

# Regional Financial Performance of Papua Province: Fiscal Decentralization, Dependency, and Independence Ratios (2015-2024)

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## Abstract

**Purpose:** This study analyzes the regional financial performance of Papua Province based on three indicators: the degree of fiscal decentralization, the regional financial dependency ratio, and the regional financial independence ratio.

**Research Methodology:** The study uses a quantitative descriptive approach applied to the Regional Revenue and Expenditure Budget (APBD) realization reports of Papua Province for the 2015-2024 fiscal years. Data were analyzed using fiscal decentralization degree analysis, the regional financial dependency ratio, and the regional financial independence ratio.

**Results:** The average fiscal decentralization degree was 10.68% (poor), with an instructive relationship pattern in which the central government remained dominant. The average dependency ratio on central transfer funds over 2015-2024 was 26.40% (moderate). The average financial independence ratio was 30.29% (low), with a consultative relationship pattern.

**Conclusions:** Papua Province has not yet been able to exercise fiscal autonomy optimally; regional development still depends heavily on central transfer funds, and locally generated revenue remains insufficient to finance regional governance independently.

**Limitations:** The study is limited to three financial-ratio indicators and to APBD realization data for a single province over 2015-2024, so the findings are not directly generalizable to other regions.

**Contributions:** The findings offer regional governments and fiscal policymakers empirical evidence for strengthening locally generated revenue and reducing transfer dependency, and contribute to the public-sector financial-management literature.

**Keywords:** *Fiscal Autonomy, Fiscal Decentralization, Intergovernmental Transfers, Local Revenue, Regional Financial Independence*

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## 1. Introduction

National development aims to realize a just, prosperous, and equitable Indonesian society, both materially and spiritually, through improvements in living standards, education, and the welfare of the people. As facilitators of development at the local level, regional governments are expected to raise funds from the community through taxes and levies in a prudent manner, so that development, particularly regional development, can be carried out without imposing an excessive burden on the community. The implementation of regional autonomy is closely tied to financial resources originating from locally generated revenue ([Anisman, 2021](#)).

Among the core policy instruments of Indonesia's regional-autonomy era is fiscal decentralization, the mechanism through which public-finance authority has been pushed down to subnational government. This shift took effect on 1 January 2001, bringing financial matters into a devolution process first anchored in Law No. 22 of 1999 on Regional Government and Law No. 25 of 1999 on the Fiscal Balance between the Central and Regional Governments; both were later amended as governance practice evolved. The framework currently in force pairs Law No. 23 of 2014 on Regional Government with Law No. 1 of 2022 on Financial Relations between the Central and Regional Governments, the latter having superseded Law No. 33 of 2004.

These regulations emphasize the principle of money follows function, giving regions the opportunity to optimize local potential and strengthen financial independence. In the autonomy era, regional development should ideally be financed by the regional government itself through Locally Generated Revenue/ *Pendapatan Asli Daerah* (PAD). The Government of Papua Province therefore seeks to reduce its dependence on central funds by relying on PAD as an indicator of financial independence, reflecting the region's capacity to finance governance, development, and public services independently through taxes and levies. This financial independence is a critical element of public administration, aligned with fiscal decentralization, and it determines the success of regional autonomy. Regional governments are therefore required to administer governance effectively, encourage community participation, and promote welfare through equitable distribution.

A region capable of exercising autonomy is marked by its ability to raise and manage its own financial resources while minimizing dependence on central funds. PAD is thus expected to become the main source of regional financing, and a region's financial capacity reflects the extent to which the regional government can increase PAD, which is closely connected to fiscal independence through the management of revenue and expenditure. With the enactment of Law No. 23 of 2014 on Regional Government, each region is granted broad discretion to manage its own affairs for the benefit of the local community in accordance with prevailing laws and regulations.

Locally Generated Revenue comprises regional taxes, regional levies, the proceeds of separated regional wealth management, and other legitimate local revenues, all intended to give regional governments the authority to finance the implementation of regional autonomy in accordance with local potential as a manifestation of decentralization ([Ismail & Zaldy, 2025](#)). Balancing funds, which are financial transfers from the central government to regional governments in support of regional autonomy, are relatively adequate in amount. Nevertheless, regions must remain creative in increasing their PAD in order to enhance accountability and flexibility in their budget expenditure.

In its effort to increase regional revenue, the Government of Papua Province has developed a revolving mechanism attached to other components of PAD and has pursued cooperation with parties outside regional-government institutions. The province has also sought to optimize revenue from regional taxes and levies through various policies and strategies, such as issuing regional regulations related to PAD management, strengthening institutions through the establishment of the Regional Revenue Agency (Bapenda), and implementing online payment systems. Despite these optimization efforts, revenue from regional taxes and levies remains quantitatively small relative to total regional revenue, as reflected in the fiscal decentralization figures reported in Section 4.1. This indicates that the regional government still relies heavily on balancing funds and other budgetary support from the central government ([Sumantri, Widnyani, & Astawa, 2023](#)).

Regional revenue in Papua Province has grown in a highly fluctuating manner. Taking 2015 as the base year, the province's revenue in the APBD stood at approximately IDR 11 trillion, rising to about IDR 12 trillion in 2016 (a 9.52% increase) and to about IDR 13 trillion in 2017 (a 4.56% increase). The low level of regional revenue in Papua Province raises the question of what strategies could increase regional revenue so as to maximize and contribute to Locally Generated Revenue. Accordingly, the objective of this study is to analyze the regional financial performance of Papua Province based on the degree of fiscal decentralization, the regional financial dependency ratio, and the regional financial independence ratio.

The contribution of this study is contextual rather than methodological. Financial-ratio analysis of regional budgets is a well-established and widely replicated method; the value added here lies in applying it to Papua Province over a period that spans the 2022 territorial division, when three new autonomous provinces were carved out of the region. This setting is analytically distinctive because the division produces a structural break in the budget series that most ratio studies, conducted on stable territories, do not have to confront. Examining how the three ratios behave across this break, and distinguishing genuine changes in fiscal capacity from mechanical effects of a shrinking revenue base, is the specific novelty this study offers.

The success of regional autonomy is closely linked to the region's capacity to translate delegated fiscal authority into genuine revenue-raising performance. Fiscal decentralization is not merely an administrative transfer of functions; it is a governance arrangement in which regions are expected to bear greater responsibility for financing their own development while remaining accountable to both the central government and the local community. In this sense, the degree of fiscal decentralization, the dependency ratio, and the independence ratio are complementary lenses that together reveal whether a region has moved toward fiscal self-reliance or remains structurally tied to central transfers. For a province such as Papua, which combines vast development needs with a narrow local tax base, these indicators are particularly informative, because they capture the tension between the promise of autonomy and the reality of limited own-source revenue.

Examining these ratios over a ten-year horizon (2015-2024) also allows the analysis to capture structural shifts rather than year-specific anomalies. This period covers both the pre-division years, when Papua Province encompassed a much larger territory and revenue base, and the post-division years, when the creation of new autonomous provinces reshaped the fiscal landscape. Analyzing performance across this span therefore provides a more robust basis for assessing whether the province's fiscal condition reflects a durable pattern of dependence or a transitional adjustment. This framing motivates the use of agency theory and public-sector financial-ratio analysis as the analytical foundation of the study.

## **2. Literature Review**

### ***2.1 Agency Theory as an Interpretive Lens***

This study draws on agency theory not as a testable model but as an interpretive lens for reading the financial ratios. Because the study is descriptive and does not measure governance or transparency variables directly, agency theory is used only to frame why the degree of fiscal decentralization, the dependency ratio, and the independence ratio are meaningful signals of the accountability relationship between the central government and the region. In this relationship, the central government delegates fiscal authority to the region, and the ratios indicate the extent to which the region converts that delegated authority into own-source revenue rather than remaining reliant on transfers.

Agency theory sits close to the corporate-governance literature, where transparency and disclosure function as the practical mechanisms through which good governance is enacted. Rooted in this theory, good corporate governance is meant to reassure investors that their capital will generate a return while simultaneously curbing the costs the agency relationship creates. [Leruth and Paul \(2007\)](#) note that the principal must incur costs to monitor the agent's performance, design the incentive structure, and carry out efficient monitoring. One monitoring tool that can be used to reduce agency costs is the provision of financial statements and the disclosure of information to the public.

[Zimmerman \(2013\)](#), states that agency problems also exist in the government context. Within firms, agency problems occur between shareholders as principals and management as agents, whereas in the government sector, agency problems occur between elected and appointed government officials as agents and the voters or community as principals. [Kessy \(2020\)](#) notes that one of the problems in the local-government sphere is information asymmetry, in which fiscal information flows poorly from local government officials as agents to the community as principals, so that decisions may favor the interests of the government or those in power while neglecting community welfare. In the context of regional financial management, this framework is relevant because the central government delegates fiscal authority to regional governments, expecting efficient and accountable management, making the analysis of decentralization, dependency, and independence a meaningful lens on regional accountability.

In the public-sector setting, the agency relationship is further complicated by the multiplicity of principals. Regional-government officials are simultaneously accountable to the central government, which delegates authority and resources, and to the local community, which they are elected or appointed to serve. This dual accountability heightens the risk that budgetary decisions reflect administrative or political convenience rather than the optimization of local revenue. When a region relies heavily on central transfers, the incentive to intensify local revenue collection may weaken, since the fiscal consequences of underperformance are partly absorbed by the central government, a dynamic consistent with the flypaper effect documented in subnational-transfer settings ([Dick-Sagoe et al., 2025](#)). Financial-ratio analysis thus functions as a monitoring device that makes the region's fiscal effort visible and comparable over time, mitigating the information asymmetry inherent in the agency relationship.

Applied to regional financial performance, agency theory predicts that regions with stronger accountability mechanisms and greater transparency will tend to exhibit higher fiscal independence, because these mechanisms narrow the gap between the interests of the agent and those of the principal. Conversely, persistent dependence on balancing funds can be interpreted as a symptom of weak incentive alignment, in which the region as agent has limited pressure to convert delegated authority into own-source revenue. This theoretical expectation provides the interpretive frame for the empirical ratios reported later in the study.

## **2.2 Locally Generated Revenue**

Locally Generated Revenue (PAD) comprises all regional receipts derived from the region's own economic sources. Regions have the right to increase their PAD through regional autonomy ([Halim, 2018](#)). Because one of the values of regional autonomy is participation, PAD is often used as a benchmark for measuring regional-government performance: the government expects regions to play an active role in increasing PAD so as to create regional independence. PAD comprises regional taxes, regional levies, the proceeds of separated regional wealth management, and other legitimate local revenues, and serves to give regional governments the authority to finance the implementation of regional autonomy in line with local potential.

## **2.3 Balancing Funds**

Balancing funds represent a transfer mechanism drawn from the State Revenue and Expenditure Budget (APBN) and channeled to subnational governments to support the financing of regional needs under decentralization ([Mohapi & Sambo, 2025](#)). They are intended to reduce fiscal gaps between the central and regional governments and among regions. Although balancing funds support the implementation of regional autonomy, a high reliance on them signals a low degree of fiscal independence, underscoring the importance of strengthening PAD.

### **2.3.1 Types of Balancing Funds**

Government Regulation No. 12 of 2019 on Regional Financial Management organizes these transfers into three broad instruments. The first, Revenue-Sharing Funds (*Dana Bagi Hasil*), pools resources collected from designated taxes alongside receipts tied to natural-resource extraction. The second, the General Allocation Fund (*Dana Alokasi Umum*), serves as the equalizing instrument across regions,

with the amount allocated determined by the size of each region's fiscal gap, defined as the difference between fiscal needs and fiscal potential. The third, the Special Allocation Fund (*Dana Alokasi Khusus*), targets specific activities aligned with national priorities, particularly to fund basic public-service infrastructure that has not yet met required standards or to accelerate regional development.

## **2.4 Regional Government Performance**

Government Regulation No. 12 of 2019 on Regional Financial Management frames performance as the measurable output achieved through budget execution, the tangible result, in quantity and quality, of a program or activity once carried out. Financial performance, in turn, is the assessment of how faithfully a regional government has applied sound financial-management practice ([Fahmi, 2012](#)). Consistent with cross-country evidence, greater local revenue mobilization capacity is associated with lower financial dependence on central transfers ([Andonova & Trenovski, 2024](#)).

Regional financial performance is directly related to how the government manages its regional finances. Under Government Regulation No. 12 of 2019 on Regional Financial Management, regional financial management must be carried out in an orderly, efficient, economical, effective, transparent, and accountable manner, with due regard for fairness, propriety, and benefit to the community, while complying with statutory provisions. These principles underpin the ratio-based assessment of decentralization, dependency, and independence used in this study.

## **2.5 Previous Research**

Previous studies on regional financial performance have consistently used financial-ratio analysis, including the degree of fiscal decentralization, the dependency ratio, and the independence ratio, to assess the fiscal capacity of subnational governments. These studies generally find that many Indonesian regions remain highly dependent on central transfer funds and exhibit low financial independence, indicating that fiscal decentralization has not yet fully achieved its objective of fostering fiscally self-reliant regions.

International evidence provides useful comparative context. [Bardhan and Mookherjee \(2006\)](#) show that decentralization improves infrastructure delivery in developing countries only under specific accountability conditions, while [Martinez-Vazquez and McNab \(2003\)](#) find that the growth effects of fiscal decentralization are contingent on institutional quality. In the Indonesian setting, [Gonschorek \(2021\)](#) documents subnational favoritism in the allocation of development grants, and [Lewis, Nguyen, and Hendrawan \(2020\)](#) link political accountability to public-service delivery under decentralization. [Wiryawan and Otchia \(2022\)](#) show that local-government spending shaped industrial development in the post-reformasi period, and [Syarif \(2023\)](#) highlights the persistent risk of corruption in regional-autonomy policies. Comparative studies from Slovakia ([Mihalik, Horvath, & Svikruha, 2019](#)), South Korea ([Lee & Suh, 2021](#)), and Nepal, [Kharel and Rodriguez-Pose \(2025\)](#) further show that fiscal autonomy and devolution produce context-dependent outcomes, while [Lele \(2023\)](#) and [Tonelli and Gibson \(2023\)](#) illustrate how asymmetric and financial decentralization interact with local governance. [Sow and Razafimahefa \(2017\)](#) and [Ogwen and Semedo \(2025\)](#) add cross-country evidence that the efficiency and fiscal-performance gains of decentralization depend on the degree of local revenue autonomy. [Juwita \(2023\)](#) and [Roy, Wijaya, and Darma \(2021\)](#) provide Indonesian evidence on the role of local taxes and the distributional effects of decentralization, and the Goodwood studies of [Rahmadhanty and Firmansyah \(2025\)](#), [Zahraini, Fithri, and Choiruddin \(2026\)](#), and [Santorry, Johantri, and Muljanto \(2026\)](#) situate regional financial performance within the accountability and reporting-quality literature. Cross-country evidence further indicates that the growth and welfare effects of fiscal decentralization are conditional on institutional capacity ([Hung & Thanh, 2022](#)), and that within Indonesia decentralization and regional revenue jointly shape interprovincial disparities ([Mudayen & Maridjo, 2018](#)). [Digdowiseiso \(2022\)](#) similarly finds that the growth effects of fiscal decentralization in developing countries are contingent on institutional quality.

Internationally, similar patterns of high dependence on central transfers and limited incentive to raise local revenue have been documented in other developing-country settings. [Dick-Sagoe, Tingum, Asare-Nuamah, Yuni, and Baidoo \(2025\)](#) find that local governments in Ghana's Central Region

remain heavily reliant on central transfers, which weakens their incentive to intensify local revenue collection, a dynamic that closely mirrors the condition of Papua Province examined in this study. In a broader Indonesian setting, [Furqan, Wardhani, Martani, and Setyaningrum \(2020\)](#) examined the financial performance and accountability of local governments and showed that fiscal capacity and reporting quality jointly shape how effectively regions manage their finances.

What distinguishes Papua from many other Indonesian regions studied in this literature is not the direction of the result but its structural cause. Regions such as Tabanan or Malang, examined in earlier ratio studies, tend to show low independence because their local economies generate modest tax bases; Papua combines a modest PAD base with an unusually large stream of resource-sharing and special-autonomy transfers, which simultaneously depresses the independence ratio and cushions the region against the immediate consequences of low own-source revenue. This transfer dependence, reinforced by the province's dispersed geography and the 2022 territorial division, explains why Papua's independence remains low even relative to other transfer-dependent provinces, and why raising it requires structural change in the revenue base rather than incremental efficiency gains.

[Musviyanti, Khairin, Bone, Syakura, and Yударuddin \(2022\)](#) analyzed the structure of local government budgets across Indonesian provinces and found that locally-generated revenue and general allocation funds positively affect regional fiscal autonomy, underscoring the importance of own-source revenue. [Ginting, Hamzah, and Sofilda \(2019\)](#) specifically examined the effect of balancing funds on regional financial independence and found that heavy reliance on transfers depresses independence, reinforcing the need to strengthen locally generated revenue. Studies of eastern-Indonesian provinces in particular tend to report low independence ratios and instructive or consultative relationship patterns, reflecting structural dependence on central transfers. This study extends that literature by focusing on Papua Province over the 2015-2024 period, a region and time frame that remain underexamined, and by situating the findings within the recent administrative changes affecting the province.

### 3. Research Methodology

#### 3.1 Research Location

The research location is the regional finance of the Government of Papua Province, limited to budgeting and budget-realization reports. The data source is the Regional Revenue and Expenditure Budget (APBD) of Papua Province for the 2015-2024 fiscal years, covering the budgeting process and budget-realization reports.

#### 3.2 Data Sources

This study relies entirely on secondary data in the form of documented budget-realization figures. The data consist of the Regional Revenue and Expenditure Budget (APBD) realization reports of Papua Province for the 2015-2024 fiscal years, obtained from official regional financial-management records, together with supporting government reports and relevant literature. No interview or survey data were collected; the analysis is a documentary analysis of published APBD realization figures, and all ratios are computed from realized rather than budgeted amounts to reflect actual fiscal performance.

#### 3.3 Data Analysis

This study uses a quantitative descriptive method. The analysis methods applied are as follows.

##### 3.3.1 Degree of Fiscal Decentralization

The degree of fiscal decentralization is computed as the ratio of Locally Generated Revenue to total regional revenue ([Mahmudi, 2010](#)). The formula is presented in Formula 1:

$$DDF = \left( \frac{PAD}{TPD} \right) \times 100\% \quad (1)$$

Where DDF is the Degree of Fiscal Decentralization, PAD is Locally Generated Revenue, and TPD is Total Regional Revenue. The higher the contribution of PAD to total regional revenue, the greater the regional government's capacity to exercise decentralization. Following the established scale for this ratio, decentralization performance is read off a five-tier band that runs from very poor (0.00-10.00%) and poor (10.01-20.00%) up to very good (above 50.00%).

### 3.3.2 Regional Financial Dependency Ratio

The dependency ratio is computed by comparing the transfer revenue or balancing funds received by the region with total regional revenue. The formula is presented in Formula 2:

$$RK = \left( \frac{PT + DP}{TPD} \right) \times 100\% \quad (2)$$

Where RK is the Dependency Ratio, PT is Transfer Revenue, DP is Balancing Funds, and TPD is Total Regional Revenue. The higher the ratio, the greater the region's dependence on central funds, indicating a lower level of fiscal self-reliance. This ratio is read against a six-tier scale used for regional financial-dependency assessment (Halim, 2018), running from very low (0.00-10.00%) and low (10.01-20.00%) up to very high (above 50.00%).

For consistency across the study period, transfer revenue is defined as the sum of balancing funds and other central transfers recorded in the APBD realization reports. The composition of these transfers is governed by Government Regulation No. 12 of 2019 for most of the period and, from 2022 onward, by Law No. 1 of 2022 on Financial Relations between the Central and Regional Governments (the HKPD Law), which reclassified some transfer components; the aggregate transfer figure used here is constructed to remain comparable across both regimes.

### 3.3.3 Regional Financial Independence Ratio

The independence ratio is computed by comparing Locally Generated Revenue with transfer revenue or central and provincial loans. The formula is presented in Formula 3.

$$RKM = \left( \frac{PAD}{\text{Transfer Revenue and Loans}} \right) \times 100\% \quad (3)$$

Where RKM is the Independence Ratio and PAD is Locally Generated Revenue. A higher ratio indicates greater regional financial independence and a more autonomous relationship pattern with the central government. The resulting figure maps onto a relationship-pattern typology, moving from instructive (0-25%, very low independence) through consultative (25-50%, low) and participative (50-75%, moderate) to delegative (75-100%, high).

## 4. Results and Discussions

### 4.1 Analysis of the Degree of Fiscal Decentralization

The degree of fiscal decentralization reflects the contribution of Locally Generated Revenue to total regional revenue and indicates the extent to which the regional government can finance its own affairs. As shown in Table 1, the degree of fiscal decentralization of Papua Province over the 2015-2024 period is presented together with its annual classification.

Table 1. Fiscal decentralization ratio of Papua Province

| Year | Locally Generated Revenue (IDR) | Total Regional Revenue (IDR) | Fiscal Decentralization Degree (%) | Category  |
|------|---------------------------------|------------------------------|------------------------------------|-----------|
| 2015 | 876,587,489,000                 | 11,357,406,827,000           | 7.72                               | Very Poor |
| 2016 | 1,097,662,000,677               | 12,439,141,557,077           | 8.82                               | Very Poor |

| Year    | Locally Generated Revenue (IDR) | Total Regional Revenue (IDR) | Fiscal Decentralization Degree (%) | Category  |
|---------|---------------------------------|------------------------------|------------------------------------|-----------|
| 2017    | 1,020,372,304,364               | 13,006,812,664,926           | 7.84                               | Very Poor |
| 2018    | 1,406,405,036,046               | 13,985,540,559,046           | 10.06                              | Poor      |
| 2019    | 895,809,037,141                 | 13,939,636,118,141           | 6.43                               | Very Poor |
| 2020    | 1,060,132,923,037               | 13,193,626,052,637           | 8.04                               | Very Poor |
| 2021    | 1,765,651,609,757               | 14,763,746,028,757           | 11.96                              | Poor      |
| 2022    | 2,226,754,654,927               | 11,040,109,011,239           | 20.17                              | Moderate  |
| 2023    | 770,916,168,972                 | 3,733,670,617,987            | 20.65                              | Moderate  |
| 2024    | 686,108,554,000                 | 3,044,206,690,581            | 22.54                              | Moderate  |
| Average | 1,180,639,977,792               | 11,050,389,612,739           | 10.68                              | Poor      |

As shown in Table 1, the average degree of fiscal decentralization of Papua Province is 10.68%, which falls in the poor category. This indicates that the regional government of Papua Province has not been able to fully exercise the authority and responsibility of fiscal decentralization granted by the central government in carrying out regional development. The financial relationship pattern is instructive, meaning that the role of the central government remains more dominant than the independence of the regional government.

Interpreting these figures requires separating two structurally different periods. In the pre-division period (2015-2021), the degree of fiscal decentralization stayed within the very poor to poor range, moving between 6.43% (2019) and 11.96% (2021) despite nominal growth in locally generated revenue. This stability indicates that PAD growth did not outpace total revenue, which was sustained by large central transfers, including revenue-sharing funds tied to natural resources. The dip in 2019-2020 coincides with lower realized PAD and the fiscal pressures of that period, rather than any structural gain in autonomy.

In the post-division period (2022-2024), the ratio rises into the moderate range, reaching 22.54% in 2024. This shift, however, is largely mechanical rather than substantive. On 1 January 2022 and thereafter, Papua Province underwent territorial division with the creation of three new autonomous provinces (South Papua, Central Papua, and Highland Papua), which removed large populations and their associated transfer allocations from the provincial budget. Total regional revenue consequently fell from around IDR 11-14 trillion in 2015-2022 to roughly IDR 3 trillion in 2023-2024. Because the decentralization ratio is PAD divided by total revenue, a sharp contraction of the denominator raises the ratio even when own-source revenue does not grow; indeed, PAD in absolute terms fell to IDR 686 billion in 2024. The apparent improvement therefore reflects a smaller, re-scoped territory rather than genuine fiscal strengthening, and the two sub-periods should not be read as one continuous trend.

Beyond the structural break, the category labels applied here follow the fixed-threshold rubric widely used in Indonesian regional-finance analysis (Mahmudi, 2010; Halim, 2018), in which a decentralization degree below roughly 10% is classified as very poor and 10 to 20% as poor. These thresholds usefully summarize capacity but do not by themselves explain movement; the analysis therefore links the observed values to the underlying revenue structure, in particular the dominance of transfer and resource-sharing funds over locally generated revenue throughout the study period. This finding illustrates a broader methodological consideration in ratio analysis: a ratio can rise for two distinct reasons, either because the numerator grew or because the denominator shrank, and only the former represents genuine fiscal improvement. In Papua's case, the evidence points to the latter, indicating that the underlying capacity to generate own-source revenue did not meaningfully improve over the study period.

#### 4.2 Analysis of the Regional Financial Dependency Ratio

The dependency ratio measures the extent to which regional finances rely on transfer funds from the central government relative to total regional revenue. As shown in Table 2, the dependency ratio of Papua Province over 2015-2024 is presented with its annual classification.

Table 2. Regional financial dependency ratio of Papua Province

| Year    | Transfer Revenue (IDR) | Total Regional Revenue (IDR) | Dependency Ratio (%) | Category |
|---------|------------------------|------------------------------|----------------------|----------|
| 2015    | 3,083,243,058,000      | 11,357,406,827,000           | 27.15                | Moderate |
| 2016    | 4,305,361,737,000      | 12,439,141,557,077           | 34.61                | Fair     |
| 2017    | 3,780,551,017,562      | 13,006,812,664,926           | 29.07                | Moderate |
| 2018    | 4,554,681,408,000      | 13,985,540,559,046           | 32.57                | Fair     |
| 2019    | 4,411,150,386,000      | 13,939,636,118,141           | 31.64                | Fair     |
| 2020    | 4,132,023,209,600      | 13,193,626,052,637           | 31.32                | Fair     |
| 2021    | 4,894,072,394,000      | 14,763,746,028,757           | 33.15                | Fair     |
| 2022    | 5,004,746,236,115      | 11,040,109,011,239           | 45.33                | High     |
| 2023    | 1,393,688,550,362      | 3,733,670,617,987            | 37.33                | Fair     |
| 2024    | 1,007,240,506,000      | 3,044,206,690,581            | 33.09                | Fair     |
| Average | 2,917,815,370,764      | 11,050,389,612,739           | 26.40                | Moderate |

As shown in Table 2, the average dependency ratio of Papua Province on central transfer funds over the 2015-2024 fiscal years is 26.40%, which falls in the moderate category. The annual figures range from 27.15% in 2015 to a peak of 45.33% in 2022, the year in which dependency was highest and reached the high category. This means that in financing development over the past ten years, the Government of Papua Province still had to rely substantially on transfer funds from the central government.

The high level of dependency stems from the still-high ratio of transfer revenue to total regional revenue, so that the region's own capacity to finance planned development activities in the APBD remains small and continues to depend on central transfers. This finding is consistent with the low degree of fiscal decentralization reported in Table 1: the two ratios describe the same structural condition from complementary angles, with low locally generated revenue on one side and high transfer dependence on the other. From an agency-theory perspective, a persistently high dependency ratio signals that the accountability relationship remains tilted toward the central government as principal, since the region's fiscal discretion is constrained by its reliance on externally determined transfers.

From a policy standpoint, the moderate average dependency ratio conceals meaningful year-to-year volatility, peaking at 45.33% in 2022 before the fiscal restructuring associated with territorial division. Such volatility complicates medium-term budget planning, because a region whose revenue is heavily contingent on centrally determined transfers has limited control over the predictability of its own resources. In agency terms, this dependence constrains the region's discretion and keeps the accountability relationship weighted toward the central government as principal. Reducing this dependence therefore requires not only higher local revenue but also more stable and better-planned revenue streams, so that development financing is less exposed to shifts in transfer policy.

#### 4.3 Analysis of the Regional Financial Independence Ratio

The independence ratio reflects the region's ability to finance its own governance and development through Locally Generated Revenue relative to external sources such as central transfers and loans. As shown in Table 3, the independence ratio of Papua Province over 2015-2022 is presented with its category and relationship pattern. Independence-ratio data for 2023-2024 were not available and are therefore excluded from this analysis; see Section 5.2 for further discussion of this limitation.

Table 3. Regional financial independence ratio of Papua Province

| Year | Locally Generated Revenue (IDR) | Transfer Revenue and Loans (IDR) | Independence Ratio (%) | Category | Relationship Pattern |
|------|---------------------------------|----------------------------------|------------------------|----------|----------------------|
| 2015 | 876,587,489,000                 | 3,083,243,058,000                | 28.43                  | Low      | Consultative         |
| 2016 | 1,097,662,000,677               | 4,305,361,737,000                | 25.5                   | Low      | Consultative         |

| Year    | Locally Generated Revenue (IDR) | Transfer Revenue and Loans (IDR) | Independence Ratio (%) | Category | Relationship Pattern |
|---------|---------------------------------|----------------------------------|------------------------|----------|----------------------|
| 2017    | 1,020,372,304,364               | 3,780,551,017,562                | 26.99                  | Low      | Consultative         |
| 2018    | 1,406,405,036,046               | 4,554,681,408,000                | 30.88                  | Low      | Consultative         |
| 2019    | 895,809,037,141                 | 4,411,150,386,000                | 20.31                  | Very Low | Instructive          |
| 2020    | 1,060,132,923,037               | 4,132,023,209,600                | 25.66                  | Low      | Consultative         |
| 2021    | 1,765,651,609,757               | 4,894,072,394,000                | 36.08                  | Low      | Consultative         |
| 2022    | 2,226,754,654,927               | 5,004,746,236,115                | 44.49                  | Low      | Consultative         |
| Average | 1,293,671,881,869               | 4,270,728,680,785                | 30.29                  | Low      | Consultative         |

In Table 3, the financial independence ratio of Papua Province fluctuates from year to year, ranging from 20.31% in 2019 to 44.49% in 2022. Based on the relationship pattern and the level of regional capacity, the financial independence of Papua Province is classified as low with a consultative relationship pattern. The overall average independence ratio is 30.29%, confirming a low independence category and a consultative pattern, in which the central government still plays an advisory yet dominant role relative to the region.

It should be noted that the independence ratio can only be computed through 2022. Reliable figures for the separate components of locally generated revenue and transfer-and-loan revenue for 2023 and 2024 were not available at the province level following the 2022 territorial division, because the reorganization of budget reporting across the newly formed provinces temporarily interrupted the comparable disaggregated series required for this ratio. The independence analysis is therefore based on the 2015-2022 period, whereas the decentralization and dependency ratios, which draw on aggregate totals that remained available, extend through 2024. This gap does not undermine the conclusion: the independence ratio was already low and consultative throughout 2015-2022, and the sharp post-division contraction of the revenue base would, if anything, be expected to leave own-source revenue even less able to cover regional needs. The missing years thus represent a data-availability limitation rather than a change in the underlying pattern, and they are flagged here so that the averages for the three ratios are read on their correct respective periods.

This means that the role of the central government remains more dominant than the independence of the regional government; in other words, the Government of Papua Province has not yet been able to exercise regional autonomy optimally. The three indicators reinforce one another rather than standing apart. A low degree of fiscal decentralization (10.68%), a moderate but structurally significant dependency on transfers (26.40%), and a low independence ratio (30.29%) converge on the same conclusion: Papua's development financing continues to depend on central funds rather than on locally generated revenue. This pattern is consistent with what has been documented elsewhere in eastern Indonesia, where fiscal self-reliance tends to be similarly weak. The policy implication follows directly from this pattern: strengthening locally generated revenue, rather than relying on the arithmetic effect of a shrinking post-division revenue base, is the more meaningful lever for advancing Papua's fiscal autonomy.

#### 4.4 Synthesis of the Three Ratios

The three ratios ultimately describe a single fiscal condition rather than three unrelated ones. An average fiscal decentralization degree of 10.68%, a transfer dependency of 26.40%, and an independence ratio of 30.29% represent complementary measures of the same underlying gap between what Papua's provincial government is expected to finance and what it can actually fund from its own revenue base. Rather than treating them as independent results, this section interprets them as joint indicators of that single gap.

Situating this pattern within Indonesian literature clarifies why it arises. This pattern is not unique to Indonesia: [Dick-Sagoe et al. \(2025\)](#) report a similar configuration of transfer dependence and weak local revenue effort among local governments in Ghana, indicating that the condition observed here reflects a broader structural challenge in decentralized systems rather than an artifact of a single administrative unit. [Musviyanti et al. \(2022\)](#) show that locally-generated revenue is closely tied to

fiscal autonomy across Indonesian provinces, while [Ginting et al. \(2019\)](#) find that heavy reliance on balancing funds depresses regional independence. These studies, together with the evidence from Papua, suggest that the province's low fiscal self-reliance is driven by a narrow locally generated revenue base relative to the scale of transfers it receives, rather than by inefficiency in a single budget year. Consistent with this, [Hummel and Kusumasari \(2025\)](#) document that local-government financial performance in Indonesia is strongly conditioned by the structure of decentralization itself, and [Agustina et al. \(2022\)](#) identify financial autonomy and the degree of decentralization as key determinants of persistently low regional independence.

## **5. Conclusions**

### **5.1 Conclusion**

Based on the analysis of regional financial performance using the indicators of the degree of fiscal decentralization, the regional financial dependency ratio, and the regional financial independence ratio of Papua Province, the following conclusions are drawn. First, the average degree of fiscal decentralization is 10.68% (poor), indicating that the regional government of Papua Province has not been able to fully exercise the fiscal-decentralization authority granted by the central government, with an instructive relationship pattern in which the central government remains dominant. Second, the average dependency ratio on central transfer funds over 2015-2024 is 26.40% (moderate), showing that regional development financing still relied on central transfers, because the ratio of transfer revenue to total revenue remained high. Third, the average financial independence ratio is 30.29% (low), with a consultative relationship pattern, confirming that the central government's role remains more dominant than the region's independence and that Papua Province has not yet exercised regional autonomy optimally.

### **5.2 Research Limitations**

This study is limited to three financial-ratio indicators, namely the degree of fiscal decentralization, the dependency ratio, and the independence ratio, and relies on APBD realization data for a single province over the 2015-2024 period. Independence-ratio data were available only through 2022; the corresponding 2023-2024 figures could not be obtained, so the independence ratio's average and its comparison across the pre- and post-division periods are based on a shorter window than the other two ratios. Consequently, the findings reflect the specific fiscal conditions of Papua Province and are not directly generalizable to other regions with different revenue structures and institutional settings.

### **5.3 Suggestions and Directions for Future Research**

The policy suggestions below follow directly from the three ratios rather than from generic prescriptions. First, because the dependency ratio averaged 26.40% and the independence ratio only 30.29%, the central financing problem is a narrow PAD base relative to transfers; the priority is therefore to grow own-source revenue rather than merely to manage transfers. Given Papua's heavy reliance on resource-sharing funds, the province should reduce its exposure to volatile natural-resource revenue by broadening the PAD base into more stable local taxes and levies, so that a downturn in resource transfers does not translate directly into a fiscal shortfall.

Second, the 2022 territorial division makes revenue re-basing urgent: with total revenue falling to roughly IDR 3 trillion and PAD to IDR 686 billion in 2024, the province must recalibrate its revenue targets and tax administration to the new, smaller territory rather than to pre-division baselines. Concretely, intensification means tightening assessment and collection of existing regional taxes and levies in line with the re-scoped tax base, improving compliance control, and closing leakages; extensification means identifying new leviable local sources appropriate to Papua's economic and geographic profile and formalizing them in regional regulations. Third, given the province's dispersed geography and limited administrative reach, investment in digital tax administration and in the capacity of the Regional Revenue Agency is likely to yield larger gains than uniform national approaches.

Future research is encouraged to extend the analysis by adding effectiveness, efficiency, and growth ratios, by formally comparing the pre- and post-division periods, and by comparing Papua with the

three newly formed provinces once their budget series mature, so that the fiscal consequences of the 2022 division can be assessed directly.

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### Author Contributions

ERM contributed to the conceptualization, research framework, methodology, and drafting of the introduction and literature review. JAM was responsible for data collection, data curation, and the financial-ratio analysis. HIM contributed to the interpretation of results and the drafting of the results and discussion. HH performed the critical revision, supervision, and validation of the analysis. RNN contributed to the overall manuscript drafting, references, and final formatting. All authors have read and agreed to the published version of the manuscript.

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