



## **Transformation of Regional Revenue and Fiscal Independence of Regency/City of NTB 2012-2021**

**Fathurrahman**

*\*Corresponding author email: [faturrahman@unizar.ac.id](mailto:faturrahman@unizar.ac.id)*

### **Article History**

*Manuscript submitted:*  
**15 Mey 2023**  
*Manuscript revised:*  
**20 Juny 2023**  
*Accepted for publication:*  
**28 Juny 2023**

### **Keywords**

*Regional Original Revenue;*  
*Fiscal Transfers;*  
*Fiscal Independence;*  
*Regional revenue structure;*  
*Fiscal Decentralization NTB*

### **Abstract**

This study aims to analyze the transformation of regional revenue structures and their implications on the fiscal independence of districts/cities in West Nusa Tenggara Province during the period 2012–2021. The main issue studied is whether the increase in Regional Original Revenue really reflects the strengthening of fiscal independence or only shows nominal growth that has not been able to shift the dominance of central transfers. The study uses a descriptive-analytical quantitative approach based on secondary data from Local Government Financial Statements in 10 districts/cities in NTB. The analysis is focused on four main components of revenue, namely Regional Original Revenue, Revenue Sharing Fund, General Allocation Fund, and Special Allocation Fund. Analysis techniques include growth calculations, compound annual growth rates, PAD contributions, transfer dependency ratios, and the preparation of regional fiscal typologies. The results show that the aggregate PAD increased from around Rp571.82 billion in 2012 to around Rp1.98 trillion in 2021, with a CAGR of 14.82 percent per year. However, in 2021 PAD's contribution to the main revenue structure only reached 17.20 percent, while central transfers still dominated at 82.80 percent. These findings suggest that PAD growth has not fully reflected substantive fiscal independence. Fiscal typology shows variations between regions, with Mataram City being relatively stronger, some districts in transitional positions, and some regions still experiencing high transfer dependence. This study emphasizes that fiscal independence needs to be assessed through changes in revenue structure, not just an increase in the nominal PAD, so that it can be the basis for a fairer, more realistic, and sustainable regional fiscal policy.

*International Journal of Social Sciences and Humanities © 2023.  
 This is an open access article under the CC BY-NC-ND license  
 (<https://creativecommons.org/licenses/by-nc-nd/4.0/>)*

### **Contents**

Abstract.....	66
1 Introduction.....	67
2 Materials and Methods.....	68
3 Results and Discussions.....	69

<sup>a</sup> Universitas Islam Al Azhar, Indonesia

4	Conclusion.....	73
	References.....	73

## Introduction

Fiscal decentralization is grounded in the principle of bringing public decision-making closer to citizens, enabling local governments to move beyond administrative roles toward greater autonomy in identifying local needs, managing resources, and delivering responsive public services (Oates, 1999; Bird & Smart, 2002). Within fiscal federalism theory, decentralization is effective when expenditure responsibilities, revenue authority, and political accountability are aligned at the level of government that best reflects local preferences (Oates, 1999). In Indonesia, this framework has evolved through a series of regulatory reforms, beginning with Laws No. 22 and 25 of 1999, refined by Law No. 33 of 2004, and most recently strengthened through Law No. 1 of 2022 on Central-Regional Financial Relations (Ministry of Finance of the Republic of Indonesia, 2022).

Despite these institutional advances, Indonesia's fiscal decentralization exhibits a structural paradox: subnational governments bear substantial expenditure responsibilities, while key revenue sources remain centralized (Ministry of Finance of the Republic of Indonesia, 2022; Lewis, 2023). Ideally, fiscal capacity should reflect not only increased revenues but also the ability to finance public needs independently and sustainably (Bahl & Linn, 1994; Bird & Smart, 2002). In this context, Regional Original Revenue (*Pendapatan Asli Daerah/PAD*) is commonly used as a proxy for fiscal independence, as it captures local governments' capacity to mobilize economic potential through taxes, user charges, and other legitimate sources (Ministry of Finance of the Republic of Indonesia, 2022).

However, the assumption that rising PAD automatically signifies increased fiscal independence requires critical reassessment. Fiscal independence depends not only on the magnitude of PAD but also on its proportion relative to intergovernmental transfers and the overall revenue composition (Akita et al., 2021; Takahata et al., 2021). Regions may experience PAD growth while remaining dependent on transfers, particularly the General Allocation Fund (*Dana Alokasi Umum/DAU*), Special Allocation Fund (*Dana Alokasi Khusus/DAK*), and Revenue Sharing Fund (*Dana Bagi Hasil/DBH*). These components collectively form the Regional Fiscal Revenue Structure (*Struktur Pendapatan Fiskal Daerah/SPFD*), which provides a more comprehensive framework for evaluating fiscal capacity (Takahata et al., 2021; Saptono & Mahmud, 2023).

This discrepancy between theoretical expectations and empirical realities highlights the need for a more integrated approach to assessing fiscal independence. Evaluations should not rely solely on PAD but must consider the interaction among PAD, DBH, DAU, and DAK within the SPFD (Bird & Smart, 2002; Lewis & Smoke, 2017). The key issue is not simply whether PAD increases, but whether such growth significantly alters the revenue structure by reducing dependence on transfers and enhancing fiscal autonomy (Akita et al., 2021; Khoirunisa & Sulaeman, 2022).

Each component of regional revenue serves distinct functions. DBH reflects shared revenues from taxes and natural resources, largely influenced by regional economic structures rather than local fiscal effort (Akita et al., 2021). DAU functions as an equalization mechanism to address fiscal disparities, but its dominance may indicate limited local revenue capacity (Takahata et al., 2021; Ministry of Finance of the Republic of Indonesia, 2022). DAK is earmarked for priority sectors, supporting service delivery but potentially constraining local fiscal discretion (Bird & Smart, 2002; Lewis & Smoke, 2017). Meanwhile, PAD is normatively associated with fiscal autonomy, yet its growth must be evaluated in terms of sustainability, quality, and socio-economic impact (Saptono & Mahmud, 2023; Afrizal & Khoirunurrofik, 2022).

Empirical evidence from districts and municipalities in West Nusa Tenggara (*Nusa Tenggara Barat/NTB*) during 2012–2021 shows that PAD grew at an average annual rate of 14.82 percent, surpassing DBH and DAU growth. Nevertheless, DAU remained dominant and DAK continued to increase, indicating persistent dependence on transfers. This suggests that PAD growth can coexist with structural dependency, making it an insufficient standalone indicator of fiscal independence (Akita et al., 2021; Takahata et al., 2021). This condition reflects a broader issue: regions may experience nominal revenue growth without meaningful structural transformation, as PAD contributions remain relatively small compared to transfer components (Ministry of Finance of the Republic of Indonesia, 2022; Khoirunisa & Sulaeman, 2022). Fiscal independence, therefore,

should be understood as the ability to create flexible and responsive fiscal space, not merely to increase revenue (Oates, 1999; Bahl & Linn, 1994).

The research gap addressed in this study lies in the limited attention given to how PAD growth affects revenue structure. Previous studies have focused largely on the flypaper effect, showing that regional expenditure responds more strongly to transfers than to PAD, but they do not explain whether PAD growth reduces transfer dominance (Kusumadewi & Rahman, 2007; Armawaddin et al., 2018). Moreover, the relationship between transfers and local fiscal capacity is complex: transfers can act as equalization tools, incentives, or sources of dependency depending on policy design (Takahata et al., 2021; Saptono & Mahmud, 2023). Some studies even suggest complementary relationships, where transfers stimulate local revenue efforts (Saptono & Mahmud, 2023).

These findings challenge simplified assumptions such as “higher PAD implies independence” or “high transfers indicate weak effort” (Lewis & Smoke, 2017; Saptono & Mahmud, 2023). Consequently, this study adopts a comprehensive SPFD-based framework incorporating PAD growth, contribution, dependency ratios, and fiscal typologies (Akita et al., 2021; Khoirunisa & Sulaeman, 2022). The study identifies several key issues: the misinterpretation of PAD growth as independence, the dominance of DAU reflecting both equalization needs and dependency, the restrictive nature of DAK, the unequal effects of DBH, and the lack of typologies to differentiate regional fiscal conditions (Oates, 1999; Takahata et al., 2021; Khoirunisa & Sulaeman, 2022). Based on these issues, the study focuses on analyzing SPFD in NTB from 2012 to 2021.

The research addresses five main questions: (1) how PAD, DBH, DAU, and DAK have evolved; (2) whether PAD growth increases its proportional contribution; (3) the extent of transfer dependency; (4) the typology of fiscal independence; and (5) policy implications (Bahl & Linn, 1994; Saptono & Mahmud, 2023). Accordingly, the study aims to calculate growth rates, measure PAD contribution, assess dependency, develop typologies, and derive policy recommendations (Akita et al., 2021).

The novelty of this research lies in redefining fiscal independence as a structural outcome within SPFD rather than a simple function of PAD growth (Oates, 1999; Bird & Smart, 2002). It integrates PAD and transfer components into a unified analytical framework, moving beyond traditional approaches focused on expenditure or flypaper effects (Kusumadewi & Rahman, 2007; Armawaddin et al., 2018). The study contributes theoretically by emphasizing the interaction between local revenue capacity and transfer design (Lewis & Smoke, 2017). Methodologically, it offers a more comprehensive framework combining multiple indicators (Takahata et al., 2021). Practically, it provides insights for local governments to design more sustainable and equitable revenue strategies (Afrizal & Khoirunurrofik, 2022).

In conclusion, fiscal independence should be understood as a structural transformation within the regional revenue system. Increasing PAD alone does not guarantee autonomy if transfer components remain dominant. Therefore, evaluating fiscal decentralization requires a holistic approach that considers the full composition and interaction of regional revenues within the SPFD (Oates, 1999; Bird & Smart, 2002).

## Materials and Methods

This study uses a descriptive-analytical quantitative approach with the orientation of developing a framework for evaluating regional fiscal independence. This approach was chosen because the study did not aim to build a complex causal model, but to systematically evaluate changes in regional income structures based on district/city panel data. In this context, the research is directed to see whether the growth of Regional Original Revenue really shows an increase in fiscal independence or only occurs at the same time as a strong dependence on central transfers. Practically, this research can be understood as a simple development research because it produces an evaluation model/typology of regional fiscal independence. The model is built from four main indicators, namely PAD growth, PAD contribution, transfer dependency ratio, and regional typological position. Thus, the results of the research are not only in the form of income growth figures, but also in the form of reading tools that can help local governments understand their fiscal position more clearly.

This research was conducted in districts/cities in West Nusa Tenggara Province. The research analysis unit covers 10 regions, namely West Lombok Regency, Central Lombok Regency, East Lombok Regency, Sumbawa Regency, Dompu Regency, Bima Regency, West Sumbawa Regency, North Lombok Regency, Mataram City, and Bima City. The selection of all districts/cities in NTB Province was carried out so that the research could compare the variations in fiscal independence between regions within one provincial area. In this way, the study not only looks at fiscal conditions in aggregate, but can also show which areas are relatively more

independent, which areas are still highly dependent on transfers, and which areas are experiencing PAD growth but have not experienced significant changes in revenue structures.

The object of this research is the regional revenue structure which consists of four main components, namely Regional Original Revenue, Revenue Sharing Fund, General Allocation Fund, and Special Allocation Fund. The four components were chosen because they were most relevant for reading the relationship between local fiscal capacity and central transfer dependency. PAD is used to see the local revenue capacity of the region. DBH is used to see regional revenues derived from the profit-sharing mechanism. DAU is used to see regional dependence on general transfers from the central government. DAK is used to see transfer support that is specific and targeted at a specific priority. By reading these four components together, the study can assess fiscal independence more completely.

The type of data used in this study is quantitative secondary data. The main data is sourced from the Financial Statements of the Regency/City Regional Government in NTB Province in 2012–2021. The data collected included the values of PAD, DBH, DAU, and DAK in each district/city during the study period. Quantitative data were used to calculate revenue growth, PAD contribution, transfer dependency ratio, and fiscal independence typology. In addition, this research can also use supporting qualitative data in the form of data validation records, policy document reviews, and expert or practitioner input. This qualitative data serves to ensure that the results of the analysis are not only numerically correct, but also policy-sound.

## Results and Discussions

### Research Results

The results of the study show that the revenue structure of districts/cities in NTB Province underwent an aggregate transformation during the 2012–2021 period, mainly marked by an increase in PAD from around Rp571.82 billion in 2012 to around Rp1.98 trillion in 2021 (Research Document, 2026). The growth of PAD of 14.82% per year indicates an expansion of local revenue capacity, but this figure is not enough to conclude the existence of fiscal independence because DBH, DAU, and DAK remain the dominant part of the regional revenue structure (Oates, 1999; Research Papers, 2026). Within the framework of *fiscal federalism*, increasing local revenues needs to be read together with the design of intergovernmental transfers because fiscal decentralization concerns not only the amount of regional revenue, but also the balance between authority, sources of financing, and public accountability (Oates, 1999; Bird & Smart, 2002).

The finding that DAK grew the highest, at 19.81%, shows that the transformation of regional revenues does not entirely stem from strengthening the local fiscal base, but is also influenced by increased transfers that are more tied to central priorities (Bird & Smart, 2002). This condition is important because DAK as a transfer for special purpose can help finance public services, but at the same time it can limit regional flexibility in determining development priorities based on local needs (Bird & Smart, 2002; Lewis & Smoke, 2017). Thus, the aggregate results show that PAD growth is indeed a positive signal, but fiscal independence can only be said to be substantive if the growth is able to change the relative position of PAD to central transfers in regional revenue structures (Akita et al., 2021; Takahata et al., 2021).

**Table 1** Aggregate CAGR of PAD, DBH, DAU, and DAK of NTB Regency/City, 2012–2021

REVENUE COMPONENT	CAGR 2012–2021
PAD	14,82%
DBH	4,23%
DAU	1,96%
ROOF	19,81%

The next findings show that the increase in PAD in NTB districts/cities has not fully resulted in strong fiscal independence because in 2021 the aggregate PAD share only reached 17.20%, while around 82.80% of the PAD, DBH, DAU, and DAK structures still come from central transfers (Research Document, 2026). Analytically, this condition shows a partial transformation, namely PAD grows nominally but is not strong enough to shift the foundation of regional financing from transfers to local income (Akita et al., 2021; Research Papers, 2026). In a theoretical perspective, these results reinforce the view that transfers remain necessary to address vertical and horizontal fiscal inequality, especially when regions have large service responsibilities but their local revenue capacity is inadequate (Oates, 1999; Bird & Smart, 2002). However, the dominance of

transfers that are too large also poses evaluative problems because regional fiscal space becomes highly dependent on the formula, priorities, and allocation policies of the central government (Lewis & Smoke, 2017; Takahata et al., 2021).

This ambivalence explains why transfer cannot be assessed in black and white as something that is always negative or always positive, because transfer can function as an instrument of equity while maintaining structural dependency if it is not balanced by strengthening the capacity of PAD (Bird & Smart, 2002; Saptono & Mahmud, 2023). Therefore, the results of this study correct the simple assumption that an increase in PAD automatically indicates fiscal independence, since what is more decisive is whether the increase in PAD is able to increase its contribution to the overall regional revenue structure (Akita et al., 2021; Saptono & Mahmud, 2023).

**Table 2** CAGR PAD, PAD Share and Transfer Dependencies in 2021

Regency/City	CAGR PAD (%)	2021 PAD Share (%)	Transfer Dependency 2021 (%)
West Lombok Regency	13,49	40,77	59,23
Mataram City	16,96	31,55	68,45
East Lombok Regency	17,88	18,06	81,94
West Sumbawa Regency	16,93	16,15	83,85
Sumbawa Regency	14,23	15,28	84,72
Dompu Regency	19,00	14,41	85,59
North Lombok Regency	10,62	13,28	86,72
Bima Regency	14,05	10,04	89,96
Central Lombok Regency	8,47	9,98	90,02
Bima City	14,25	7,33	92,67

Variations between districts/cities show that NTB's fiscal independence cannot be read only through provincial aggregate figures, as each region shows a different fiscal position based on the share of PAD and transfer dependency in 2021 (Research Document, 2026). West Lombok Regency is recorded to have the highest share of PAD at 40.77%, but this position must be read carefully because there are indications of anomalies in the 2021 DAU data that can affect the PAD contribution ratio and the transfer dependency ratio (Research Document, 2026). Mataram City shows a relatively stronger position with a PAD share of 31.55% and transfer dependency of 68.45%, so this area can be read as an area with a more prominent local fiscal capacity than most other districts in NTB (Research Document, 2026). On the other hand, Bima City, Central Lombok Regency, and Bima Regency showed a low share of PAD, 7.33%, 9.98%, and 10.04%, respectively, so that the three regions are still under very high transfer dependency pressure (Research Document, 2026). This difference is in line with the literature that confirms that regional fiscal capacity is strongly influenced by local economic structure, tax base, revenue administration capabilities, and transfer designs that do not always work uniformly between regions (Bahl & Linn, 1994; Akita et al., 2021). Thus, district/city-based readings are important because provincial aggregation can hide fiscal inequality between regions and can result in policy recommendations that are too general (Akita et al., 2021; Khoirunisa & Sulaeman, 2022).

## Discussion

The findings confirm that the increase in PAD in districts/cities of NTB cannot be directly interpreted as fiscal independence, because such independence is not determined solely by the growth of local revenues but by changes in the position of PAD within the overall regional revenue structure (Oates, 1999; Bird & Smart, 2002). From a fiscal federalism perspective, decentralization is expected to enable regions to finance public needs based on local capacity, yet this requires a balance between expenditure authority and adequate, autonomous revenue sources (Oates, 1999; Bahl & Linn, 1994). The empirical results show that although PAD has grown positively, central transfers remain dominant, indicating a gap between nominal growth and structural independence (Akita et al., 2021; Takahata et al., 2021). Therefore, fiscal independence should be understood as the interaction between local revenue capacity, transfer mechanisms, and revenue composition rather than a simple outcome of PAD growth (Bird & Smart, 2002; Lewis & Smoke, 2017). This finding challenges the common assumption that higher PAD automatically reflects stronger fiscal autonomy, as regions may still depend on transfers as the main financing source (Akita et al., 2021; Saptono & Mahmud, 2023).

Consequently, fiscal independence must be interpreted as a structural transformation of revenue composition, not merely an increase in local income (Oates, 1999; Lewis & Smoke, 2017).

The persistent dominance of central transfers in NTB highlights their crucial role as instruments of fiscal equalization, particularly for regions with limited economic bases (Bird & Smart, 2002; Takahata et al., 2021). Transfers such as DAU and DAK are essential to reduce vertical and horizontal imbalances, with DAU functioning as an equalization tool and DAK supporting priority sectors (Akita et al., 2021; Takahata et al., 2021). Moreover, transfers can act as risk-sharing mechanisms that stabilize regional finances when PAD is unstable (Takahata et al., 2021). However, excessive dependence on transfers may limit regional discretion and reinforce structural dependency, especially when transfers are earmarked or centrally directed (Bird & Smart, 2002; Lewis & Smoke, 2017). Thus, transfers should be viewed in a balanced manner: they remain necessary for fiscal equity but require careful design to avoid weakening incentives for local revenue mobilization (Bahl & Linn, 1994; Saptono & Mahmud, 2023).

Compared to previous studies, this research extends beyond the flypaper effect literature, which mainly examines whether regional expenditure responds more to transfers than to PAD (Kusumadewi & Rahman, 2007; Armawaddin et al., 2018). While such studies demonstrate the influence of transfers on spending behavior, they do not fully explain whether PAD growth can alter the structure of regional revenues (Kusumadewi & Rahman, 2007; Armawaddin et al., 2018). This study instead focuses on the revenue side, emphasizing that fiscal dependency should be assessed from the composition of income sources rather than expenditure responses (Kuncoro, 2004; Lewis & Smoke, 2017). In line with Saptono and Mahmud (2023), who find that transfers may stimulate local tax efforts, this study argues that such positive effects are insufficient if PAD growth does not significantly increase its proportion within the revenue structure (Akita et al., 2021; Saptono & Mahmud, 2023). Hence, the contribution of this research lies in shifting the analytical focus toward the relationship between PAD growth and structural transformation of regional revenues (Oates, 1999; Bird & Smart, 2002).

Theoretically, this study reinforces the view that fiscal independence is a relational concept shaped by the interaction between PAD, DBH, DAU, and DAK rather than by stand-alone indicators (Oates, 1999; Bird & Smart, 2002). By conceptualizing these components as an integrated revenue architecture, the study enriches the discourse on fiscal decentralization, which has often focused on expenditure behavior or transfer effects (Kuncoro, 2004; Kusumadewi & Rahman, 2007; Saptono & Mahmud, 2023). It also critiques the overly optimistic interpretation of PAD growth, showing that such growth may be superficial if not accompanied by a meaningful increase in its contribution to total revenues (Akita et al., 2021; Takahata et al., 2021). Furthermore, the findings indicate that transfers do not inherently weaken local fiscal effort; their impact depends on design, regional responses, and resulting structural changes (Bird & Smart, 2002; Saptono & Mahmud, 2023). Thus, fiscal independence emerges from a balance between equitable transfers and the strengthening of local revenue capacity (Bahl & Linn, 1994; Akita et al., 2021).

From a practical perspective, these findings provide guidance for policymakers in designing more realistic and context-sensitive strategies for strengthening PAD (Bahl & Linn, 1994; Saptono & Mahmud, 2023). Regions with high transfer dependency should prioritize expanding their economic base, improving tax administration, and developing productive sectors without imposing excessive burdens on low-income communities (Bahl & Linn, 1994; Lewis & Smoke, 2017). Meanwhile, regions with stronger PAD capacity should focus on consolidating revenues, enhancing expenditure quality, and utilizing fiscal space to improve public services (Oates, 1999; Bird & Smart, 2002). For central and provincial governments, these results highlight the importance of designing transfer systems that not only ensure fiscal sustainability but also encourage gradual improvements in local fiscal capacity (Akita et al., 2021; Takahata et al., 2021). Ultimately, fiscal independence should not be viewed merely as a numerical achievement in regional budgets, but as the capacity of local governments to sustainably finance public services without imposing disproportionate burdens on society (Oates, 1999; Khoirunisa & Sulaeman, 2022).

### ***Regional Fiscal Typology***

Based on the combination of PAD growth, PAD share, and transfer dependency ratio, this study compiles an initial typology of fiscal independence of NTB districts/cities as a sharper diagnostic tool than just reading PAD growth alone (Research Document, 2026). The first typology is an area with a relatively strong PAD and lower transfer, which is indicatively occupied by Mataram City, while West Lombok is placed cautiously because it requires revalidation of the 2021 DAU anomaly (Research Document, 2026). The second typology is areas

*Transformation of Regional Revenue and Fiscal Independence of ...*  
(Fathurrahman, 2023)

with high growth but transfer remains dominant, which includes Dompu Regency, East Lombok Regency, West Sumbawa Regency, and Sumbawa Regency, so that these areas show symptoms of fiscal independence that are still transitional (Research Document, 2026). The third typology is an area with low PAD and high transfer dependency, which includes Central Lombok Regency, Bima Regency, and Bima City, so this group needs a strategy to strengthen the local economic base and improve revenue administration more specifically (Research Document, 2026). The fourth typology is an area with a fiscal structure that needs to be validated, namely West Lombok, because extreme changes in the transfer component can lead to erroneous conclusions if not verified through supporting LKPD or APBD documents (Research Document, 2026). Methodologically, this typology shows that the fiscal independence evaluation model developed in the study works not only as a classification tool, but also as a policy interpretation tool to distinguish areas that are truly structurally strengthened from areas that only increase nominally (Bird & Smart, 2002; Akita et al., 2021).

TYOLOGY	FISCAL CHARACTER	INDICATIVE REGIONS
PAD IS RELATIVELY STRONG, LOWER TRANSFER	The share of PAD is relatively higher than in other regions, but transfers remain the majority	Mataram City; West Lombok needs data validation
PAD GROWS HIGH, TRANSFER REMAINS DOMINANT	PAD's CAGR is strong, but the revenue structure is still heavily transfer-supported	Dompu; East Lombok; West Sumbawa; Sumbawa
LOW PAD, HIGH TRANSFER	Low PAD share and transfer dependency is huge	Central Lombok; Bima Regency; Bima City
FISCAL STRUCTURE NEEDS VALIDATION	There are sharp fluctuations/anomalies that can change the interpretation	West Lombok on DAU 2021 data

A theoretical discussion of these findings suggests that the research strengthens and expands the theory of fiscal decentralization because the results prove that fiscal independence is not adequately explained by PAD growth, but must be read through the relationship between PAD and central transfers (Oates, 1999; Bird & Smart, 2002). These findings are in line with Akita, Riadi, and Rizal who show that DAU does have an equity function, but fiscal disparities can still persist if regional revenue structures are still highly determined by transfer design and income base inequality (Akita et al., 2021). These findings are also related to Takahata, Dartanto, and Khoirunurrofik who view DAU as a *risk-sharing* mechanism, as transfers can help stabilize regional fiscal capacity when PAD has not been able to become a strong and sustainable source of financing (Takahata et al., 2021).

On the other hand, the results of this study provide a critical note of the *flypaper effect* study because the risk of regional expenditure dependence on transfers is actually rooted in the revenue structure that is still dominated by central transfers (Kusumadewi & Rahman, 2007; Armawaddin et al., 2018). If previous research assessed more of the expenditure response to transfers, then this study moves to an earlier layer, namely reading the income structure that allows fiscal dependence to continue (Kuncoro, 2004; Armawaddin et al., 2018). Thus, the position of this study is not to reject the previous literature, but to expand it by offering a structural reading that PAD growth must be tested based on its ability to shift the composition of regional revenues from the dominance of transfers to a more proportionate local fiscal capacity (Saptono & Mahmud, 2023; Akita et al., 2021).

The fiscal typology developed in this study makes a methodological contribution because it is able to distinguish areas that appear to be experiencing an increase in PAD but are still in high transfer dependence (Akita et al., 2021; Khoirunisa & Sulaeman, 2022). In aggregate readings, the growth of PAD can produce the impression that all districts/cities are experiencing fiscal progress, but the typology suggests that the fiscal position between regions is not uniform and requires different policy treatment (Akita et al., 2021; Takahata et al., 2021). Areas with relatively strong PAD and lower transfers can be directed towards local fiscal capacity consolidation strategies, while areas with low PAD and high transfers require strengthening of the economic base, improving revenue administration, and more productive transfer support (Bahl & Linn, 1994; Bird & Smart, 2002).

---

Areas where PAD is growing but transfers remain dominant need to be read as transitional areas, as local income growth has not sufficiently shifted the financing structure from transfer dependency to stronger fiscal autonomy (Akita et al., 2021; Saptono & Mahmud, 2023). In this way, typology is not only a classification tool, but also a policy diagnosis instrument that helps local governments understand their fiscal position more honestly and operationally (Khoirunisa & Sulaeman, 2022; Lewis & Smoke, 2017). This methodological contribution is important because the typology-based approach is able to avoid excessive generalizations and encourage fiscal policies that are more in line with the real capacity of each region (Bahl & Linn, 1994; Akita et al., 2021).

### **Research Contributions**

The theoretical contribution of this research lies in strengthening the concept of fiscal independence as a change in income structure, not just the nominal growth of PAD or the ratio of PAD which is read separately from DBH, DAU, and DAK (Oates, 1999; Bird & Smart, 2002). The methodological contribution of this study is seen in the preparation of an evaluative framework that combines CAGR, PAD share, transfer dependency ratio, and regional typology to produce a more comprehensive fiscal diagnosis (Research Document, 2026). The practical contribution of this research is to provide a tool for local governments to understand their respective fiscal positions, so that the strategy of strengthening PAD is not carried out uniformly, but is adjusted to the character of the local economic structure and capacity (Bahl & Linn, 1994; Khoirunisa & Sulaeman, 2022). For regions with PAD growth but transfers remain dominant, policy recommendations are not enough in the form of intensification of taxes and levies, but need to be directed at expanding the local economic base, improving revenue administration, and strengthening the quality of spending that supports future revenue capacity (Saptono & Mahmud, 2023; Lewis & Smoke, 2017). For areas with low PAD and very high transfer dependency, policy strategies need to be more careful so that efforts to increase PAD do not burden communities whose economic base is not strong enough (Bahl & Linn, 1994; Bird & Smart, 2002). Thus, the results of this study provide a synthesis that healthy fiscal independence is not only a matter of increasing regional revenues, but also of building a fiscal space that is fairer, more realistic, and able to support public services that are closer to the needs of citizens (Oates, 1999; Lewis & Smoke, 2017).

### **Conclusion**

Based on the overall findings, the growth of Regional Original Revenue (PAD) in districts/cities of West Nusa Tenggara (NTB) during 2012–2021 shows a positive trend but does not fully indicate substantive fiscal independence. Although PAD increased significantly from IDR 571.82 billion to IDR 1.98 trillion with a CAGR of 14.82%, its contribution to the regional revenue structure remained relatively low at 17.20% in 2021, while central transfers still dominated at 82.80%. This demonstrates that PAD growth alone cannot be interpreted as fiscal independence, as true independence depends on the ability to shift the overall revenue composition. Thus, fiscal decentralization in NTB reflects partial progress: local revenue capacity is improving, yet regional financing remains highly dependent on DBH, DAU, and DAK.

At a more disaggregated level, significant variations exist across districts/cities. Mataram City shows a relatively stronger fiscal position, while regions such as Bima City, Central Lombok, and Bima Regency remain highly dependent on transfers with low PAD shares. Other regions, including Dompu, East Lombok, West Sumbawa, and Sumbawa, fall into a transitional category where PAD is growing but has not altered the dominance of transfers. Meanwhile, West Lombok requires cautious interpretation due to anomalies in DAU data. These findings confirm that fiscal independence is fundamentally a structural issue influenced by local economic capacity, administrative performance, transfer design, and the ability to create stable fiscal space, rather than merely an administrative or numerical outcome.

This study contributes by emphasizing that PAD growth must be analyzed in relation to transfer dynamics rather than as a standalone indicator. It introduces a more comprehensive evaluative framework combining growth rates, PAD contribution, transfer dependency, and fiscal typology to distinguish between regions experiencing genuine structural improvement and those with only nominal growth. Practically, the findings suggest that PAD strengthening strategies should be tailored to regional conditions: transitional regions should expand their economic base and improve revenue administration, while highly dependent regions should avoid excessive revenue intensification that burdens society. Additionally, improvements in data quality and transfer design are necessary to support more balanced and sustainable fiscal capacity, while

future research should integrate expenditure quality and socio-economic outcomes to better capture the real impact of fiscal decentralization.

## References

- Afrizal, F., & Khoirunurrofik, K. (2022). Examining flypaper effect in Indonesia: Evidence after transferring urban-rural land and building tax to locals government. *Journal of Bina Praja*, 14(3), 465–478. doi:10.21787/jbp.14.2022.465-478
- Akita, T., Riadi, A. A., & Rizal, A. (2021). Fiscal disparities in Indonesia in the decentralization era: Does general allocation fund equalize fiscal revenues? *Regional Science Policy & Practice*, 13(6), 1842–1865. doi:10.1111/rsp3.12326
- Armawaddin, M., Rumbia, W. A., & Afiat, M. N. (2018). Analysis of flypaper effect of district/city regional expenditure in Sulawesi. *Indonesian Journal of Economics and Development*, 18(1), 77–91. doi:10.21002/jepi.2018.05
- Bahl, R., & Linn, J. (1994). Fiscal decentralization and intergovernmental transfers in less developed countries. *Publius: The Journal of Federalism*, 24(1), 1–19.
- Bird, R. M., & Smart, M. (2002). Intergovernmental fiscal transfers: International lessons for developing countries. *World Development*, 30(6), 899–912.
- Borg, W. R., & Gall, M. D. (1983). *Educational research: An introduction* (4th ed.). Longman.
- Creswell, J. W., & Creswell, J. D. (2018). *Research design: Qualitative, quantitative, and mixed methods approaches* (5th ed.). SAGE Publications.
- Ministry of Finance of the Republic of Indonesia. (2022). *Two decades of fiscal decentralization implementation in Indonesia*. Ministry of Finance of the Republic of Indonesia.
- Khoirunisa, I., & Sulaeman, A. S. (2022). Fiscal decentralization: Is there a simultaneous relationship between regional independence and social welfare? *Journal of State Financial Governance and Accountability*, 8(2), 213–226.
- Kuncoro, H. (2004). The effect of intergovernmental transfers on the fiscal performance of local governments, cities, and districts in Indonesia. *Economic Journal of Emerging Markets*, 9(1), 47–63.
- Kusumadewi, D. A., & Rahman, A. (2007). Flypaper effect on the General Allocation Fund and Regional Original Revenue on regional expenditure in districts/cities in Indonesia. *Indonesian Journal of Accounting and Auditing*, 11(1), 67–80.
- Lewis, B. D., & Smoke, P. (2017). Intergovernmental fiscal transfers and local incentives and responses: The case of Indonesia. *Fiscal Studies*, 38(1), 111–139. doi:10.1111/1475-5890.12080
- Lewis, B. D. (2023). Indonesia's new fiscal decentralisation law: A critical assessment. *Bulletin of Indonesian Economic Studies*, 59(1), 1–26.
- Murniasih, E., & Mulyadi, M. S. (2011). The effect of central government transfers on the fiscal behavior of local governments in East Kalimantan Province. *Indonesian Journal of Economics and Development*, 12(1), 56–71.
- Oates, W. E. (1999). An essay on fiscal federalism. *Journal of Economic Literature*, 37(3), 1120–1149.
- Saptono, P. B., & Mahmud, G. (2023). Stimulus or enforcement? How intergovernmental transfers crowd-in local taxes in Indonesia. *Public Finance Review*, 51(6), 782–837. doi:10.1177/10911421231191961
- Takahata, J., Dartanto, T., & Khoirunurrofik, K. (2021). Intergovernmental transfers in Indonesia: The risk sharing effect of General Allocation Fund. *Journal of Southeast Asian Economies*, 38(1), 81–99. doi:10.1355/ae38-1d