

Analysis of Factors Affecting Inequality/Fiscal Independence Gaps In The Provinces Of DKI Jakarta And West Papua

Analisis Faktor-Faktor Yang Mempengaruhi Ketimpangan/Kesenjangan Kemandirian Fiskal di Provinsi DKI Jakarta Dan Papua Barat

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ABSTRACT

The aim of this research is to analyze the variables that influence the inequality/gap in fiscal independence in the Provinces of DKI Jakarta and West Papua, looking at the ability of a region or province in Indonesia to generate its own income and manage regional or provincial finances without relying too much on aid or transfers from central government or other external sources, which in turn may influence the feasibility of investing in that region or province. In this case, when carrying out investment management, investors may consider the level of fiscal independence of a region or province as part of the risk analysis and potential investment returns. The variables used include: original regional income (PAD), balancing funds (DAU, DBH, DAK), transfers to regions and village funds (TKDD), other income which includes grants, emergency funds, adjustment funds and special autonomy (Otsus), financial assistance, Inter-Regional Transfer Income, and other income in accordance with statutory provisions. The data used is secondary data (time series) spanning the 2015 Fiscal Year; 2016; 2017; 2018; 2019 and 2020 which were analyzed using the Hunter formula (1977) and descriptive methods and literature studies or often known as literature studies. The results of the analysis show that there is a very large inequality/gap between the fiscal independence of DKI Jakarta and West Papua. Both in terms of population density and regional GDP levels in the provinces of DKI Jakarta and West Papua. This inequality/gap occurs because PAD has a very large positive influence on DKI Jakarta compared to West Papua, so that West Papua uses Balancing Funds, TKDD, and other income to finance its expenditure. Meanwhile, DKI Jakarta only needs to use PAD to finance its regional expenditure. Stable economic conditions and good fiscal policies in DKI Jakarta can also create a more attractive investment environment compared to West Papua Province which has low fiscal independence.

Keywords: Local Own-Source Revenue; Balance Fund; Transfers to Local and Village Fund; other income, investment.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis variabel-variabel yang mempengaruhi ketimpangan/kesenjangan kemandirian fiskal di Provinsi DKI Jakarta dan Papua Barat, dengan melihat kemampuan suatu daerah atau provinsi di Indonesia dalam menggali pendapatannya sendiri dan mengelola keuangan daerah atau provinsi tanpa terlalu bergantung pada bantuan atau transfer dari pemerintah pusat atau sumber eksternal lainnya, yang pada akhirnya dapat mempengaruhi kelayakan investasi di daerah atau provinsi tersebut. Dalam hal ini, dalam melakukan pengelolaan investasi, investor dapat mempertimbangkan tingkat kemandirian fiskal suatu daerah atau provinsi sebagai bagian dari analisis risiko dan potensi hasil investasi. Variabel yang digunakan antara lain: pendapatan asli daerah (PAD), dana perimbangan (DAU, DBH, DAK), transfer ke daerah dan dana desa (TKDD), pendapatan lain-lain yang meliputi hibah, dana darurat, dana penyesuaian dan otonomi khusus (Otsus), bantuan keuangan, Pendapatan Transfer Antar Daerah, dan lain-lain pendapatan yang sah sesuai dengan ketentuan perundang-undangan. Data yang digunakan adalah data sekunder (time series) dengan rentang waktu Tahun Anggaran 2015; 2016; 2017; 2018; 2019 dan 2020 yang dianalisis dengan menggunakan formula Hunter (1977) dan metode deskriptif serta studi literatur atau yang sering dikenal dengan studi pustaka. Hasil analisis menunjukkan bahwa terdapat ketimpangan/kesenjangan yang sangat besar antara kemandirian fiskal DKI Jakarta dan Papua Barat. Baik dari sisi kepadatan penduduk maupun tingkat PDRB di provinsi DKI Jakarta dan Papua Barat. Ketimpangan/kesenjangan ini terjadi karena PAD memiliki pengaruh positif yang sangat besar terhadap DKI Jakarta dibandingkan dengan Papua Barat, sehingga Papua Barat menggunakan Dana Perimbangan, TKDD, dan pendapatan lain-lain untuk membiayai pengeluarannya. Sedangkan DKI Jakarta hanya perlu menggunakan PAD untuk membiayai belanja daerahnya. Kondisi ekonomi yang stabil dan kebijakan fiskal yang baik di DKI Jakarta juga dapat menciptakan lingkungan investasi yang lebih menarik dibandingkan dengan Provinsi Papua Barat yang memiliki kemandirian fiskal yang rendah.

Kata Kunci: Pendapatan Asli Daerah; Dana Perimbangan; Transfer ke Daerah dan Dana Desa; pendapatan lain-lain, investasi.

1. Introduction

Ratification of Law no. 22 of 1999 concerning Regional Government and Law no. 25 of 1999 concerning "Financial Balance between the Central and Regional Governments marks the implementation of regional autonomy in the field of government", where based on the principle of regional autonomy it is known that the Central Government hands over some government affairs to autonomous regions. The hope is that it can improve the quality of services to the community and accelerate regional development from regional autonomy. An adequate budget is needed to support implementing regional autonomy. Therefore, regional fiscal independence needs to be supported by regional autonomy. To find out how much a region's ability to finance regional expenditure without depending on transfer income is the use of the regional fiscal independence index. According to Law no. 23 of 2014 Article 280 paragraph (1) letter a, "Regional Governments are obliged to manage regional finances effectively, efficiently, transparently and accountably."

The aim of calculating regional fiscal independence is deemed necessary so that regional fiscal independence can be mapped and the condition of each region's fiscal independence known. Fiscal independence, although not directly related to investment management, can have a significant impact on the financial management of a region or province in Indonesia. In the context of investment management, the fiscal independence of a region or province in Indonesia can be one of the factors considered when evaluating investment potential in that region. Fiscal independence refers to the ability of a region or province in Indonesia to generate its own income and manage regional or provincial finances without relying too much on aid or transfers from the central government or other external sources. Good fiscal independence can reflect the economic stability of a region or province, which in turn can influence the feasibility of investment in that region or province. In this case, when carrying out investment management, investors may consider the level of fiscal independence of a region or province as part of the risk analysis and potential investment returns. Regions or provinces with high fiscal independence tend to be more attractive to investors because they have the potential to demonstrate financial stability and more consistent fiscal policies.

Regional fiscal independence will produce a regional Fiscal Independence Index (IKF). The IKF value is between 0 (all expenditure is financed with transfer funds and there is no PAD) to 1 (all expenditure can be financed with PAD and there is no transfer fund). Thus, the higher the IKF value, the higher the fiscal independence of a region. Conversely, the lower the IKF value, the less independent. Regional fiscal independence can be grouped into "Not Yet Independent", "Towards Independence", "Independent" and "Very Independent" (Sampurna, 2018). The grouping is as shown in the table below.

Table 1. Indeks Kemandirian Fiskal (IKF)

1	$0,00 \leq \text{IKF} < 0,25$	Belum Mandiri
2	$0,25 \leq \text{IKF} < 0,50$	Menuju Kemandirian
3	$0,50 \leq \text{IKF} < 0,75$	Mandiri
4	$0,75 \leq \text{IKF} \leq 1,00$	Sangat Mandiri

The regional fiscal independence grouping uses the classification compiled by Sampurna (2019) and the calculation of the regional Fiscal Independence Index (IKF) is carried out using the Hunter (1977) formula. The results of the calculation of the Fiscal Independence Index (IKF) show that there is a very high gap in fiscal independence between regions that are not yet independent, namely the fiscal independence index (IKF) figures show a high index difference between DKI Jakarta Province and West Papua Province.

This means that the regional expenditure of DKI Jakarta Province is financed by the PAD of DKI Jakarta Province itself, while the expenditure of West Papua Province is financed by

PAD plus revenues and transfers. This means that the regional expenditure of DKI Jakarta Province is financed by PAD, at the same time the expenditure of West Papua Province is financed by PAD and Balancing Funds such as: Profit Sharing Funds (DBH), General Allocation Funds (DAU), Special Allocation Funds (DAK), Income Transfer from Center (TKDD) and other income. Because we know that West Papua's PAD is far below DKI Jakarta's, so the balancing funds are also used for regional expenditure in West Papua Province apart from PAD. This condition also illustrates the existence of a development gap when compared between DKI Jakarta Province and West Papua Province. With the above background, the author formulates the problem that will be discussed in this research, namely "how is the development of fiscal independence in the Provinces of DKI Jakarta and West Papua from 2015 to 2020, and what is the comparison of fiscal independence in the Provinces of DKI Jakarta and West Papua from 2015 to 2020?" causing inequality/disparities".

2. Literature Review

Theory APT

APT theory (Arbitrage Pricing Theory) is a theory in investment management that provides an alternative view of determining financial asset prices. APT was developed by economist Stephen Ross in 1976 and offers a different approach than the Capital Asset Valuation Model (CAPM). APT requires identification of significant risk factors that may affect asset returns. These factors can come from various areas such as interest rates, inflation, changes in government policy, exchange rate fluctuations, global economic conditions, and other factors that have a significant impact on asset values. APT must be able to respond to market dynamics and changes in risk factors. Financial markets and the economy can change over time, and APT models must be able to capture these changes by updating risk factors or adjusting the sensitivity of assets to those factors. Investors and financial analysts should consider these factors holistically when evaluating the potential impact of fiscal independence on their investment portfolios. The APT (Arbitrage Pricing Theory) theory in investment management is not directly related to fiscal independence, but several considerations and connections can be explained, namely:

- a. **Economic Risk Factors:** In the context of APT, the risk factors identified usually originate from economic and financial variables, such as interest rates, inflation, and changes in global market conditions. Fiscal independence, which relates to a country's fiscal policy and stability, is an indirect risk factor accommodated in the APT model.
- b. **Effect of Fiscal Policy:** A country's fiscal policy can influence the economic variables accommodated in the model. For example, changes in tax policy or government spending may affect interest rates or inflation rates, which may reflect changes in APT risk factors.
- c. **Uncertainty and External Influences:** Fiscal independence can create uncertainty and affect market sentiment. Although not directly included in the APT model, this uncertainty can be reflected in changes in relevant risk factors included in the model.
- d. **Diversification and International Investment:** A country's fiscal independence can influence investors' decisions regarding portfolio diversification and international investment. This may influence how investors perceive investment risk and returns which may be reflected in the APT model.
- e. **Changes in Market Dynamics:** Fiscal independence can be one of the factors that influences overall financial market dynamics. Changes in fiscal independence may create different market conditions, which may be reflected in changes in relevant risk factors.

Theory Kemandirian Fiskal

Fiscal decentralization is the delegation of authority and responsibility for public functions from high-level organizations to lower-level organizations in the regions, or from the

central government to regional governments. The decentralization policy in Indonesia is built on four pillars, namely: (1) politics; (2) administration; (3) fiscal; and (4) economics. The first is that political decentralization can be realized by delegating authority in politics to regional governments through the direct election of regional heads (Pilkada) and members of the Regional People's Representative Council (DPRD) at the provincial and district/city levels. Second, administrative decentralization is implemented through the transfer of most government authority to regional governments to carry out most community services.

Thirdly, economic decentralization is carried out by giving responsibility to regional governments to overcome regional economic problems and optimize their economic potential in order to have an impact on improving community welfare. Finally, fiscal decentralization is implemented by giving authority to regional governments to manage regional finances both in terms of income and expenditure. According to the World Bank 1994 in Suhab 1997 that "fiscal independence is the main indicator in measuring the ability of Regional Governments to finance their own Regional Government activities, without depending on assistance from outside, including from the Central Government". Regional fiscal independence can be seen from the ability of the regional government to finance its own regional government activities through the income available to the regional government, namely: local original income (PAD), Balancing Funds (DAU, DBH, DAK), TKDD, other income which includes grants, emergency funds, special adjustment and autonomy funds (Otsus), financial assistance, Inter-Regional Transfer Income, and other income in accordance with statutory provisions.

Local Own-Source Revenue (PAD), consist of Local Taxes, Local Retributions, Management of Revenue Restricted Local Assets, and Other Valid Local Own-Source Revenue.

Local Taxes, based on Law no. 28 of 2009 states that "compulsory contributions to the region that are owed by individuals or entities that are coercive based on law, without receiving direct compensation and used for regional needs for the greatest prosperity of the people are a Regional Tax". Regional tax data can be seen on the SIKD Data Portal of the Indonesian Ministry of Finance, the results are as follows:

Table 2 - Local Taxes (in billion Rupiah)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	29.076,93	31.613,20	36.500,78	37.538,91	40.298,12	31.895,26
Papua Barat	316,26	352,78	441,26	497,63	555,21	512,83

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://djpk.kemenkeu.go.id/portal/data/apbd?>

Local Retributions, based on Law no. 28 of 2009 states that "Regional levies are payments for certain services or permits which are specifically provided and/or granted by the Regional Government for the benefit of individuals or entities". Regional levy data can be seen on the SIKD Data Portal of the Indonesian Ministry of Finance, the results are as follows:

Table 3. Local Retributions (in billion Rupiah)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	459,46	675,48	624,14	578,56	587,38	496,33
Papua Barat	59,55	53,90	49,44	45,59	46,48	39,02

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://djpk.kemenkeu.go.id/portal/data/apbd?>

Management of Revenue Restricted Local Assets, based on Law no. 28 of 2009 it is known that "Management of Revenue Restricted Local Assets are determined by Regional Regulations guided by the provisions of statutory regulations". Data on Separated Regional Wealth

Management Results can be seen on the SIKD Data Portal of the Indonesian Ministry of Finance, the results are as follows:

Table 4. Management of Revenue Restricted Local Assets (in billion Rupiah)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	527,28	303,20	489,48	592,96	619,46	672,49
Papua Barat	20,62	73,41	3,61	20,70	41,37	48,62

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://dipk.kemenkeu.go.id/portal/data/apbd?>

Other Valid Local Own-Source Revenue, based on Law no. 28 of 2009, "Other Valid Local Own-Source Revenue consist of; (a) proceeds from the sale of regional assets that are not separated; (b) the results of utilization or utilization of regional assets that are not separated; (c) giro services; (d) interest income; (e) claims for compensation; (f) profit from the difference in the rupiah exchange rate against foreign currencies; and (g) commissions, discounts, or other forms as a result of the sale and/or procurement of goods and/or services by the region. Data on Other Valid Local Own-Source Revenue can be seen on the SIKD Data Portal of the Indonesian Ministry of Finance, the results are as follows:

Table 5. Other Valid Local Own-Source Revenue (in billion Rupiah)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	3.622,51	4.296,14	6.287,09	4.616,71	4.202,44	4.350,67
Papua Barat	371,25	366,99	495,81	373,50	453,18	468,78

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://dipk.kemenkeu.go.id/portal/data/apbd?>

Revenue Sharing Fund (DBH), Funds originating from APBN revenues, which are allocated to regions based on a certain percentage to fund regional needs in the context of implementing decentralization is the meaning of DBH. DBH itself consists of: DBH Land and Building Tax (PBB); DBH PPh Article 25 and Article 29 for domestic individual taxpayers and PPh Article 21; Excise DBH originating from excise on tobacco products in accordance with statutory provisions; and DBH natural resources. Based on the SIKD data portal issued by the Ministry of Finance, it is known that in 2015 DKI Jakarta received DBH of IDR 5,887.27 billion and West Papua Province received DBH of IDR 2,702.87 billion. The following year this DBH was included in the TKDD for provinces in Indonesia.

General Allocation Fund (DAU), dana yang bersumber dari pendapatan APBN yang dialokasikan dengan tujuan pemerataan kemampuan keuangan antar daerah untuk mendanai kebutuhan Daerah dalam rangka pelaksanaan Desentralisasi merupakan pengertian dari DAU. Berdasarkan Portal data SIKD yang dikeluarkan oleh Kemenkeu diketahui bahwa pada tahun 2015 DAU hanya diterima oleh Provinsi Papua Barat sebesar Rp7.421,60M, namun pada tahun 2016 – 2020 Papua Barat tidak mendapatkan pendapatan DAU. Sebaliknya provinsi DKI Jakarta tidak mendapatkan DAU sejak tahun 2015 sd 2020.

Special Allocation Fund (DAK), funds sourced from APBN revenues allocated with the aim of equalizing financial capacity between regions to fund regional needs in the context of implementing Decentralization is the meaning of DAU. Based on the SIKD data portal issued by the Ministry of Finance, it is known that in 2015 West Papua Province only received DAU amounting to IDR 7,421.60 billion, but in 2016 - 2020 West Papua did not receive DAU income. On the other hand, DKI Jakarta province did not receive DAU from 2015 to 2020.

Transfer Revenue of Centre (TKDD), the part of state expenditure allocated in the state revenue and expenditure budget to regions and villages in order to fund the implementation of affairs that have been handed over to regions and villages is the definition of TKDD. TKDD data can be seen on the SIKD Data Portal of the Indonesian Ministry of Finance, the results are as follows:

Table 6. Transfer Revenue of Centre (TKDD) (in billion Rupiah)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	0	15.271,66	18.969,29	17.855,18	14.551,57	16.962,90
Papua Barat	0	18.598,40	19.403,59	19.329,05	26.294,00	22.324,46

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://djpk.kemenkeu.go.id/portal/data/apbd?>

As is known, in 2015 TKDD was distributed in the form of DBH to Indonesian provinces, then in the following year it became TKDD.

Other Income, All regional income other than original regional income and transfer income, which includes grants, emergency funds, adjustment and special autonomy (Otsus) funds, financial assistance, Inter-Regional Transfer Income, and other income in accordance with the provisions of statutory regulations (UU 23 of 2014 concerning Regional Government)" is another definition of income. Other income consists of:

Grant, is assistance in the form of money, goods and/or services originating from the Central Government, other regions, the community and domestic or foreign business entities with the aim of supporting the improvement of the implementation of government affairs which fall under the authority of the regions. To obtain grant funds, the mechanism is that the Regional Government must fulfill the conditions required by the Technical Ministry for Grant Management. Then, for Regional Governments that have met the requirements, a selection will be carried out. Based on the selection results, the Technical Ministry submits a proposal to the Minister of Finance regarding the amount of the grant and the list of grant recipients. Next, the Minister of Finance, based on the proposal in question, issues a Grant Determination Letter (SPPH). Next, the Regional Grant Agreement (PHD) will be signed between the Minister of Finance c.q Director General of Financial Balance and the Regional Head or appointed official.

Urgent Fund, Based on regulations, it is known that funds originating from the State Revenue and Expenditure Budget which are allocated to regions experiencing national disasters and/or extraordinary events are the definition of emergency funds. Requests for Emergency Funds can be submitted every fiscal year as long as they are still in the post-disaster stage in areas affected by disasters.

Adjustment and Special Autonomy Fund (Otsus), are funds allocated to finance the implementation of special autonomy in a region, as stipulated in the Law on special autonomy. The legal basis for special autonomy & privileges is "the 1945 Constitution (Article 18B): The State recognizes and respects special and special government units which are regulated by law". a. DKI Jakarta based on "UU No.29 of 2007". b. West Papua based on "UU No.21 of 2001 in conjunction with UU No.35 of 2008". The provision of special autonomy funds for West Papua Province is basically aimed at supporting the acceleration of the implementation of special autonomy for West Papua Province in the context of realizing justice, upholding the law, respecting human rights. It is hoped that the special autonomy fund can accelerate economic development, improve welfare and advance the people of West Papua so that there is equality and balance with the progress of other provinces in Indonesia. West Papua is

allocated special autonomy equal to 2% (ending in 2021) of the National DAU ceiling, to fund education and health. The West Papua Special Autonomy Fund has been running for 20 years and still has not reached its allocation goal. Education and health indicators are still lagging behind (below the national average) despite improvements. Additional funds according to the law are allocated for West Papua based on an agreement between the Government and the DPR, especially to fund infrastructure development.

Finance Assistance, are funds provided by regions to other regions either within the framework of regional cooperation or for other specific purposes.

Transfer interlocal Revenue, consist of: revenue sharing and financial assistance.

Other Income in accordance with the provisions of laws and regulations, Details of the other income data above can be seen on the SIKD Data Portal of the Indonesian Ministry of Finance, the results are as follows:

Table 7 - DKI Jakarta (in billion Rupiah)

Jenis Pendapatan	2015	2016	2017	2018	2019	2020
Hibah	1.880,68	1.625,03	1.953,11	53,51	2.041,71	1.509,35
Dana Darurat	0	0	0	0	0	0
Bagi Hasil Provinsi atau Pemda Lain	0	0	0	0	0	0
Dana Penyesuaian dan Otsus	2.755,11	0	0	0	0	0
Bantuan Keuangan	0	0	0	0	0	0
Pendapatan Lainnya	0	0	0	0	0	0
Pendapatan Transfer Antar Daerah	0	0	0	0	0	0
Lain-lain Pendapatan Sesuai dengan Ketentuan Peraturan Perundang-Undangan	0	0	0	0	0	0

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://djpk.kemenkeu.go.id/portal/data/apbd?>

Table 8 - Papua Barat (in billion Rupiah)

Jenis Pendapatan	2015	2016	2017	2018	2019	2020
Hibah	17,75	5,20	38,46	58,67	333,49	137,45
Dana Darurat	29,18	0	0	0	0	0
Bagi Hasil Provinsi atau Pemda Lain	192,64	0	0	0	0	0
Dana Penyesuaian dan Otsus	5.212,98	0	0	0	0	0
Bantuan Keuangan	146,78	0	0	0	0	0
Pendapatan Lainnya	345,41	0	0	0	0	0
Pendapatan Transfer Antar Daerah	0	180,31	727,90	354,52	562,74	944,31
Lain-lain Pendapatan Sesuai dengan Ketentuan Peraturan Perundang-Undangan	0	852,22	901,05	744,72	228,15	123,03

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://djpk.kemenkeu.go.id/portal/data/apbd?>

Regional borrowing for provinces through financing revenues from each region. Details as follows:

Table 9. Regional borrowing (in billion Rupiah)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	14.663,96	1.343,03	4.015,94	14.477,77	8.100,63	2.903,53
Papua Barat	3.617,05	794,53	800,00	1.890,00	2.912,09	268,36

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://djpk.kemenkeu.go.id/portal/data/apbd?>

Previous Research

What is used as a reference in this research is previous research related to the implementation of follow-up to BPK audit results. Previous research aims to be a source of comparison and reference in research. The research used is in the form of thesis research and journals originating from within the country and abroad. The aim is by identifying previous research, other sides of the research will be seen that have not been studied by previous researchers. The data used by previous researchers was secondary data obtained from the Supreme Audit Agency; Central Statistics Agency and Ministry of Finance.

Muhammad Fachril Husain Jeddawi (2020) conducted a study which concluded that there are several alternative strategies that can be carried out in an effort to reduce the fiscal independence deficit and in order to increase PAD, including intensifying and extensifying regional levy taxes, building infrastructure that attracts tax/levy objects, increasing the human resource capacity of PAD managers and carrying out accurate calculations of regional potential, increasing community participation to support increasing PAD by using short videos/infographics, increasing and encouraging investment and supervision from regional governments in every activity carried out. Muhammad Fachril Husain Jeddawi (2020).

Wilda Fatmala (2020) made a journal with the results that the degree of Fiscal Independence of all districts and cities in Southeast Sulawesi Province in the 2008 to 2012 budget year averaged 4.07%. Where the development of the Degree of Fiscal Independence is positively and significantly influenced by the construction/building sector variable, positively but not significantly influenced by the agricultural sector and services sector variables, while the trade, hotel and restaurant sector variable actually has a negative and significant influence. Wilda Fatmala (2020).

R. Dian Hardiana, Heraeni Tanuatmodjo, dan Fitriana Kurniati (2020), conducting research, essentially related to the performance of the implementation of fiscal decentralization which is indicated by indicators of the degree of fiscal decentralization, the dependency ratio and independence ratio are still quite low, even though there has been an increase in the category of each indicator in a better direction. The suggestion from the research results is that regional governments need to increase fiscal decentralization capacity by increasing new sources of PAD revenue through innovations such as developing BUMD, optimizing regional tax and levy collection through intensification and extensification. R. Dian Hardiana, Heraeni Tanuatmodjo, dan Fitriana Kurniati (2020).

Joko Tri Haryanto (2018) conducted research which revealed that Decentralization in the reform era began on January 1 2011 with the aim of achieving regional independence, especially in supporting the implementation of regional development and growth, excellent service to the community in order to develop all regional potential optimally. In several cases in the region, it is known that the wealth of natural resources in the region does not actually have a welfare impact on the community. Joko Tri Haryanto (2018).

Satria Pratama, Mesak Iek, dan Richard Patty (2018) in his research, it was revealed that Economic Growth, Balancing Funds, Investment and Labor Force simultaneously had a positive effect on the fiscal independence of Regencies/Cities in Papua Province. Meanwhile, the Persial test results show that the Economic Growth factor has a significant negative effect on Fiscal Independence with a probability of 0.0287. while the balanced fund factor has no significant effect on fiscal independence with a probability of 0.1086. Satria Pratama, Mesak Iek, dan Richard Patty (2018).

Rangga Agung Priyaka, Transna Putra Urip, dan Rachmaeny Indahyani (2018) conducted research with the conclusion that fiscal independence in Papua Province is still not categorized as independent because the highest percentage only reached 9.00%, still below 10.00% as the lowest benchmark in assessing the independence of a region. Economic growth in Papua Province has a positive effect on Fiscal Independence with a value of 3,769. Rangga Agung Priyaka, Transna Putra Urip, dan Rachmaeny Indahyani (2018).

Lastria Nurtanzila (2016) n his research which raised issues related to the relationship between the central government and regional governments in seeking regional fiscal independence. With the regulation of tax revenues from the PBB sector which will become regional taxes, it is hoped that this income can increase PAD and increase the allocation of funds for regional financing itself. Judging from the results of the quality of implementation, there are still many regions that state that they are not ready, both in terms of infrastructure, human resources and community conditions. It can be concluded that this policy needs more attention to see the impact of the implementation of this policy on increasing regional fiscal independence. Lastria Nurtanzila (2016).

Nurjanna Ladjin (2008) conducted research, which showed that investment variables had a positive and significant effect on Fiscal Independence in Central Sulawesi Province. Meanwhile, per capita income has no effect on fiscal independence in Central Sulawesi Province. Then, the fiscal independence of Central Sulawesi Province in the era of regional autonomy, the level of fiscal dependence on the central government is still quite large, this is indicated by the proportion of DAU to TPD of 61.36%. On the contrary, the contribution of PAD and BHPBP to TPD is very low. Nurjanna Ladjin (2008).

3. Research Methods

This research uses the literature review method or often known as literature study. In literature studies, the approach used tends to be a qualitative approach so that the research direction is more about finding something new through various theoretical studies from various literature. The existing theoretical study is supported by several empirical data and elaborated to analyze the variables that influence fiscal independence inequality in the provinces of DKI Jakarta and West Papua. The research variable used by the author in this research is fiscal independence as the dependent variable, while the independent variables are DKI Jakarta and West Papua. The data used in this research is secondary data and uses time series data from 2015 to 2020 (5 years).

The type and source of data used is secondary data obtained from the Central Statistics Agency and the Ministry of Finance. The data used includes PAD data (consisting of Regional Taxes, Regional Retributions, Separated Regional Wealth Management Results, and Other Legitimate Regional Original Income), Balancing Funds (consisting of DBH, DAU, DAK, TKDD, and Other Income The data collection method used by the author in this research is through literature study which is a technique for obtaining information through journals, literature, documentation that is still relevant in this research.

The data used in this research was obtained in ready-made form from the Central Statistics Agency (BPS), the SIKD portal of the Ministry of Finance and the BPK RI fiscal independence review report. The data collected to calculate the fiscal independence index was obtained from the Review Report of the Financial Audit Agency which examined the financial reports of the DKI Jakarta and West Papua Provincial Governments for the 2015; 2016; 2017 Fiscal Years; 2018; 2019; and 2020 with a formula developed by Hunter (1977). The formula used by BPK RI is a formula developed by Hunter (1977) adapted to the structural conditions of the APBD in Indonesia. This formula has been agreed upon by the BPK RI Research and Development and Gajah Mada University (UGM), namely:

$$IKF = 1 - \frac{TrGP + TrSP + B + REVSH}{REVOR + TrGP + TrSP + B + REVSH}$$

dan

$$FAI = 1 - \frac{TrGP + TrSP + B + REVSH}{EXP_L}$$

Dimana

$$EXP_L = REV_{OR} + Tr_{GP} + Tr_{SP} + B + REV_{SH}$$

Operational definition

- IKF : Index Kemandirian Fiskal;
- REV_{OR} : Pendapatan Asli Daerah yang terdiri atas Pajak Daerah, Retribusi Daerah, Hasil Pengelolaan Kekayaan Daerah yang Dipisahkan, dan Lain-lain Pendapatan Asli Daerah yang Sah
- Tr_{GP} : *General Purpose Transfer* (DAU), Dana Otonomi Khusus, Dana Keistimewaan, Dana Desa, dan Pendapatan Transfer antar Daerah (Pendapatan Bagi Hasil dan Bantuan Keuangan)
- Tr_{SP} : Dana Alokasi Khusus (DAK Fisik dan DAK Non-Fisik)
- B : *Subnational Borrowing* (Penerimaan Pinjaman Daerah)
- REV_{SH} : Dana Bagi Hasil yang terdiri atas:
- DBH Pajak Bumi dan Bangunan (PBB);
 - DBH PPh Pasal 25 dan Pasal 29 wajib pajak orang pribadi dalam negeri dan PPh Pasal 21;
 - DBH cukai yang bersumber dari cukai hasil tembakau sesuai dengan ketentuan peraturan perundang-undangan; dan DBH sumber daya alam.
- FAI : *Fiscal Autonomy Index*
- EXP_L : *Local Expenditure* (Pengeluaran daerah)
- Tr_{GP} : *General Purpose Transfer* (Dana Alokasi Umum)
- Tr_{SP} : *Spesific Purpose Transfer* (Dana Alokasi Khusus)
- B : *Subnational Borrowing* (Pinjaman daerah)
- REV_{SH} : *Revenue Sharing* (dana bagi hasil/DBH)

Therefore, BPK RI in calculating IKF uses total income and total transfer income as proxies for expenditure. According to BPK RI, both approaches will produce the same or almost the same IKF.

4. Results and Discussions

Comparison of DKI Jakarta and West Papua Provinces based on data from BPS shows that:

Table 10. the Population Density data (in body)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	10.177,9	10.277,60	10.374,20	10.467,60	10.557,80	10.562,10
Papua Barat	871,5	893,4	915,4	937,5	959,60	1.134,10

Source: BPS <https://jakarta.bps.go.id/statictable/2021/09/22/309/jumlah-penduduk-menurut-provinsi-di-indonesia-ribu-2016-2020.html>

Based on the Population Density data table from BPS for 2015 to 2020, it is known that the comparison of Population Density between the provinces of DKI Jakarta and West Papua is very different. DKI Jakarta has a higher population density than West Papua.

Table 11. The Regional Expenditure data (in billion Rupiah)

Provinsi	2015	2016	2017	2018	2019	2020
DKI Jakarta	43.031,32	47.128,81	51.066,08	61.410,12	64.938,36	52.088,13
Papua Barat	20.110,39	20.631,24	20.926,55	21.254,51	26.003,94	26.212,93

Source: the SIKD Data Portal of the Indonesian Ministry of Finance

<https://djpk.kemenkeu.go.id/portal/data/apbd?>

Based on the Regional Expenditure data table from the Ministry of Finance's SIKD Data Portal for 2015 to 2020, it is known that the comparison of Regional Expenditures between the provinces of DKI Jakarta and West Papua is very different. DKI Jakarta has higher regional expenditure than West Papua. Gross Regional Domestic Product, abbreviated as GRDP, is an important indicator to determine the economic conditions in a province in a certain period, both on the basis of current prices and on the basis of constant prices. The added value of goods and services calculated using prices in the current year is an illustration of GRDP based on current prices, while the added value of goods and services calculated using prices in effect in a particular year as the base year is GRDP based on constant prices. To determine the economic resource capacity, shifts and economic structure of an area, GDP is used at current prices. Meanwhile, to determine real economic growth from year to year or economic growth that is not influenced by price factors, GDP at constant prices is used. Comparison of DKI Jakarta and West Papua Provinces, namely:

Table 12. Based on Current Price (in thousands Rupiah)

Provinsi	Harga Berlaku					
	2015	2016	2017	2018	2019	2020
DKI JAKARTA	195.431,68	210.075,09	228.002,73	247.678,49	268.052,25	262.702,12
PAPUA BARAT	72.159,85	74.584,63	78.423,63	84.958,03	87.542,37	73.932,60

Source: BPS <https://www.bps.go.id/indicator/52/288/3/-seri-2010-produk-domestik-regional-bruto-per-kapita.html>

Table 13. Based on Constant Prices (in thousands Rupiah)

Provinsi	Harga Konstan					
	2015	2016	2017	2018	2019	2020
DKI JAKARTA	142.913,61	149.831,90	157.636,60	165.768,99	174.812,51	170.099,68
PAPUA BARAT	60.064,13	61.242,01	62.169,96	64.499,45	64.418,52	54.487,70

Source: BPS <https://www.bps.go.id/indicator/52/288/3/-seri-2010-produk-domestik-regional-bruto-per-kapita.html>

Based on the GRDP data table from BPS for 2015 to 2020, it is known that the GRDP comparison between the provinces of DKI Jakarta and West Papua is very different. DKI Jakarta has a higher GDP than West Papua.

The BPK RI formula, a formula developed by Hunter (1977), was adapted to the conditions of the APBD structure in Indonesia to calculate fiscal independence. This formula has been agreed upon by the BPK RI Research and Development and Gajah Mada University (UGM). The BPK RI formula is as follows:

$$IKF = 1 - \frac{TrGP + TrSP + B + REVSH}{REVOR + TrGP + TrSP + B + REVSH}$$

dan

$$FAI = 1 - \frac{TrGP + TrSP + B + REVSH}{EXPL}$$

Dimana

$$EXP_L = REV_{OR} + Tr_{GP} + Tr_{SP} + B + REV_{SH}$$

The calculation results are as follows:

Table 14. DKI Jakarta

Tahun	Total PAD (Milyar)	Total Pendapatan Transfer (Milyar)	Total Lain-lain Pendapatan Daerah yang Sah (Milyar)	TOTAL PENDAPATAN (Milyar)	Pinjaman Daerah (Milyar)	OTSUS/Dais	IKF 2020	TA	Pengelompokan kemandirian fiskal
2015	33.686,18	5.887,27	1.880,68	41.454,13	14.663,96	non OTSUS/DAIS	0,6003		Mandiri
2016	36.888,02	15.271,66	1.625,03	53.784,71	1.343,03	non OTSUS/DAIS	0,6691		Mandiri
2017	43.901,49	18.969,29	1.953,11	64.823,89	4.015,94	non OTSUS/DAIS	0,6377		Mandiri
2018	43.327,14	17.855,18	53,51	61.235,83	14.477,77	non OTSUS/DAIS	0,5723		Mandiri
2019	45.707,40	14.551,57	2.041,71	62.300,68	8.100,63	non OTSUS/DAIS	0,6492		Mandiri
2020	37.414,75	16.962,90	1.509,35	55.887,00	2.903,53	non OTSUS/DAIS	0,6364		Mandiri
Jumlah	240.924,98	89.497,87	9.063,39	339.486,24	45.504,86				

Table 15. Papua Barat

Tahun	Total PAD (Milyar)	Total Pendapatan Transfer (Milyar)	Total Lain-lain Pendapatan Daerah yang Sah (Milyar)	Pendapatan OTSUS (Milyar)	Lain-lain Pendapatan Sesuai dengan Ketentuan Peraturan Perundang-undangan (Milyar)	TOTAL PENDAPATAN (Milyar)	Pinjaman Daerah (Milyar)	OTSUS/Dais	IKF TA 2020	Pengelompokan kemandirian fiskal
2015	767,68	12.099,07	46,93	5.212,98	-	18.126,66	3.617,05	OTSUS/DAIS	0,035306	Menuju Kemandirian
2016	847,08	18.778,71	5,20	-	852,22	20.483,21	794,53	OTSUS/DAIS	0,039811	Menuju Kemandirian
2017	990,12	20.131,49	38,46	-	901,05	22.061,12	800,00	OTSUS/DAIS	0,043310	Menuju Kemandirian
2018	937,42	19.683,57	58,67	-	744,72	21.424,38	1.890,00	OTSUS/DAIS	0,040208	Menuju Kemandirian
2019	1.096,24	26.856,74	333,49	-	228,15	28.514,62	2.912,09	OTSUS/DAIS	0,034882	Menuju Kemandirian
2020	1.069,25	23.268,77	137,45	-	123,03	24.598,50	268,36	OTSUS/DAIS	0,042999	Menuju Kemandirian
Jumlah	5.707,79	120.818,35	620,20	5.212,98	2.849,17	135.208,49	10.282,03			

Fiscal independence index figures for fiscal year 2015; 2016; 2017; 2018; 2019; and 2020 above shows a very large difference in index between DKI Jakarta Province and West Papua Province. DKI Jakarta Province is the province with the highest IKF and West Papua Province is the lowest IKF. Based on this, it is known that there is a high gap in fiscal independence between provincial governments that are close to the National Capital and Provinces that are far from the National Capital. This condition also illustrates that there is a development gap when compared between provinces with the highest and lowest fiscal independence indexes.

5. Conclusion

Based on research, several factors that influence the inequality/gap in fiscal independence between DKI Jakarta and West Papua Provinces can be identified in the following factors:

- In terms of Regional Income Potential: DKI Jakarta has higher income potential compared to West Papua, which is caused by differences in economic structure and natural resources between the two regions.
- Economic Infrastructure: Economically sound infrastructure in DKI Jakarta supports faster economic growth and better sector diversification, while West Papua still experiences challenges in developing adequate infrastructure.
- Fiscal Policy: Different fiscal policies between the two provinces can affect regional income, public spending and investment which affects the level of fiscal independence of each province.

- d. Aspects of Dependence on Central Government Transfers: West Papua's level of dependence on central government transfers tends to be higher than DKI Jakarta, which has an impact on the province's fiscal independence.

The conclusion is: to reduce the gap in fiscal independence between the two provinces, namely DKI Jakarta and West Papua, strategic steps are needed that can increase regional income potential, improve economic infrastructure, and implement fiscal policies that support sustainable economic growth in both regions. The next point is that stable economic conditions and good fiscal policies in DKI Jakarta can create a more attractive investment environment compared to West Papua Province which has low fiscal independence.

In overcoming the limitations of this research, it is important to pay attention to several suggestions for improvement that can enrich and broaden understanding regarding the factors that influence the inequality/gap in fiscal independence between the Provinces of DKI Jakarta and West Papua. The following are some suggestions for improvement and recommendations for future research as well as for policy changes that may be relevant, namely:

- a. Further In-Depth Research: Conduct further in-depth research, focusing on more detailed analysis related to various aspects including social, economic and political aspects that may influence the fiscal independence of the two provinces.
- b. More Comprehensive Data Collection: Encourage more comprehensive and accurate data collection related to regional income data, public spending, central government transfers, infrastructure, and data on other factors that can influence fiscal independence.
- c. Use of Alternative Research Methods: Integrating more diverse research methods, such as qualitative approaches, and comparative analysis, as well as case studies to broaden insight and understanding regarding the inequality/fiscal independence gap between the two provinces.
- d. Inter-Disciplinary Collaboration: Encourage collaboration between experts, namely economists, political scientists and public policy experts to gain a more comprehensive understanding of the factors that influence fiscal independence, as well as the policy implications that can be drawn from this research.
- e. Increasing Fiscal Policy Transparency: Encourage regional governments to increase transparency in planning, managing fiscal policy, and to take steps to increase the efficiency and accountability of regional financial management.
- f. Sustainable Policy Development: Encourage the government to develop sustainable policies to increase regional income potential, and improve infrastructure, as well as reduce dependence on central government transfers, especially in areas with limited resources such as West Papua Province.

By implementing the suggestions here, it is hoped that future research can provide more comprehensive insight into the factors that influence the gap in fiscal independence, so that it can support the formulation of more effective and sustainable policies to reduce the inequality/gap between the Provinces of DKI Jakarta and West Papua.

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