + b_2CR + b_3OROE + b_4DER + b_5TP + \varepsilon$$

Notes:

PP= Public Service

PA = Budget Absorption

CR = Current Ratio

OROE = Operating Revenue to Operating Expense

TP = Local Government Personnel Education Level

a = Constant (Y' if $X_1, X_2, \dots, X_n = 0$)

$b_{1,2,3,4}$ = Coefficient of regression (the increases or decreases)

ε = Error

5. RESULT AND DISCUSSION

The population in this study is all districts/cities government in Borneo and Sumatera.

Table 2
Selecting Sample

Criteria	Total
Total number of district/city governments in Borneo and Sumatera in 2015	2105
Total number of local governments that meet the criteria	72
Total number of local governments selected as samples	138

Based on the sampling method, there are 138 district/cities government selected as the sample in this study. The number is the result of deducting 210 local governments by 72 local governments that do not provide sufficient information.

5.1 Descriptive Statistic

Descriptive statistic testing is performed to describe the information gathered from the data regarding total number of samples, minimum, maximum, means, and standard deviation from each variable (Ghozali, 2011). Descriptive statistic in this study can be seen in Table 3.

Table 3
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PP	138	9.000	72.000	27.860	8.747
PA	138	-8.000	19.000	2.110	3.137
CR	138	0.000	533.000	37.700	78.546
OROE	138	0.000	1.000	0.140	0.152
DER	138	0.000	0.000	0.020	0.024
TP	138	2.000	3.000	2.640	0.480

In Table 3 we can see that Public Service has minimum value of 9.000% in Tanjung Pinang city, with maximum value of 72.000% in Berau District. This means that Public Service with minimum value exists in a city in Sumatera and the maximum Public Service value exists in a district in Borneo. The mean score is 27.860%, which means capital expenditure for infrastructure in all districts/cities government in Borneo and Sumatera is still far from the amount required by the state in RPJMN that is 30%.

In Table 3, the variable Budget Absorption has minimum value of - 8.000 in Kepulauan Meranti district, and maximum score of 19.000 in Pesisir Barat district. Thus, both minimum and maximum score of Budget Absorption are located in Sumatera. The mean score is 2.110, which means local governments in Borneo and Sumatera have low surplus balance, which indicated that the governments have good performance because the difference between allocated and implemented funds is low.

In Table 3, the result of descriptive statistics analysis on liquidity variable, Current Ratio (CR) shows that the minimum score is 0.000 in Kepulauan Anambas District, and maximum score of 533.000 in Kepulauan Mentawai district. Thus, the minimum and maximum Current Ratio score is owned by the local government in Sumatera. The mean score is 37.700 which mean that local governments in Borneo and Sumatera have low debts. Local government debt is an important part of funding. Local government debt can be used as a support in local development funding if local government has no sufficient funds.

In Table 3, the result of performance ratio (operating revenue to operating expense-OROE) descriptive analysis shows minimum score of 0 in Bengkulu city and maximum score of 1 in Kepulauan Mempawah District. This means that operating revenue to operating expense (OROE) minimum score is generated by a city in Sumatera and the maximum score is generated by a district in Borneo. The means score of 0.140 shows that local government in Borneo and Sumatera have high expenditures and inefficient financial condition, thus there is a probability the Public Service is not implemented well.

In Table 3 the result of capital structure variable (debt equity ratio-DER) testing shows that the variable has minimum score of 0.000 in Kampar city, while the maximum score is 0.000 in Kepulauan Anambas District. Thus, local governments that have minimum and maximum score are both located in Sumatera. The mean score of 0.02 mean that the proportion of total debts and total equities or assets is low. The low ratio shows that local government has low long-term liabilities to be paid using their equities and assets.

In Table 3 the result of analysis on local government personnel Education Level shows that the minimum score for the variable is 2.000 in Singkawang city and maximum score of 3.000 in Bandar Lampung city. Thus, local government that has highest personnel Education Level is located in Borneo and local government that has lowest personnel Education Level is located in Sumatera. The mean score is 2.640.

5.2 Hypothesis Testing and Discussion

Hypothesis testing in this study is performed through multiple regression analysis with enter method. Enter method is multiple linear regression analysis by entering all the predictors into the analysis directly. The result of multiple regression analysis after classical assumption test is as follows:

Table 4
Multiple Regression Results

Model	Coefficient	T	<i>p-value</i>
(constant)	42.632	11.180	0.000
Budget Absorption	1.114	5.192	0.000
Current Ratio	0.006	0.648	0.518
Operating Revenue to Operating Expense	0.031	0.007	0.994
Debt to Equity Ratio	-1.360	0.049	0.961
Education Level	-6.549	-4.825	0.000
R Square	0.292		
Adjusted R-Square	0.265		
F	10.890		
Sig	0.000		

Dependent Variable: Public Service

Source: Data Analysis Result, 2017

5.3 Multiple Regression Analysis

Based on Table 4, the adjusted determination coefficient is 0.265 or 26.5%. This shows that 26.5% of dependent variable value (Public Service-PP) can be explained by the independent variables: Budget Absorption (PA), Current Ratio (CR), Operating Revenue to Operating Expenses Ratio (OROE), Debt to Equity Ratio (DER), and Education Level (TP). The rest 73.5% cannot be explained by the regression model or affected by other factors outside the model.

Table 4 shows the F value of 10.890 with probability of 0.000 ($p\text{-value} < 0.050$). the F value higher than 4.000 and probability lower than 0.050, shows that the regression model is fit (good overall model fit) thus the model can be used to predicts Public Service quality and to shows that the independent variables simultaneously affect Public Service (Ghozali, 2011).

In Table 4, from all five independent variables (Budget Absorption, Current Ratio, Operating Revenue to Operating Expense, Debt to Equity Ratio, and Education Level) in the research model, we can see that Budget Absorption and Education Level have a significant effect on Public Service (PP). This is indicated by $p\text{-value}$ independent variable that is lower than 0.05, thus we can conclude the Public Service (PP) in Borneo and Sumatera is affected by Budget Absorption (PA) and local government personnel Education Level (TP).

Based on Table 4, the t count value is 5.192 with significance of 0.000. With the significance level lower than 0.05, hypothesis 1 is supported. Thus, we conclude that Budget Absorption positively affect Public Service.

Budget Absorption that reflects entity ability to provide financial return with resources they use. The number of surplus or deficit shows the difference between the budget and the realization. If local government has good Budget Absorption, Public Service will be well implemented. This is in line with the study conducted by Carlin (2014).

Based on Table 4, the t-count value is 0.648 with significance level of 0.518. The significance level above 0.05 means that hypothesis 2 is not supported. Thus, we conclude that Current Ratio does not affect Public Service. This contradicts previous research conducted by Cohen (2006). Local government debts are an important part of funding. Government debts can be used as a support for the funding of development in the local area if locally-generated revenue and central government transfer are not sufficient for local government (Halim and Damayanti, 2008).

The higher the local government debts, the better is the Public Service, however it does not rule out the possibility that with the high debts, local government still unable to provide proper Public Service.

Based on Table 4 the t-count value is 0.007 with significance level of 0.994. The significance value is above 0.05, which means hypothesis 3 is not supported. This result contradicts the result from previous study conducted by Cohen (2006) . Thus, we can conclude that Operating Revenue to Operating Expense does not affect Public Service. This due to operational expense has no relationship with capital expenditure for local government infrastructure. Operational expense usually covers personnel expenditure such as salary, official travel, and overtime pay.

Low Operating Revenue to Operating Expense (OROE) ratio indicates that local government has high expenditure and is inefficient, so that Public Services are not fulfilled. However, local government with low OROE ratio may have proper Public Services.

Based on Table 4 the t-count value is 0.049 with significance level of 0.961. The significance level is higher than 0.05, which shows that hypothesis 4 is not supported. This contradicts the result of previous study conducted by Cohen (2006). Thus we can conclude that Debt to Equity has no effect on Public Service.

Debts can be used as the determinant of capital structure ratio. This ratio is the proportion between total debts and total equities or assets. High ratio shows that the entity has high long-term liabilities to be paid using its equities or fixed assets. Thus, high number of long-term liabilities may result in poor Public Services. However, it does not rule out the possibility that there is local government with high Debt to Equity and good Public Services.

Based on Table 4 the t-count value for local government personnel Education Level is -4.825 with significance level of 0.000. Lower than 0.05 significance level indicates that hypothesis 5 is supported. This contradicts the result of study conducted by Abdullah (2008) . Thus, we can conclude that local government personnel Education Level has negative effect on Public Services. This means that high Education Level without full understanding on regulation in Public Service and unprofessionalism in executing their duties in Public Service will make it hard to run Public Services smoothly and maximally. However, local government personnel may have high Education Level, but they also join training regarding Public Services, so that they

understand about the regulation and implementation of Public Services, thus Public Services will run smoothly and maximally.

T-test analysis is employed to find if the samples are unrelated and have different mean. Thus, the objective of t-test analysis is comparing the mean score from two unrelated groups; whether both groups have similar mean score or not (significantly) . If the probability is >0.05 , thus H_0 is supported, thus the variance is similar. If the probability is <0.05 , H_0 is not supported, thus the variance is different. The result of t-test analysis can be seen in the following Table 5 and Table 6 as follows:

Table 5
T-Test Group Statistics

	District/City in	Mean	Std. Deviation
PP	Kalimantan	31.960	9.575
	Sumatera	25.600	7.387

Source: Processed Primary Data, 2017.

Table 6
Independent Sample Test

		Levene's test for Equality of Variances			
		F	Sig.	T	Sig. (2-tailed)
PP	Equal variances assumed	0.450	0.503	4.350	0.000

Source: Processed Primary Data, 2017.

In Table 5 we can see that the mean score for Public Service in Borneo is 31.960 while for Sumatera is 25.600. Thus, we can see that Public Service in the two islands is different. In Table 6, the equal variance assumed is 4.350 and probability significance is 0.000 (two tail). Thus, we can conclude that there is difference between Borneo and Sumatera Public Service because the probability value is < 0.05 .

6. CONCLUSION AND IMPLICATION

The conclusion that can be drawn from the description given in previous chapter is Budget Absorption and local government personnel Education Level affected Public Service. However, Current Ratio, Operating Revenue to Operating Expense, and Debt to Equity variable have no effect on Public Service.

Researcher suggests local governments to maximize their Budget Absorption by implementing programs that have been prepared. The programs must be prepared according to the need and budgeted funds. A well prepared program will result in maximum Budget Absorption. Maximum Budget Absorption shows that local government has effective performance.

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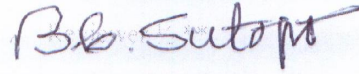
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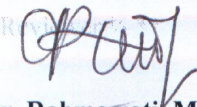
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