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DYNAMICS OF CENTRAL FISCAL TRANSFERS AND THEIR IMPLICATIONS FOR REGIONAL INDEPENDENCE IN JAMBI PROVINCE

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Abstract

The purpose of this study is to examine the extent of fiscal dependence of regional governments on central government transfer funds. By understanding this level of dependence, local governments can formulate strategies to increase local revenue (PAD) and improve the efficiency of regional financial management. Practically, the results of this research are expected to serve as input for the Jambi Provincial Government in formulating more independent and sustainable fiscal policies, optimizing regional revenue potential, and reducing reliance on central government transfers. This study employs a descriptive quantitative method using data from the Regional Budget (APBD) of Jambi Province. The approach is used to illustrate the degree of regional dependence on central government transfers in Jambi Province. The results indicate a high percentage of fiscal dependence, suggesting that the region has not yet optimized its local revenue potential, resulting in continued reliance on central government funds to finance governmental activities.

Keywords: *Fiscal Dependence, Local Revenue, Regional Finance, Jambi Province, Transfer Funds*

Abstract

Tujuan penelitian ini terletak pada pentingnya mengetahui sejauh mana ketergantungan fiskal daerah terhadap dana transfer pusat. Dengan memahami tingkat ketergantungan tersebut, pemerintah daerah dapat merumuskan strategi peningkatan PAD dan efisiensi pengelolaan keuangan daerah. Secara praktis, hasil penelitian ini diharapkan menjadi masukan bagi Pemerintah Provinsi Jambi dalam merumuskan kebijakan fiskal yang lebih mandiri dan berkelanjutan, mengoptimalkan potensi pendapatan daerah, serta mengurangi ketergantungan terhadap dana transfer pusat. Penelitian ini menggunakan metode penelitian kuantitatif deskriptif dengan menggunakan data dari APBD provinsi jambi. Pendekatan ini digunakan untuk menggambarkan tingkat ketergantungan daerah terhadap dana transfer pusat di Provinsi Jambi. Hasil persentase ketergantungan yang tinggi menunjukkan bahwa daerah belum optimal dalam menggali potensi PAD, sehingga pembiayaan kegiatan pemerintahan masih bergantung pada dana transfer dari pemerintah pusat.

Kata kunci: *Ketergantungan fiskal, PAD, keuangan daerah, provinsi jambi, dana transfer*

I. INTRODUCTION

Local governments are expected to be more independent, reduce dependence on the central government, not only related to financing, but also related to regional management capabilities which are expected to further improve public services. (Uun Ainul Yaqin, 2018)

Local governments in Indonesia exercise the authority of fiscal autonomy with the main target of improving public services and local development. As part of the state's financial mechanism,



the central government distributes transfer funds to the regions so that the regions have the fiscal capacity to carry out government and development functions. However, in practice, a number of regions still show a high level of dependence on these transfer funds, thus having implications for fiscal independence and development effectiveness.

Dependence on central transfer funds has various negative impacts on regional fiscal independence. One of the main impacts is the limited space for local governments to allocate budgets according to local specific needs. With a dominant portion of central transfers, existing budgets are often used to meet central requirements and regulations, which may not always be relevant to regional priorities. (Maggara et al., 2024)

Regional dependence on transfer funds from the central government such as the General Allocation Fund (DAU), Special Allocation Fund (DAK), and Profit Sharing Fund (DBH) is still very high. The performance of local government financial administration is very important to ensure that the transfer funds received can be managed optimally and have a positive impact on regional development. This performance includes the ability of the regions to manage the budget effectively, implement transparency in financial reporting, and account for the use of funds to the public and the central government. (Fahri Choiri Sinaga, Tumija, 2025)

Regional development is an integral part of national development which aims to create community welfare equally throughout Indonesia. Since the enactment of regional autonomy through Law Number 23 of 2014 concerning Regional Government, each local government is expected to be able to manage its finances and resources independently in order to improve public services and regional economic growth. However, in practice, regional fiscal independence is still a crucial problem in various provinces, including Jambi Province. (Law Number 23 of 2014, n.d.)

Economic growth is an overview of the impact of government policies implemented, especially in the economic sector. (Ernita et al., 2020) Regional financial independence is a condition in which the process of implementing financing for the implementation of a regional government is carried out independently which is sourced from the original regional income. (Oki et al., 2020)

The purpose of this research lies in the importance of knowing the extent of regional fiscal dependence on central transfer funds. By understanding the level of dependency, local governments can formulate strategies to improve PAD and the efficiency of regional financial management. Practically, the results of this study are expected to be input for the Jambi Provincial Government in formulating fiscal policies that are more independent and sustainable, optimizing regional revenue potential, and reducing dependence on central transfer funds. Thus, this study aims to analyze the level of regional dependence on central transfer funds in Jambi Province during the 2020-2024 period so that in the future we can see regional fiscal independence in the future.

Even though it is already in a decentralized system, the central government still has a responsibility in terms of providing a number of funds to regions whose main purpose is redistribution, namely overcoming fiscal inequality between regions. However, many regions are still very dependent on fiscal transfers from the central government rather than trying to extract revenue from local government sources themselves as mandated by decentralization itself. Jambi Province is one of the provinces that still depends on transfer funds from the center. Even during the period of regional autonomy and fiscal decentralization, the value of transfers increases every year. (Butra Aini, 2025)

Regional financial data is important information, especially for making policies in regional financial management and seeing the ability or level of regional independence. Regions that have been able to fund regional expenditure from their own ability by exploring and managing regional internal financing can be said to have been independent in managing regional finances. (Abdullah & Hasan, 2022)

Transfer funds and Regional Original Revenue (PAD) are the two main sources of revenue for local governments. Transfer funds come from the central government which includes the General Allocation Fund (DAU) and the Special Allocation Fund (DAK). Regional Original Revenue (PAD) comes from various sources in the region, such as taxes, levies, regional business results, and others. The role of transfer funds and PAD in supporting regional finances is different. Transfer funds are generally used to finance mandatory regional activities, such as Education, Health, and Infrastructure. Meanwhile, PAD is more flexible and can be used to finance various activities, including regional selection activities that are in accordance with regional needs and priorities. (Ira Bassang et al., 2024)

Regional revenue is a source of financing received from regional financial capabilities in the form of PAD, obtained from the State Budget or Inter-Regional Budget in the form of Transfer Revenue, and other income received by the regions refers to the provisions of the law in other forms of Legitimate Revenue. (Sinaga et al., 2024)

1 Realization Data APBD

Year	PAD (Billion IDR)	TWO (Billion IDR)	ROOF (Billion IDR)	DBH (Billion IDR)	Regional Revenue (Billion IDR)
2020	1.535,18 M	1.288,42 M	1.116,94 M	445,13 M	4.400,62 M
2021	1.843,43 M	1.284,88 M	1.094.39 M	488,34 M	4.725,72 M
2022	36,71 M	1.284,88 M	610.52 M	671,46 M	1.153,68 M
2023	1.938,98 M	1.329,86 M	835,13 M	507,96 M	4,351,14 M
2024	2.089,31 M	1.381,69 M	663,16 M	424,33 M	4.725,73 M

Source: Ministry of Finance, Ministry of Finance, Ministry of Finance, Ministry of Finance,

II. THEORETICAL STUDIES

Regional Fiscal Dependence

This high fiscal dependence has implications for low regional flexibility in designing and implementing development in accordance with local needs, and can hinder the effectiveness and accountability of regional financial management. High dependence on transfer funds can hinder regional independence in planning and implementing development in accordance with local needs. In addition, this can also reduce the accountability and efficiency of regional financial management. (Rahmadini, F. S., and Hardjati, 2025)

Fiscal dependence on central transfers is not only related to the amount of budget allocation, but also to the ability of regions to manage local economic potential and fiscal capacity that reflects regional independence in determining their public spending priorities. In this context, the theory of fiscal dependency argues that when central transfers dominate the revenue structure of regions, the incentives for regions to strengthen their own sources of revenue become low. This is in line with the finding that the dominance of transfer funds weakens regional initiatives in fiscal innovation and PAD optimization. Dependency. (Kurniawan, 2025)

Regional Finance and Regional Revenue (PAD)

Regional Original Revenue is the revenue generated by the region itself which consists of regional taxes, regional levies and other legitimate local revenues. (Rizki et al., 2024). The central government makes Regional Original Revenue (PAD) the main criterion in granting Regional Autonomy. In the era of autonomy, each region competes to increase the economic growth of its region in order to increase the prosperity of its people. (Oscar Wilde, 2022)

The achievement of regional financial independence is one of the main goals of fiscal decentralization in Indonesia. This is important to ensure that the regions have adequate resources to carry out their functions and responsibilities in providing quality public services to the community. Thus, it can be said that regional financial independence is shown by the small size of Regional Original Revenue (PAD) compared to transfer funds in supporting development and public services. (Ira Bassang et al., 2024)

Regional financial data is important information, especially for making policies in regional financial management and seeing the ability or level of regional independence. Regions that have been able to fund regional expenditure from their own ability by exploring and managing regional internal financing can be said to have been independent in managing regional finances. The financial ability of a region can be said to be independent can be seen from the amount of Regional Original Revenue (PAD) obtained by the region concerned. Regional Original Revenue (PAD) is generally seen as one of the measures in measuring the dependence of a region on the central government. This is based on the principle of regional independence that the greater the Regional Original Revenue (PAD) to the Regional Expenditure Budget (APBD), the less dependence a region will be on the central government. (Abdullah & Hasan, 2022)

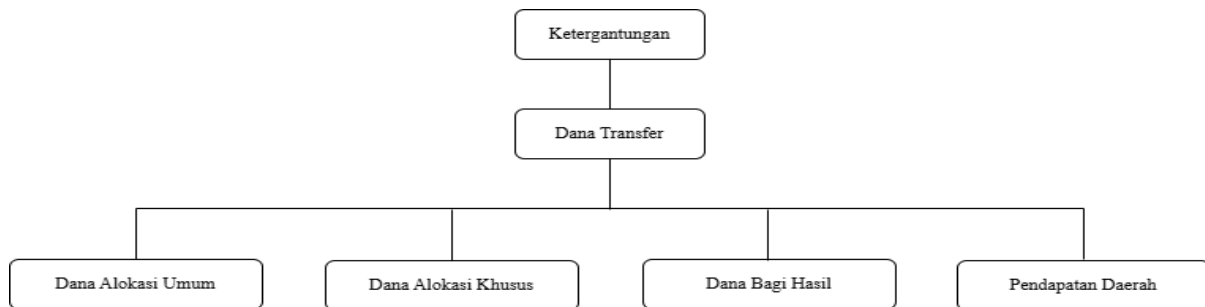
Central Government Transfer Fund

Transfer funds are funds provided by the central government to regions to support the implementation of autonomy. The types include General Allocation Funds (DAU), Special Allocation Funds (DAK), and Profit Sharing Funds (DBH) (Law No. 1 of 2022 concerning HKPD). The high dependence on transfer funds shows that the region is not yet fiscally independent. (Law Number 1 of 2022, n.d.)

General Allocation Funds (DAU) and Regional Expenditure General Allocation Funds (DAU) include transfer funds from the central government which are unconditional grants (unconditional transfers). The central government gives flexibility to local governments in the use of DAU to allocate it according to regional priorities. The purpose of this grant is to support the availability of funds to meet regional spending needs in carrying out decentralized functions. (AHMAD SOLIKIN, 2016)

Transfer funds and Regional Original Revenue (PAD) are the two main sources of revenue for local governments. Transfer funds come from the central government which includes the General Allocation Fund (DAU) and the Special Allocation Fund (DAK). Regional Original Revenue (PAD) comes from various sources in the region, such as taxes, levies, regional business results, and others. The role of transfer funds and PAD in supporting regional finances is different. Transfer funds are generally used to finance mandatory regional activities, such as Education, Health, and Infrastructure. Meanwhile, PAD is more flexible and can be used to finance various activities, including regional selection activities that are in accordance with regional needs and priorities. (Ira Bassang et al., 2024)

FIGURE 1
Conceptual framework



III. RESEARCH METHODS

This study uses a descriptive quantitative research method using data from the Jambi Provincial Budget. This approach is used to describe the level of regional dependence on central transfer funds in Jambi Province based on local government financial data without conducting hypothesis testing, the results of the study are presented in the form of numbers and percentages.

The quantitative method is called the traditional method, because this method has been used for a long time so that it has been traditional as a method for research. This method is called the quantitative method because research data in the form of numbers and analysis using statistics. This method has been used for a long time so that it has been traditional as a method for research. (Sugiyono, 2013). Descriptive research methods are the nature of research that describes a phenomenon with accurate data that is systematically researched. (Syafri Hafni Sahir, 2021)

The data analysis technique used in this study is to use the regional financial dependency ratio. Regional finance is considered not independent because it is highly dependent on central government funding. The high financial dependence ratio indicates that the local government is more dependent on external funds. The formula and standards for assessing the financial dependency ratio are as follows: (Rahmawati et al., 2024)

$$\text{Regional financial dependency ratio} = \frac{\text{Dana Transfer (DAU+DAK+DBH)}}{\text{Total Pendapatan Daerah}} \times 100\%$$

Table 2 Assessment criteria for regional financial dependency ratios

Percentage dependency ratio (%)	The level of regional financial dependence
0.00-10.00	Very low
10.01-20.00	Low
20.01-30.00	Medium
30.31-40.00	Enough
40.41-50.00	Height
>50.00	Very high

Source: Research and Development Team of the Ministry of Home Affairs and Political Science UGM, 1991 in (Abdullah & Hasan, 2022)

IV. RESEARCH RESULTS

Based on table 1 above, a calculation analysis is carried out using the regional financial dependency ratio as follows:

$$\text{Year 2020 Regional financial dependency ratio} = \frac{\text{Dana Transfer (DAU+DAK+DBH)}}{\text{Total Pendapatan Daerah}} \times 100\%$$

$$\text{Regional financial dependency ratio} = \frac{2.850,49 \text{ M}}{4.400,62 \text{ M}} \times 100\% = 64.77\%$$

Year 2021

$$\text{Regional financial dependency ratio} = \frac{\text{Dana Transfer (DAU+DAK+DBH)}}{\text{Total Pendapatan Daerah}} \times 100\%$$
$$\text{Regional financial dependency ratio} = \frac{2.867,61 \text{ M}}{4.725,72 \text{ M}} \times 100\% = 60.68\%$$

Year 2022

$$\text{Regional financial dependency ratio} = \frac{\text{Dana Transfer (DAU+DAK+DBH)}}{\text{Total Pendapatan Daerah}} \times 100\%$$
$$\text{Regional financial dependency ratio} = \frac{2.566,86 \text{ M}}{1.153,68 \text{ M}} \times 100\% = 22.49\%$$

Year 2023

$$\text{Regional financial dependency ratio} = \frac{\text{Dana Transfer (DAU+DAK+DBH)}}{\text{Total Pendapatan Daerah}} \times 100\%$$
$$\text{Regional financial dependency ratio} = \frac{2.672,95 \text{ M}}{4.351,14 \text{ M}} \times 100\% = 61.43\%$$

Year 2024

$$\text{Regional financial dependency ratio} = \frac{\text{Dana Transfer (DAU+DAK+DBH)}}{\text{Total Pendapatan Daerah}} \times 100\%$$
$$\text{Regional financial dependency ratio} = \frac{2.469,18 \text{ M}}{4.725,73 \text{ M}} \times 100\% = 52.24\%$$

V. CONCLUSION

Based on the results of the analysis of the regional financial dependence ratio of Jambi Province in 2020-2024, an average dependency rate of 52.32% was obtained, which is included in the very high category. This shows that local governments have not been able to be fully independent in financing development and are still dependent on transfer funds from the

central government. Although in 2022 there was a decrease in the dependency ratio, this condition has not been maintained in the following years. In general, the region's financial ability to explore Regional Original Revenue (PAD) is still limited, so PAD's contribution to total regional revenue is relatively small.

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