



eISSN 3032-601X & pISSN 3032-7105

Vol. 1, No. 3, 2024

MISTER

Journal of Multidisciplinary Inquiry in Science,
Technology and Educational Research

**Jurnal Penelitian Multidisiplin dalam Ilmu
Pengetahuan, Teknologi dan Pendidikan**

**UNIVERSITAS SERAMBI MEKKAH
KOTA BANDA ACEH**

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Journal of Multidisciplinary Inquiry in Science Technology
and Educational Research

Journal of MISTER

Vol. 1, No. 3, 2024

Pages: 454-458

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Article in Journal of MISTER

Available at : <https://jurnal.serambimekkah.ac.id/index.php/mister>

DOI : <https://doi.org/10.32672/mister.v1i3.1620>

How to Cite this Article

APA : Ramdhani, A. C., Saepudin, E. A., Oktaviani, V., Magfiroh, Mustika Dewi, S., & Ramadila Sandy, M.. (2024). State Financial Sources Versus Private Financial Sources: A Comparative Analysis of Funding of Public and Business Organizations in Indonesia. *MISTER: Journal of Multidisciplinary Inquiry in Science, Technology and Educational Research*, 1(3), 454 - 458. <https://doi.org/10.32672/mister.v1i3.1620>

Others Visit : <https://jurnal.serambimekkah.ac.id/index.php/mister>

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ISSN 3032-7105

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State Financial Sources Versus Private Financial Sources: A Comparative Analysis of Funding of Public and Business Organizations in Indonesia

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Received: 05 16, 2024

| Accepted: 05 17, 2024

| Published: 05 19, 2024

ABSTRACT

Funding is a crucial aspect for the smooth operation of organizations, both public and business. In Indonesia, there are significant differences in the structure and sources of funding of these two types of organizations. This study aims to analyze and compare the funding of public and business organizations in Indonesia. Public and business organizations in Indonesia have an important role in national development. Both types of organizations require funding to run their operations and achieve their goals. This paper aims to analyze and compare the funding of public and business organizations in Indonesia. This research uses a descriptive method with a literature study. Data was collected from various sources such as books, journals, articles, and official websites of organizations. The results show that there are some significant differences in the funding of public and business organizations in Indonesia. The main funding source of public organizations is tax, while business organizations get funding from various sources such as own capital, bank loans, and capital markets. The use of public organizations' funds is regulated by laws and regulations, while business organizations have more flexibility in using their funds. This paper also discusses the challenges and opportunities of funding public and business organizations in Indonesia. This research is expected to contribute to the development of policies and strategies for funding public and business organizations in Indonesia.

Keywords: *Funding; Organization; Public; Business*

INTRODUCTION

Funding is an important aspect for the operational continuity of an organization, both public and business organizations. Public organizations such as government agencies are generally funded through state financial sources such as taxes and non-tax state revenues. Meanwhile, business organizations mostly rely on funding from private financial sources such as equity, debt, and retained earnings. This difference in funding sources certainly has implications for the financial management patterns of public and business organizations. Every company needs organizational behavior, where behavior is needed if you want to establish good communication between individuals and groups and can understand the behavior of individuals in an organization. (Nofiani et al., 2021) An organization can be defined as a collection of people who want to achieve a common goal. (Agung et al., 2015)

In Indonesia, the funding dynamics of public and business organizations have evolved over time. For example, since the era of fiscal decentralization in the early 2000s, the proportion of local government funding sourced from local revenue has continued to increase. Meanwhile, private companies are also increasingly creative in exploring sources of funding for business organizations, such as peer-to-peer lending.

Entering the industrial era 4.0 competition between organizations is getting tougher. Whether it is a public organization or a non-public organization (business). Organizations are required to be able to increase their competitiveness, be able to innovate and create by utilizing all kinds of booming trends. Increasingly sophisticated technology, which is increasingly advanced, must be able to be utilized by every organization. If an organization is not able to take advantage of and adapt to current conditions, it may lose its existence. (Surya Abbas et al., 2020)

Funding decisions have a negative effect on firm value. Dividend policy has a positive effect on firm value. Good corporate governance has a positive effect on firm value. Good corporate governance is unable to moderate investment decisions on firm value. Good corporate governance is unable to moderate funding decisions on firm value. Good corporate governance is able to moderate dividend policy on firm value. (Sari, n.d.)

Based on the size of ownership, organizations are divided into two, namely private sector organizations and public sector organizations. Private sector organizations are organizations whose ownership is dominated by the ownership of one or a group of investors. Public sector organizations are organizations owned by the public or society that have a larger area and complexity than private sector organizations. The breadth of the area is due to the breadth of types and forms of organizations that are in it and because of the complexity of the environment that affects these public institutions that refer to government organizations or the State. (Cahaya Azwari dan Ayke Nuraliati et al., 2018)

The funding sources of public organizations are obtained through taxes, levies, debts, government bonds, profits of state-owned enterprises, selling state assets and others. (Putra Siswanda, n.d.). Funding decisions can be interpreted as decisions concerning financial structure. The company's financial structure is the composition of funding decisions which include short-term debt, long-term debt and equity. According to Irham Fahmi (2014) states that financial performance is an analysis conducted to see the extent to which the company has carried out using the rules of financial implementation properly and correctly. (Tabanan Bali, 2022)

Financial measures are not appropriate, however too, to guide and evaluate a journey in which companies in the information age must create future value through investments in customers, customers, and customer relationships. must create future value through investments in customers, suppliers, employees, processes, technology, and innovation. The BSC suggests that we look at an organization's performance from the following four perspectives: (1) The Learning and Growth Perspective, (2) The Business Process Perspective, (3) The Customer Perspective, and (4) The Financial Perspective. The Financial Perspective. This Balanced Scorecard Model was originally intended to expand the performance measurement area of private profit-oriented organizations. This approach measures performance based on financial and non-financial aspect. (Haryono, 2013)

Public accountability is a form of accountability from both financial and performance aspects for every public organization, in this case the mosque, to its stakeholders, namely muzakki, mosque congregations, the wider community, and the government. Furthermore, Siskawati et al., (2016); Sofyani, (2018) three stages including (1) Preparation Stage, (2) Implementation Stage, (3) Monitoring and Evaluation Stage. The preparation stage consists of observations and interviews with mosque managers and IMAS advisors and needs analysis.(Pengabdian et al., 2021)

The government issued various policies to increase the flexibility of higher education in obtaining funds, especially for higher education with the status of state universities (PTN). Flexibility in university management is expected to be a solution to the funding problems experienced by universities (Mulyono, 2016). One form of such policy is through the autonomy of state universities. The autonomy of state universities is the process of transforming state universities from just work unit entities into State Universities with Legal Entities (PTN-BH) and State Universities with Public Service Entities (PTN-BLU). The transfer of status is expected to provide wider space for universities to find other alternatives than just relying on government budgets.(Iqbal & Triana, n.d.)

Company performance can be indicated by financial performance, which shows the ability of the business to generate profits. Brigham and Houston (2011: 107) state that profitability is used to determine the ability and effectiveness of management in managing the company. Horne and Wachowicz (2012: 87) provide the definition of profitability is the company's ability to generate profits during a certain period related to the use of productive assets, as a whole, both debt (foreign capital) and own capital.(Prosiding Seminar Nasional AIMI, n.d.)

METHODS OF RESEARCH

The research method of this article uses a qualitative descriptive method where all problems and solutions are related to the theme and taken from various sources.

RESULT AND DISCUSSION

The analysis shows that there are fundamental differences in the composition of funding sources of public and business organizations in Indonesia. The funding of public organizations is dominated by

the role of APBN and APBD derived from tax and non-tax revenues. Meanwhile, business organizations rely more on funding from shareholders' equity, debt, and retained earnings.

The proportion of tax revenue in Indonesia's state budget is relatively high, at around 85% in the last 10 years. In contrast, the contribution of non-tax revenues to the state budget is only about 15%. On the other hand, most companies in Indonesia still rely heavily on bank debt to fund their assets and business operations.

In terms of historical trends, it appears that the dependence of local governments on APBN transfers is decreasing. This indicates the increasing role of own-source revenues in funding public organizations at the local level. However, the share of external debt in APBN financing has increased significantly in the last 10 years.

This difference in funding structure implies differences in flexibility and risk for both public and business organizations. Dependence on debt increases the risk of default and liquidity difficulties of a company. Meanwhile, reliance on APBN/APBD limits the flexibility of a government agency's budget policy.

Ultimately, there is a need for balance and diversity in managing an organization's funding sources, both public and private. This is important to maintain the organization's long-term operational sustainability and stability. In terms of public organizations, there needs to be an effort to increase the role of funding from non-tax revenues and public-private partnerships. Meanwhile, for business organizations, financing from own capital needs to be increased so that the risk of debt default can be controlled.

CONCLUSION

This study aims to conduct a comparative analysis of the financial resources of public and private sector organizations in Indonesia. Based on the results of the analysis, several significant differences were identified in terms of the composition and historical trends of funding sources of the two types of organizations.

The funding of public sector organizations is predominantly sourced from the state budget (APBN) and regional budget (APBD), which are mostly derived from tax and non-tax revenues. In contrast, business organizations show a high dependence on bank debt/credit to finance assets and working capital. In addition, the role of regional own-source revenues in funding local government agencies has continued to increase in the last 10 years.

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