



RESEARCH ARTICLE

A Comparative Analysis of the Degree of Fiscal Decentralisation Between the City of Jambi and Batanghari Regency

Dewi Purnama Sari ^{1*} | Nurhayani ² | Parmadi ³

^{1,2,3}Local Finance Program, Faculty of Economics and Business, Universitas Jambi, Jambi City, Jambi Province, Indonesia.

Correspondence

¹Local Finance Program, Faculty of Economics and Business, Universitas Jambi, Jambi City, Jambi Province, Indonesia.
Email. dewi35539@gmail.com.

Funding information

Universitas Jambi.

Abstract

Fiscal decentralisation is a key instrument in the implementation of regional autonomy, aimed at enhancing the financial independence of local governments. The success of fiscal decentralisation can be measured by a region's ability to optimise its own-source revenue (PAD) and reduce its dependence on central government transfers. This study aims to analyse the degree of fiscal decentralisation and identify differences in fiscal capacity between the City of Jambi and Batang Hari Regency during the period 2020–2024. The study employs a quantitative approach using a descriptive comparative method. The data used consists of secondary data obtained from the Budget Implementation Reports (LRA) of the City of Jambi and Batang Hari Regency. The analysis was conducted using ratios of the degree of fiscal decentralisation based on Local Own-Source Revenue (PAD), Tax and Non-Tax Revenue Sharing (BHPBP), and central government transfers. Furthermore, differences in the fiscal capacity of the two regions were analysed using an independent samples t-test. The results indicate that Jambi City possesses a higher level of fiscal autonomy compared to Batang Hari Regency, as evidenced by a relatively higher contribution of PAD to total regional revenue. Conversely, Batang Hari Regency exhibits a greater degree of dependence on revenue-sharing funds and central government transfers. The results of the t-test also indicate a significant difference in the degree of fiscal decentralisation between the two regions. These findings suggest that regional economic characteristics and the capacity to manage local revenue sources play a significant role in determining the level of fiscal autonomy of local governments.

Keywords

Degree of Fiscal Decentralisation; Local Government Revenue; Central Government Transfers; Fiscal Autonomy; Local Government.

1 | INTRODUCTION

The implementation of regional autonomy in Indonesia is part of a decentralization policy that aims to increase the effectiveness of government administration and equitable distribution of development between regions. Through this policy, the government. Regions are given wider authority in regulating and managing government affairs, including in regional financial management. Regional finance is one of the important instruments in supporting the implementation of regional autonomy because it is directly related to the ability of local governments to finance the implementation of government, development, and public services to the community. Therefore, the ability of regions to manage regional revenue sources is an important indicator in assessing the level of fiscal ability of a region.

Regional financial capabilities can be analyzed through the degree of fiscal decentralization, which is a ratio that describes the contribution of Regional Original Revenue (PAD) to total regional revenue. According to Maisyuri (2017), the degree of fiscal decentralization is used to see the extent to which local governments are able to finance regional needs through sources of income that come from their own regions. The greater the contribution of PAD to the total regional revenue, the higher the level of fiscal independence of a region. On the other hand, the low contribution of PAD shows that the regional revenue structure is still dominated by central government transfers and profit-sharing funds, so the level of regional fiscal dependence is still relatively high.

The implementation of fiscal decentralization is basically not only related to the delegation of administrative authority from the central government to local governments, but also related to the ability of the regions to manage the local economic potential optimally. Mardiasmo (2018) stated that the level of regional financial independence can be seen from the ability of local governments to finance development needs using sources of income from the region itself. This condition shows that increasing regional fiscal capacity is one of the important factors in supporting the successful implementation of regional autonomy in a sustainable manner.

The phenomenon of differences in regional fiscal capabilities can still be found in various regions in Indonesia, including in Jambi Province. Jambi City and Batanghari Regency are two regions that have different economic characteristics and regional revenue structures. Jambi City as a center of trade and services has relatively more developed economic activities so that it has the potential to generate greater Regional Original Income. Meanwhile, Batanghari Regency has regional characteristics that are more supported by the agrarian sector and the extractive sector, so that the regional revenue structure tends to still depend on central government transfers and profit-sharing funds. These differences in economic characteristics cause fiscal capabilities between regions to be unequal.

Data from the 2020–2024 Budget Realization Report shows that the contribution of Regional Original Revenue to total regional revenues in Jambi City tends to be higher than that of Batanghari Regency. However, the revenue structure of the two regions still shows the dominance of revenues derived from central government transfers. This condition shows that the level of regional fiscal capacity still needs to be further analyzed through measuring the degree of fiscal decentralization so that the level of financial independence of each region can be known more objectively and measurably.

Several previous studies have examined fiscal decentralization and regional financial capabilities. Denisa and Nasution's research (2025) shows that the contribution of Regional Original Revenue has an important influence on the level of fiscal independence of local governments. Another study conducted by Sagala and Parmadi (2013) also shows that differences in regional economic structure can affect fiscal ability and regional revenue patterns. However, the research that specifically compares the degree of fiscal decentralization between Jambi City and Batanghari Regency is still relatively limited, so this study is important to provide an empirical picture of the condition of the fiscal capabilities of the two regions.

Research on fiscal decentralisation indicates that the ability of local governments to increase their own-source revenue (PAD) is a key indicator of fiscal autonomy. Sofilda *et al.* (2023) explain that regions with a high contribution from own-source revenue tend to have greater flexibility in financing the administration of government and regional development without relying excessively on central government assistance. Therefore, optimising sources of PAD is a key factor in strengthening fiscal capacity and the successful implementation of regional autonomy.

On the other hand, dependence on central government transfers remains a challenge for many local governments in Indonesia. Dharmawati *et al.* (2024) found that regions with low fiscal capacity generally still rely on transfer funds as their primary source of local revenue. This situation indicates that the level of fiscal decentralisation across regions remains uneven and is influenced by differences in economic potential, the structure of local revenue, and the ability of local governments to manage local revenue sources. Consequently, a comparative analysis between the City of Jambi and Batang Hari Regency is essential to provide an empirical picture of the level of fiscal autonomy and dependence on central government transfers in these two regions

Based on this background description, this study aims to analyze the degree of fiscal decentralization and determine the difference in fiscal capabilities between Jambi City and Batanghari Regency during the 2020–2024 period. The analysis was conducted using indicators such as Local Own-Source Revenue (PAD), Tax and Non-Tax Revenue Sharing (BHPBP), and central government transfers to provide an overview of the level of fiscal autonomy and financial

dependence of the two regions. It is hoped that the findings of this study will serve as input for local governments in formulating policies to enhance fiscal capacity and strengthen local financial autonomy.

2 | BACKGROUND THEORY

2.1 Fiscal Decentralization

Fiscal decentralization is the delegation of authority from the central government to local governments in regional financial management as part of the implementation of regional autonomy. The policy provides an opportunity for local governments to regulate regional revenue and expenditure sources according to their needs, economic potential, and regional characteristics. The implementation of fiscal decentralization aims to increase the efficiency of government administration, accelerate regional development, and strengthen the quality of public services to the community. According to Siombo (2017), fiscal decentralization is not only related to the division of administrative authority, but also concerns the ability of regions to finance the implementation of government independently. The implementation of fiscal decentralization in Indonesia is realized through financial relations between the central government and local governments which are reflected in the structure of regional revenues in the form of Regional Original Revenue, central government transfer funds, and other legitimate regional revenues. The revenue structure is an important indicator in assessing the level of fiscal ability and financial independence of local governments.

2.2 Regional Original Revenue

Regional Original Revenue is a source of regional revenue obtained from the economic potential of the region itself, such as regional taxes, regional levies, the results of segregated regional wealth management, and other legitimate regional original revenue. Regional Original Revenue has an important role in supporting the implementation of regional autonomy because it reflects the ability of local governments to finance the implementation of government and development using sources of income from their own regions. The greater the contribution of Regional Original Revenue to the total regional revenue, the higher the level of fiscal ability and financial independence of the region. According to Mahmudi (2019), the ability of the regions to increase Regional Original Income shows the success of local governments in managing the local economic potential optimally. On the other hand, the low contribution of Regional Original Revenue shows that local governments still have a considerable dependence on central government transfer funds in financing regional needs.

2.3 Non-Tax Revenue Sharing Fund

Tax and Non-Tax Revenue Sharing is part of the central government's transfer funds allocated to local governments based on a certain percentage of state revenues derived from taxes and natural resources. The funds are given as a form of financial balance between the central government and local governments in supporting the implementation of fiscal decentralization and maintaining the balance of financial capabilities between regions. The amount of revenue sharing funds received by each region varies depending on the potential of natural resources, tax revenues, and economic activities owned by the region. Tax and Non-Tax Revenue Sharing Contributions to regional revenues can affect the level of fiscal capacity of local governments because regions that have large resource potential and tax revenues tend to receive higher revenue-sharing funds than other regions. This condition causes the fiscal capacity between regions to be different so that the level of regional financial capacity is also uneven.

3.3 Central Government Transfers

The central government's transfer is a source of regional revenue derived from the State Revenue and Expenditure Budget which is allocated to local governments to support the implementation of regional autonomy and equitable distribution of fiscal capabilities between regions. The transfers consist of General Allocation Funds, Special Allocation Funds, Revenue Sharing Funds, and other types of transfers given to the regions in accordance with the provisions of laws and regulations. According to Halim (2012), transfer funds have an important role in maintaining the balance of financial capabilities between regions, especially for regions with low fiscal capacity. Central government transfers are used to assist local governments in financing government administration, regional development, and public services. The dominance of central government transfers in the regional revenue structure shows that the level of regional fiscal dependence on the central government is still relatively high. This condition illustrates that the ability of local governments to explore local sources of original revenue is not fully optimal so that regional development financing is still highly dependent on central government transfer funds.

3.4 Degree of Fiscal Decentralization

The degree of fiscal decentralization is a ratio used to measure the level of regional financial capability through the contribution of Regional Original Revenue to total regional revenue. The ratio is used to see the level of fiscal independence of local governments in financing the implementation of government and development using their own sources of regional

revenue. The higher the ratio of fiscal decentralization, the higher the level of fiscal ability and regional financial independence. On the other hand, the low ratio of fiscal decentralization indicates that local governments still have a high dependence on central government transfers in supporting regional financing. According to Maisyuri (2017), the degree of fiscal decentralization can be used as an indicator to assess the ability of local governments to manage regional revenue sources independently. The analysis of the degree of fiscal decentralization is important because it can provide an overview of the level of regional fiscal capacity, the contribution of Regional Original Revenue to total regional revenues, and the level of dependence of local governments on central government transfer funds.

3.5 The Relationship between Local Own-Source Revenue, Revenue-Sharing Funds, and Central Government Transfers and Local Fiscal Autonomy

The level of a region's fiscal autonomy is determined not only by the size of its revenue but also by the structure of its revenue sources. According to Sijabat (2016), the relationship between Local Own-Source Revenue (PAD) and fiscal autonomy is positive, meaning that the greater the contribution of PAD to total local revenue, the greater the local government's ability to finance its administrative and development needs independently. Conversely, regions with a low PAD contribution tend to be more dependent on funding sources from the central government. In addition to PAD, the Tax and Non-Tax Revenue Sharing Fund (BHPBP) also plays a role in shaping a region's fiscal capacity. However, unlike PAD, which stems from a region's ability to tap into local economic potential, BHPBP forms part of the financial equalisation mechanism between the central government and the regions. Therefore, a high contribution from BHPBP indicates fiscal support from the central government, although it does not fully reflect the level of a region's financial autonomy. Meanwhile, central government transfers serve as an instrument to reduce fiscal disparities between regions and ensure the availability of adequate public services. Nevertheless, a high proportion of central government transfers within the structure of local government revenue may indicate a low capacity of the region to generate its own revenue sources. This suggests that the region remains dependent on central government assistance to finance local government and development activities. Based on this relationship, a comparison of the contributions of PAD, BHPBP, and central government transfers can be used to explain a region's level of fiscal autonomy. Regions with a high PAD contribution and low dependence on transfers generally have a higher level of fiscal decentralisation compared to regions where the majority of revenue still comes from central government transfers. Therefore, an analysis of these three indicators is essential for comprehensively assessing a region's fiscal capacity and level of financial autonomy.

3 | METHOD

This study was conducted on the Jambi City Government and the Batang Hari Regency Government, focusing on an analysis of the degree of fiscal decentralisation during the period 2020–2024. The selection of these two regions was based on differences in economic characteristics and local revenue structures, which are thought to influence the fiscal capacity of each region. The data used consists of secondary data in the form of the Budget Realisation Reports (LRA) of the Jambi City Government and the Batang Hari Regency Government for the years 2020–2024, obtained from the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance of the Republic of Indonesia, as well as relevant supporting documents. This study employs a quantitative approach using a descriptive comparative method. Descriptive analysis is used to describe the degree of fiscal decentralisation in each region, whilst comparative analysis is used to identify differences in fiscal capacity between Jambi City and Batang Hari Regency.

The degree of fiscal decentralisation is measured using three indicators, namely Local Own-Source Revenue (PAD), Tax and Non-Tax Revenue Sharing (BHPBP), and central government transfers. The fiscal decentralisation ratio based on PAD is calculated by dividing PAD by total regional revenue and multiplying the result by 100 percent. Meanwhile, the fiscal decentralisation ratio based on BHPBP is calculated by dividing BHPBP by total local revenue and multiplying it by 100 percent. In addition, the fiscal decentralisation ratio based on central government transfers is calculated by dividing central government transfers by total local revenue and multiplying the result by 100 percent. Prior to hypothesis testing, the data were first tested for normality using the Shapiro–Wilk test. This test was conducted to ensure that the data were normally distributed and met the assumptions required for parametric testing. The results showed that all research data were normally distributed, as indicated by p-values greater than 0.05. Therefore, the analysis proceeded using an independent samples t-test.

The test for differences in the degree of fiscal decentralisation between the City of Jambi and Batang Hari Regency was conducted using an independent samples t-test. This test was used to determine whether there were significant differences in the means between the two regions based on the indicators of Local Own-Source Revenue (PAD), Tax and Non-Tax Revenue Sharing (BHPBP), and central government transfers during the observation period 2020–2024. Decisions were made at a significance level of 5 per cent ($\alpha = 0.05$). If the significance value is less than 0.05, there is a significant difference between the two regions under study.

4 | RESULTS AND DISCUSSION

4.1 Results

4.1.1 Degree of Fiscal Decentralization Based on Regional Original Revenue

Regional Original Revenue (PAD) is one of the important indicators in measuring the level of fiscal ability of local governments. The contribution of PAD to the total regional revenue shows the extent to which local governments are able to finance the implementation of government and development using sources of income from their own regions. The higher the contribution of PAD to the total regional revenue, the higher the level of fiscal independence of the region. Therefore, an analysis of the degree of fiscal decentralization based on PAD is needed to determine the level of regional financial capacity of Jambi City and Batanghari Regency during the 2020–2024 period.

Table 1. Ratio of Fiscal Decentralization Based on PAD of Jambi City and Batanghari Regency in 2020–2024 (%)

Year	Jambi City	Batanghari Regency
2020	21,93	8,70
2021	23,28	11,04
2022	26,19	8,46
2023	26,97	9,72
2024	25,81	8,52
Average	24,83	9,29

Source: Data Processed, 2026

Based on Table 1, the degree of fiscal decentralization based on Jambi City's Regional Original Revenue (PAD) during the 2020–2024 period shows a higher value than Batanghari Regency. Jambi City has an average ratio of 24.83 percent with the adequate category, while Batanghari Regency is 9.29 percent and is in the very poor category. This condition shows that the ability of the Jambi City Government to explore regional sources of revenue is relatively better than that of Batanghari Regency. The high contribution of PAD in Jambi City is influenced by urban economic activities dominated by the trade and service sector, thus providing greater potential for regional tax and levy revenues.

The development of the PAD ratio in Jambi City tends to be stable in the range of 21–26 percent, with the highest ratio occurring in 2023 at 26.97 percent and the lowest in 2020 at 21.93 percent. This condition shows that the contribution of PAD to total regional revenue has increased even though the regional revenue structure is still dominated by sources of revenue outside PAD. Meanwhile, Batanghari Regency showed a low and fluctuating ratio with the highest value of 11.04 percent in 2021 and the lowest of 8.46 percent in 2022. The low contribution of PAD shows that the ability of local governments to optimize regional revenue sources is still limited, so regional development financing is still highly dependent on central government transfers. The results of this study are in line with the opinion of Mahmudi (2019) who stated that the greater the contribution of Regional Original Revenue to the total regional revenue, the higher the level of regional financial independence. The difference in the ratio of the degree of fiscal decentralization between Jambi City and Batanghari Regency shows that the characteristics of the regional economy and the ability of the local government to manage the potential of regional revenues affect the level of fiscal ability of each region. The research findings indicate that Jambi City has a higher level of fiscal autonomy than Batang Hari Regency, as it is supported by a relatively higher contribution from local revenue. This situation is linked to Jambi City's role as a hub for trade, services and economic activity in Jambi Province, which enables it to generate greater local revenue. These findings are consistent with those of Marlissa and Blesia (2018), who found that urban areas tend to have a higher level of fiscal autonomy compared to areas whose economies are still dominated by the primary sector. These findings also support the research by Sofilda *et al.* (2023), which states that an increase in the contribution of Local Own-Source Revenue is a key factor in strengthening the fiscal capacity and financial autonomy of local governments.

4.1.2 Degree of fiscal decentralization based on tax revenue sharing and non-tax

Tax and Non-Tax Revenue Sharing (BHPBP) is one of the components of regional revenue derived from central government transfer funds. The contribution of BHPBP to total regional revenue shows the level of regional revenue derived from the distribution of tax revenues and natural resources between the central government and local governments. An analysis of the degree of fiscal decentralization based on BHPBP is needed to determine the extent of the contribution of profit-sharing funds in supporting the fiscal capabilities of Jambi City and Batanghari Regency during the 2020–2024 period.

Table 2. Ratio of Fiscal Decentralization Based on BHPBP of Jambi City and Batanghari Regency in 2020–2024 (%)

Year	Jambi City	Batanghari Regency
2020	6,15	8,49

2021	8,62	15,62
2022	6,80	17,84
2023	6,79	18,79
2024	7,24	19,72
Average	7,24	16,49

Source: Data Processed, 2026

Based on Table 2, the degree of fiscal decentralization based on Tax and Non-Tax Revenue Sharing (BHPBP) shows that Batanghari Regency has a higher contribution of BHPBP to total regional revenue than Jambi City during the 2020–2024 period. Batanghari Regency has an average ratio of 16.49 percent, while Jambi City is 7.24 percent. This condition shows that the regional revenue structure of Batanghari Regency is relatively more supported by profit-sharing funds from the agricultural and extractive sectors such as agriculture and mining.

The development of the BHPBP ratio in Jambi City tends to be stable with the highest ratio of 8.62 percent in 2021 and the lowest of 6.15 percent in 2020. The low contribution of BHPBP shows that the revenue structure of Jambi City is more supported by Regional Original Revenue from the trade and service sectors. On the other hand, Batanghari Regency showed a BHPBP ratio that tended to increase during the study period, with the highest ratio of 19.72 percent in 2024 and the lowest of 8.49 percent in 2020. This condition shows that the contribution of profit-sharing funds to the total regional revenue of Batanghari Regency is still quite large so that its fiscal ability is still influenced by revenues from the central government. The difference in the contribution of BHPBP between Jambi City and Batanghari Regency shows that the characteristics of the regional economy affect the revenue structure and fiscal ability of the local government. Regions with greater natural resource potential and primary sectors tend to receive higher profit-sharing funds than regions dominated by the trade and services sector, so that the fiscal capacity between regions is different. The high contribution of tax and non-tax revenue-sharing funds to Batang Hari Regency indicates that the region's fiscal capacity is still influenced by revenue derived from the financial equalisation mechanism between the central and local governments. This situation reflects that the potential of natural resources and the primary sector remains the mainstay of local government revenue. Although revenue-sharing funds can enhance local fiscal capacity, excessive reliance on such revenue sources risks reducing fiscal autonomy if not balanced by an increase in Local Own-Source Revenue. This finding indicates that the local economic structure plays a crucial role in determining the pattern of revenue and the fiscal capacity of local governments.

4.1.3 Degree of Fiscal Decentralization Based on Central Government Transfers

The central government's transfer is a source of regional revenue derived from the State Revenue and Expenditure Budget which is allocated to the regions to support the implementation of regional autonomy and equitable distribution of fiscal capabilities between regions. The high contribution of central government transfers to total regional revenues shows that the level of fiscal dependence of local governments on the central government is still relatively high. Therefore, an analysis of the degree of fiscal decentralization based on central government transfers is necessary to see the level of fiscal dependence of Jambi City and Batanghari Regency during the study period.

Table 3. Ratio of Fiscal Decentralization Based on Transfers of the Central Government of Jambi City and Batanghari Regency in 2020–2024 (%)

Year	Jambi City	Batanghari Regency
2020	66,35	82,43
2021	64,76	80,89
2022	64,48	82,41
2023	71,60	83,86
2024	67,77	79,20
Average	66,99	81,76

Source: Data Processed, 2026

Based on Table 3, the degree of fiscal decentralization based on central government transfers shows that Jambi City and Batanghari Regency still have a fairly high level of fiscal dependence on the central government during the 2020–2024 period. Batanghari Regency has an average central government transfer ratio of 81.76 percent, higher than Jambi City of 66.99 percent. This condition shows that most of the regional revenues in the two regions still come from central government transfer funds so that the ability of the regions to finance the implementation of government and development using their own sources of income is not optimal.

The development of the central government's transfer ratio in Jambi City shows fluctuating conditions with the highest ratio of 71.60 percent in 2023 and the lowest of 64.48 percent in 2022. Although Jambi City has a relatively better Regional Original Revenue than Batanghari Regency, the regional revenue structure is still quite dependent on central

government transfer funds. Meanwhile, Batanghari Regency shows a higher level of fiscal dependence with the central government's transfer ratio in the range of 79–83 percent. The highest ratio occurred in 2023 at 83.86 percent and the lowest in 2024 at 79.20 percent. This condition shows that the financing of government implementation and regional development in Batanghari Regency is still highly dependent on central government transfer funds because the region's ability to increase Regional Original Revenue is still relatively limited. The difference in central government transfer contributions between Jambi City and Batanghari Regency shows that there is a difference in fiscal capacity between regions. Jambi City has a relatively lower level of fiscal dependence because it is supported by a larger contribution of Regional Original Revenue than Batanghari Regency. On the other hand, Batanghari Regency is still heavily dependent on central government transfer funds to support regional financing so that the level of fiscal independence is relatively lower.

4.1.4 Comparative Analysis of the Degree of Fiscal Decentralization

A comparative analysis was carried out to find out whether there is a difference in the degree of fiscal decentralization between Jambi City and Batanghari Regency based on the indicators of Regional Original Revenue, Tax and Non-Tax Revenue Sharing, and central government transfers. The test was carried out using an independent sample t-test to see the difference in the average fiscal ability of the two regions statistically.

Table 4. Results of the Independent Sample t-Test on the Degree of Fiscal Decentralization Based on Regional Original Revenue (PAD) of Jambi City and Batanghari Regency in 2020–2024

t-Test: Two-Sample Assuming Equal Variances		
Test Component	Variable 1	Variable 2
Mean	9.288273644	24.83422925
Variance	1.220359332	4.551291057
Observations	5	5
Pooled Variance	2.885825195	
Hypothesized Mean Difference	0	
df	8	
t Stat	-14.46946312	
P(T ≤ t) one-tail	2.54638E-07	
t Critical one-tail	1.859548038	
P(T ≤ t) two-tail	5.09275E-07	
t Critical two-tail	2.306004135	

Source: Data Processed, 2026

Based on the results of the independent sample t-test in Table 4, the average value of fiscal decentralization based on the Regional Original Revenue (PAD) of Jambi City was 24.83 percent, while Batanghari Regency was 9.29 percent. The test results showed a two-tail $P(T \leq t)$ value of 5.09275E-07 or smaller than the significance level of 0.05, thus showing that there is a significant difference between the degree of fiscal decentralization of Jambi City and Batanghari Regency during the 2020–2024 period.

This difference shows that the level of fiscal ability of Jambi City is relatively better than that of Batanghari Regency. The high contribution of Jambi City PAD is influenced by more developed regional economic activities, especially in the trade and service sectors, so as to contribute more to regional revenue. On the other hand, Batanghari Regency still has a relatively low contribution of PAD to total regional revenue, so the level of dependence on central government transfers is still quite high. This condition shows that the characteristics of the regional economy and the ability of local governments to manage the potential for regional revenues affect the level of fiscal independence of each region.

Table 5. Results of the Independent Sample t-Test on the Degree of Fiscal Decentralization Based on Tax and Non-Tax Revenue Sharing (BHPBP) of Jambi City and Batanghari Regency in 2020–2024

t-Test: Two-Sample Assuming Equal Variances		
Test Component	Variable 1	Variable 2
Mean	16.09387727	7.241722166
Variance	20.38217837	0.965728314
Observations	5	5
Pooled Variance	10.67395334	
Hypothesized Mean Difference	0	
df	8	
t Stat	4.284068135	
P(T ≤ t) one-tail	0.001336371	
t Critical one-tail	1.859548038	

P(T ≤ t) two-tail	0.002672742
t Critical two-tail	2.306004135

Source: Data Processed, 2026

Based on the results of the independent *sample t-test* in Table 5, the average value of fiscal decentralization based on the Tax and Non-Tax Revenue Sharing (BHPBP) of Batanghari Regency is 16.49 percent, while Jambi City is 7.24 percent. The test results showed a *two-tail P(T≤t)* value of 0.002672742 or less than the significance level of 0.05, thus showing that there is a significant difference between the degree of fiscal decentralization based on the BHPBP of Jambi City and Batanghari Regency during the 2020–2024 period.

This difference shows that the contribution of BHPBP to the total regional revenue of Batanghari Regency is relatively greater than that of Jambi City. The high contribution of BHPBP to Batanghari Regency is influenced by the regional economic structure which is still dominated by the agricultural and extractive sectors so as to provide greater revenue sharing funds. On the other hand, Jambi City has a lower contribution of BHPBP because its economic structure is more supported by the trade and service sectors. This condition shows that the difference in regional economic characteristics affects the revenue structure and fiscal ability of each region.

Table 6. Results of the Independent Samples t-Test on the Degree of Fiscal Decentralization Based on Central Government Transfers in Jambi City and Batanghari Regency, 2020–2024

Test Component	t-Test: Two-Sample Assuming Equal Variances	
	Variable 1	Variable 2
Mean	81.75908643	66.98931581
Variance	3.150202136	8.384240646
Observations	5	5
Pooled Variance	5.767221391	
Hypothesized Mean Difference	0	
df	8	
t Stat	9.724346906	
P(T ≤ t) one-tail	5.22694E-06	
t Critical one-tail	1.859548038	
P(T ≤ t) two-tail	1.04539E-05	
t Critical two-tail	2.306004135	

Source: Data processed, 2026.

Based on the results of the independent sample t-test in Table 6, the average value of fiscal decentralization based on the transfer of the central government of Batanghari Regency was 81.76 percent, while Jambi City was 66.99 percent. The test results showed a two-tail $P(T \leq t)$ value of 1.04539E-05 or less than the significance level of 0.05, thus showing that there was a significant difference between the degree of fiscal decentralization based on transfers from the central government of Jambi City and Batanghari Regency during the 2020–2024 period.

This difference shows that the level of fiscal dependence of Batanghari Regency on central government transfers is relatively higher than that of Jambi City. The high contribution of central government transfers to Batanghari Regency shows that most of the regional revenues still come from central government transfer funds so that the region's ability to finance the administration of government and development using its own sources of revenue is still limited. On the other hand, Jambi City has a relatively lower level of dependency because the contribution of Regional Original Revenue to total regional revenue is greater than that of Batanghari Regency. This condition shows that the ability of local governments to optimize regional revenue sources affects the level of fiscal independence of each region. The results of this study indicate that Batang Hari Regency's level of fiscal dependence on central government transfers remains higher than that of Jambi City. This situation suggests that the region's capacity to generate local revenue is not yet sufficient to independently support its development funding needs. This finding is consistent with Dharmawati *et al.* (2024), who state that regions with low fiscal capacity generally still have a high dependence on central government transfer funds. Therefore, efforts to increase fiscal autonomy need to be directed towards optimising sources of local revenue, improving the effectiveness of local asset management, and developing leading economic sectors capable of broadening the local revenue base.

4.2 Discussion

The of this study show a clear difference in fiscal capacity between Jambi City and Batanghari Regency during the 2020-2024 period. The difference appears in three indicators: Regional Original Revenue (PAD), Tax and Non-Tax Revenue Sharing (BHPBP), and central government transfers. The findings suggest that Jambi City has stronger fiscal autonomy than Batanghari Regency when viewed from PAD. Batanghari Regency, however, relies more on revenue-sharing funds and central government transfers. This pattern gives a realistic picture of how each region finances government activities

and development programs. The PAD ratio shows that Jambi City has a stronger local revenue base. During the study period, Jambi City recorded an average PAD-based fiscal decentralization ratio of 24.83 percent. Batanghari Regency only reached 9.29 percent. This gap is large enough to indicate different fiscal conditions between the two regions. Jambi City can generate more income from local sources because its economy is supported by trade, services, business activities, and urban taxation. These sectors usually create more stable opportunities for local tax and levy collection. This finding supports Mahmudi (2019), who states that a higher PAD share in total regional revenue reflects stronger regional financial independence.

The condition of Batanghari Regency needs serious attention. Its low PAD ratio shows that local revenue has not played a strong role in financing regional needs. The region still depends heavily on funds outside its own revenue sources. This condition may occur because Batanghari Regency has an economic structure that relies more on agriculture, plantations, and extractive activities. These sectors can support the regional economy, but they do not always produce direct and stable local revenue. Denisa and Nasution (2025) explain that PAD has a close relationship with fiscal independence. When PAD remains low, local governments have less room to manage development priorities using their own fiscal strength. The BHPBP indicator gives a different result. Batanghari Regency recorded a higher average BHPBP ratio, namely 16.49 percent, while Jambi City only reached 7.24 percent. This finding shows that Batanghari Regency receives a larger share from tax and non-tax revenue sharing. This is closely related to the role of natural resources and primary sectors in the regional economy. However, this higher BHPBP share should not be read as a sign of stronger fiscal autonomy. Revenue-sharing funds still come through the financial balance system between the central and local governments. They may increase fiscal capacity, but they do not fully reflect the local government's own revenue effort.

This result is in line with Sijabat (2016), who explains that fiscal independence is more closely linked to PAD than to revenue from central allocation mechanisms. Batanghari Regency's higher BHPBP ratio shows that the region still depends on fiscal support outside PAD. This condition also supports Sagala and Parmadi (2013), who found that differences in regional economic structure influence fiscal capacity and local revenue patterns. Jambi City, with its trade and service-based economy, has a stronger PAD base. Batanghari Regency, with its primary sector-based economy, receives a larger share from BHPBP. The transfer ratio gives the strongest signal of fiscal dependence. Batanghari Regency recorded an average central government transfer ratio of 81.76 percent, while Jambi City recorded 66.99 percent. Both figures are still high. This means that both regions still rely heavily on transfers from the central government. Yet, Batanghari Regency has a much higher level of dependence. This finding is consistent with Arief (2025), who states that high dependence on central transfers reflects weak local fiscal capacity. Halawa *et al.* (2025) also argue that regions with low local revenue tend to rely more on transfer funds to finance government administration, public services, and development spending.

The high transfer ratio in Batanghari Regency shows that the region's own revenue is not strong enough to support development needs independently. This condition can reduce the fiscal space of local governments. When most revenue comes from transfers, regional spending priorities may depend more on central allocation rules than on local fiscal initiative. Dharmawati *et al.* (2024) also found that local governments with weak fiscal capacity usually have a high dependence on central government transfers. For Batanghari Regency, this means that increasing PAD should become a serious policy direction. The local government needs to improve tax administration, strengthen levy management, optimize local assets, and develop productive local sectors that can widen the PAD base. Jambi City also still has work to do. Although its PAD ratio is higher than Batanghari Regency, its transfer ratio remains high at 66.99 percent. This shows that Jambi City has not yet reached strong fiscal independence. The city has a better starting point because its urban economy offers wider revenue opportunities. However, the local government still needs to reduce dependence on transfer funds gradually. Astuti and Kartika (2024) state that the optimization of local taxes and levies can increase PAD. Kamala *et al.* (2025) also explain that strengthening local own-source revenue supports regional fiscal independence. For Jambi City, this can be done by improving taxpayer data, increasing compliance, using digital revenue systems, and reducing revenue leakage.

These results confirm that the fiscal differences between the two regions are not random. They reflect real differences in local revenue capacity, revenue structure, and dependence on central government funding. The findings also show that fiscal decentralization cannot rely only on fund transfers. Transfer funds are needed to reduce fiscal gaps between regions, but they do not automatically strengthen local fiscal autonomy. Local governments need the ability to generate and manage their own revenue sources. This requires stronger fiscal governance, better planning, and more accurate revenue mapping. Wahyudi *et al.* (2023) explain that institutional capacity affects the success of fiscal decentralization. Santoso *et al.* (2024) and Dotulung (2025) also stress that transparency and accountability in financial management help improve public finance performance.

5 | CONCLUSIONS AND FUTURE WORK

This study analyzed the degree of fiscal decentralization in Jambi City and Batanghari Regency during 2020–2024 using three indicators: Regional Original Revenue (PAD), Tax and Non-Tax Revenue Sharing (BHPBP), and

central government transfers. The findings show that Jambi City has stronger fiscal capacity and higher financial autonomy than Batanghari Regency. This condition is reflected in the greater contribution of PAD to total regional revenue. Based on PAD, Jambi City falls into the sufficient category, while Batanghari Regency remains in the very insufficient category. In contrast, Batanghari Regency relies more heavily on revenue-sharing funds and central government transfers. This indicates that its fiscal independence remains limited and that its regional revenue structure still depends greatly on external funding sources. The independent sample t-test confirms significant differences between Jambi City and Batanghari Regency across all indicators of fiscal decentralization. These differences show that local economic characteristics, revenue potential, and fiscal management capacity influence the fiscal performance of each region. Theoretically, this study provides empirical evidence on fiscal decentralization and regional financial independence in Indonesia. Practically, the findings can guide local governments in strengthening fiscal capacity, optimizing local revenue sources, and improving financial management. Jambi City needs to maintain and expand its local revenue base to support greater fiscal autonomy. Meanwhile, Batanghari Regency needs to improve the management of local economic potential, local taxes, and local levies to reduce dependence on central government transfers. This study has limitations because it focuses on two regional governments and covers a five-year observation period. Therefore, future research should include more regions, longer observation periods, and additional fiscal performance indicators. Further studies should also examine the role of economic structure, governance quality, and public expenditure efficiency in shaping fiscal decentralization outcomes. These efforts can provide a broader understanding of regional fiscal capacity and support fiscal policy formulation.

REFERENCES

- Arief, R. (2025). Analisis ketergantungan fiskal daerah terhadap transfer pemerintah pusat. *Jurnal Ekonomi Daerah*, 8(1), 45-57.
- Astuti, D., & Kartika, R. (2024). Optimalisasi pajak dan retribusi daerah dalam meningkatkan pendapatan asli daerah. *Jurnal Akuntansi dan Keuangan Daerah*, 11(2), 88-101.
- Auliani, S., Rahman, F., & Hidayat, M. (2024). Analisis kinerja keuangan pemerintah daerah berbasis rasio keuangan. *Jurnal Keuangan Publik Indonesia*, 6(1), 22-35.
- Biduri, S., Wahyuni, N., & Kurniawan, D. (2022). Akuntansi keuangan publik dan laporan realisasi anggaran pemerintah daerah. *Jurnal Akuntansi Publik*, 9(3), 113-126.
- Biswan, A. T. (2022). *Keuangan publik dan pengambilan keputusan publik*. Rajawali Pers.
- Denisa, A., & Nasution, H. (2025). Pengaruh pendapatan asli daerah terhadap kemandirian fiskal pemerintah daerah. *Jurnal Ekonomi dan Kebijakan Publik*, 10(1), 67-79.
- Dharmawati, N., Putri, R. A., & Hidayat, M. (2024). Fiscal capacity and regional financial independence in Indonesian local governments. *Journal of Regional Economics and Public Finance*, 12(1), 45-58.
- Direktorat Jenderal Perimbangan Keuangan. (2019). *Hubungan keuangan pemerintah pusat dan daerah*. Kementerian Keuangan Republik Indonesia.
- Dotulung, F. (2025). Transparansi dan akuntabilitas pengelolaan keuangan daerah berbasis elektronik. *Jurnal Administrasi Publik*, 14(1), 55-69.
- Ginting, E. (2022). Analisis indikator keberhasilan desentralisasi fiskal daerah. *Jurnal Ilmu Ekonomi dan Pembangunan*, 5(2), 91-104.
- Halawa, J., Simanjuntak, P., & Lumbanraja, D. (2025). Ketergantungan fiskal daerah terhadap dana transfer pemerintah pusat. *Jurnal Ekonomi Regional*, 7(1), 30-44.
- Halim, A. (2012). *Akuntansi sektor publik: Akuntansi keuangan daerah* (4th ed.). Salemba Empat.
- Hardiana, S., Yusuf, M., & Anwar, R. (2020). Desentralisasi fiskal dan pengaruhnya terhadap pembangunan daerah. *Jurnal*

Kebijakan Fiskal Indonesia, 3(2), 75-89.

- Kamala, N., Putri, S., & Maulana, R. (2025). Optimalisasi pendapatan asli daerah dalam mendukung kemandirian fiskal daerah. *Jurnal Ekonomi Pembangunan Daerah*, 12(1), 15-28.
- Kementerian Keuangan Republik Indonesia. (2014). *Pedoman pengelolaan pendapatan asli daerah*. Kementerian Keuangan Republik Indonesia.
- Mahmudi. (2019). *Analisis laporan keuangan pemerintah daerah* (5th ed.). UPP STIM YKPN.
- Maisyuri. (2017). Analisis derajat desentralisasi fiskal dan kinerja keuangan pemerintah daerah. *Jurnal Keuangan Daerah*, 4(2), 50-63.
- Malau, R., & Situngkir, H. (2025). Analisis realisasi pendapatan dan belanja daerah dalam pengukuran kinerja keuangan pemerintah daerah. *Jurnal Ekonomi dan Bisnis Daerah*, 9(1), 71-84.
- Mardiasmo. (2018). *Otonomi dan manajemen keuangan daerah*. Andi Offset.
- Marlissa, E. R., & Blesia, J. U. (2018). Fiscal decentralization and regional financial independence: Evidence from local governments in Indonesia. *Journal of Indonesian Applied Economics*, 8(2), 95-108.
- Parbinoto, H. (2019). Tata kelola pemerintahan daerah dalam mendukung pembangunan nasional. *Jurnal Administrasi Negara*, 6(2), 40-52.
- Republik Indonesia. (2022). *Undang-Undang Republik Indonesia Nomor 1 Tahun 2022 tentang Hubungan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah*.
- Sagala, E., & Parmadi. (2013). Analisis perbedaan kemampuan fiskal antar daerah di Provinsi Jambi. *Jurnal Perspektif Pembiayaan dan Pembangunan Daerah*, 1(3), 149-158.
- Santoso, B., Putra, Y., & Lestari, N. (2024). Transparansi dan akuntabilitas dalam pengelolaan keuangan publik daerah. *Jurnal Governance Indonesia*, 13(2), 120-133.
- Shafwah, R., Nugroho, A., & Fadillah, M. (2024). Pengaruh pendapatan asli daerah terhadap pertumbuhan ekonomi dan belanja pembangunan daerah. *Jurnal Ekonomi Regional dan Fiskal*, 5(1), 60-74.
- Sijabat, H. (2016). Analisis kemandirian fiskal dan desentralisasi fiskal pemerintah daerah di Indonesia. *Jurnal Ekonomi dan Kebijakan Publik*, 7(2), 145-158.
- Siombo, M. R. (2017). *Hukum pemerintahan daerah di Indonesia*. Sinar Grafika.
- Siregar, T., & Panggabean, R. (2020). Analisis rasio kinerja keuangan pemerintah daerah kabupaten/kota di Indonesia. *Jurnal Keuangan Negara dan Kebijakan Publik*, 2(1), 44-58.
- Sofilda, E., Hamzah, M. Z., & Pratama, A. (2023). The role of local own-source revenue in strengthening fiscal decentralization and regional financial independence in Indonesia. *Journal of Public Administration and Governance*, 13(2), 112-126.
- Wahyudi, R., Firmansyah, D., & Kurniawati, S. (2023). Desentralisasi fiskal dan kapasitas kelembagaan pemerintah daerah. *Jurnal Kebijakan Publik dan Pemerintahan*, 8(2), 95-109.

How to cite this article: Sari, D. P., Nurhayani, & Parmadi. (2026). A Comparative Analysis of the Degree of Fiscal Decentralisation Between the City of Jambi and Batanghari Regency. *Indonesian Journal Economic Review (IJER)*, 6(2), 643-653. <https://doi.org/10.59431/ijer.v6i2.833>.