

# PROVINCIAL FINANCIAL PERFORMANCE UNDER FISCAL AUTONOMY : EVIDENCE FROM SULAWESI AND KALIMANTAN (2022-2024)

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## Abstract

This study aims to analyze differences in the financial performance of provincial governments in Sulawesi and Kalimantan for the 2022–2024 period based on published data from Bank Indonesia. The study uses a quantitative approach with a comparative descriptive method through measuring the effectiveness ratio, fiscal decentralization ratio, and regional financial independence ratio. The data used are secondary data in the form of quarterly financial reports of provincial governments for the 2022–2024 fiscal years. The study population includes ten provinces, with eight provinces being selected as samples using a purposive sampling technique. The results show no significant differences in the effectiveness ratio, fiscal decentralization ratio, or financial independence ratio between provincial governments in Sulawesi and Kalimantan. All research hypotheses are accepted, indicating that the financial performance of provincial governments in both regions is relatively homogeneous within the national fiscal policy framework.

**Keywords:** regional financial performance, fiscal decentralization, financial independence, provincial Government.

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## 1. INTRODUCTION

The success of implementing regional autonomy is highly dependent on the ability of regional governments to manage finances in an orderly manner, comply with laws and regulations, and apply the principles of efficiency, economy, effectiveness, transparency and responsibility.(ISTIQOMAH, 2023). Regional financial management is implemented through an integrated system and is manifested in the Regional Revenue and Expenditure Budget (APBD) which is determined annually through regional regulations as stipulated in Government Regulation Number 58 of 2005 Article 4(Alfiani, A., Armeliza, D., & Nasution, 2024). Thus,(Nashr, 2022)stated that the financial performance of regional governments is an important indicator in assessing the extent of success of the implementation of regional autonomy.

Measuring the financial performance of local governments is an important part of the public sector management control system.(Azizah & Hidayat, 2023). Meanwhile, (Arikayati et al., 2022) defining performance measurement as an evaluative process of individual and organizational performance achievements. In the context of regional government(Safitri et al., 2024)stated that measuring financial performance not only functions as an evaluation tool, but also as a means to ensure public accountability and the effectiveness of achieving regional development goals.

In Agency Theory, local government acts as an agent mandated by the community as principal to manage public resources.(Tauda et al., 2025)This relationship has the potential to create conflicts of interest and information asymmetry because local governments have greater access to information related to financial management. Therefore, measuring local government financial performance serves as a control mechanism to ensure accountability and alignment of financial management with the public interest.(Tetelepta, JM, & Talakua, 2025). The effectiveness ratio, fiscal decentralization ratio, and financial independence ratio indicators are used to assess the extent to which regional governments carry out the mandate of regional autonomy optimally.(Sales, 2024).

To support the objective and standardized measurement of regional government financial performance, the availability of reliable financial data and information is required. One widely used data source is the regional economic publications published by Bank Indonesia. These publications provide comprehensive information on regional economic conditions, including regional revenue realization, which can be used to assess the fiscal capacity and financial performance of local governments comparatively across regions. The following presents data on the highest regional incomes in the provinces of Sulawesi and Kalimantan, based on Bank Indonesia publications.

**Table 1. Data on Realization of the Highest Regional Income in the Provinces of Sulawesi and Kalimantan**

No	Province	Year	Period	Regional Income (Rp Billion)
1	South Sulawesi	2022	TW I	807,770
2	Central Sulawesi	2022	TW I	277,100
3	North Sulawesi	2022	TW I	120,100
4	East Kalimantan	2022	TW I	1,245,000
5	South Kalimantan	2022	TW I	468,500
6	West Kalimantan	2022	TW I	352,400

Source: Bank Indonesia Regional Economic Publication Website

Based on published data from Bank Indonesia, there is a significant difference in regional revenue realization between provinces in Sulawesi and Kalimantan in 2022 (Quarter One). In general, provinces in Kalimantan demonstrated higher nominal regional revenue compared to provinces in Sulawesi. This indicates that the fiscal capacity of local governments in Kalimantan is relatively stronger than that of Sulawesi.

In the Sulawesi region, South Sulawesi Province recorded the highest regional revenue of Rp807,770 billion, followed by Central Sulawesi at Rp277,100 billion and North Sulawesi at Rp120,100 billion. Meanwhile, in the Kalimantan region, East Kalimantan Province recorded the highest regional revenue of Rp1,245,000 billion, followed by South Kalimantan at Rp468,500 billion and West Kalimantan at Rp352,400

billion. These nominal differences in regional revenue indicate a fiscal gap between regions, reflecting differences in economic capacity and regional revenue structure.

The differences in regional income levels not only illustrate variations in regional economic potential, but also reflect differences in the contribution of Regional Original Income (PAD) to total regional income. (Fajar, F., Muchtar, M., & Sihombing, 2023). Regions with higher income levels tend to have better levels of fiscal decentralization and financial independence, while regions with relatively lower incomes generally have a greater dependence on transfer funds from the central government. (Melmambessy et al., 2022) Therefore, measuring the financial performance of regional governments is important to assess the effectiveness of financial management and the level of regional fiscal independence. (Deswira, 2022).

Measurement of regional government financial performance in this study was carried out through several main indicators, namely the effectiveness ratio, fiscal decentralization ratio, and regional financial independence ratio. (Melmambessy et al., 2022) The effectiveness ratio reflects the level of success of the regional government in realizing revenue in accordance with the targets that have been set. (Meyrianti, 2024) The higher the effectiveness ratio, the better the regional government's ability to optimize potential revenue as a source of financing for development and public services. (Melmambessy et al., 2022).

Previous research results show mixed findings. Research by (Ananda Aulia Erica, 2023) shows that the effectiveness ratio in the Special Region of Yogyakarta Province and the Riau Islands Province has achieved a good level of effectiveness. In contrast, research by (Muslim et al., 2023) found that the financial performance of the Kendari City Government based on the effectiveness ratio is still considered ineffective in achieving the set PAD targets.

The fiscal decentralization ratio describes the ability of regional governments to finance their fiscal needs through PAD and reflects the level of regional fiscal independence from the central government. (Azizah & Hidayat, 2023) The higher the fiscal decentralization ratio, the greater the role of PAD in the regional income structure, which indicates a more optimal implementation of fiscal autonomy. (Hardiana, RD, Tanuatmodjo, H., & Kurniati, 2020) However, previous research results also show different findings. (Rheswari & Akbar, 2022) found no significant difference in the fiscal decentralization ratio in the Gresik Regency Government before and after the Covid-19 pandemic. Conversely, (Setiani & Sarwono, 2025) found that provinces on Java Island have better fiscal decentralization performance than provinces on Kalimantan Island.

The financial independence ratio reflects the region's ability to finance the implementation of government and development by relying on its own sources of income. (Syahril et al., 2023). A high level of independence indicates that regions are not overly dependent on transfer funds from the central government. (Saragih, R., & Nurlinda, 2023). Study (Ratu et al., 2023) shows a significant difference in the

independence ratio between island and non-island districts, where non-island districts have a higher level of independence. However, research by (Arfath & Priyono, 2023) found that the independence ratio of DKI Jakarta Province did not show any significant difference before and during the Covid-19 pandemic.

Based on differences in regional revenue conditions between regions and the inconsistency of previous research results (research gap) regarding regional government financial performance, particularly regarding the effectiveness ratio, fiscal decentralization ratio, and independence ratio, this research is relevant. Therefore, this study aims to conduct a comparative analysis of regional government financial performance between provinces in Sulawesi and Kalimantan for the 2022–2024 period using Bank Indonesia published data.

## 2. METHODOLOGY

This study uses a quantitative approach with a comparative descriptive method to analyze local government financial performance through effectiveness ratios, fiscal decentralization ratios, and regional financial independence ratios. The data used are secondary data in the form of quarterly financial reports of provincial governments in the Sulawesi and Kalimantan regions for the 2022–2024 fiscal years obtained from official publications of Bank Indonesia. The study population includes 10 provincial governments in the region, but based on criteria for completeness and uniformity of data presentation, 8 provinces were selected as research samples using a purposive sampling technique. The operational definition of the variables used in this study can be seen as follows:

**Table 2. The operational definition of the variables**

No	Ratio	Formula	Scale
1	Effectiveness ratio	$= \frac{\text{The realization of the original regional}}{\text{Regional original income budget}} \times 100\%$ Source : (Remanta & Ramadhan, 2024)	Secondary
2	Fiscal Decentralization Ratio	$= \frac{\text{The realization of the original regional}}{\text{Regional revenue budget}} \times 100\%$ Source : (Remanta & Ramadhan, 2024)	Secondary
3	Independence Ratio	$= \frac{\text{The realization of the original regional}}{\text{Transfer income budget}} \times 100\%$ Source: Mahmudi, 2019)	Secondary

## 3. FINDINGS AND DISCUSSION

Based on data sources that have been collected in the Sulawesi and Kalimantan regions via the Bank Indonesia website, the descriptive statistics produced are as follows:

### 3.1 Descriptive statistic analysis

**Table 3. Descriptive statistics of Sulawesi**

Information	N	Minimum	Maximum	Mean	Std. Deviation
Effectiveness Ratio	48	5.82	99.84	54,1085	31.21359
Fiscal Decentralization Ratio	48	11.13	60.38	36,7379	13,17633
Independence Ratio	48	12.55	1816.34	102,5931	255,30315

Based on the output table above, it shows the descriptive statistics results of the Sulawesi region on the effectiveness ratio having a minimum value of 5.82, a maximum value of 99.84, an average value (mean) of 54.1085 and a standard deviation value of 31.21359. For the fiscal decentralization ratio, it has a minimum value of 11.13, a maximum value of 60.38, an average value (mean) of 36.7379 and a standard deviation value of 13.17633. The independence ratio has a minimum value of 12.55, a maximum value of 1816.34, an average value (mean) of 102.5931 and a standard deviation value of 255.30315.

**Table 4. Descriptive statistics of Kalimantan**

Information	N	Minimum	Maximum	Mean	Std. Deviation
Effectiveness Ratio	48	3.02	135.22	63,4792	34.90148
Fiscal Decentralization Ratio	48	5.95	72.37	41,0642	19,10867
Independence Ratio	48	6.33	263.25	89,0965	62.91184

For descriptive statistical output in the Kalimantan region, the effectiveness ratio results have a minimum value of 3.02, a maximum value of 135.22, an average value (mean) of 63.4792 and a standard deviation value of 34.90148. For the fiscal decentralization ratio, it has a minimum value of 5.95, a maximum value of 72.37, an average value (mean) of 41.0642 and a standard deviation value of 19.10867. The independence ratio has a minimum value of 6.33, a maximum value of 263.25, an average value (mean) of 89.0965 and a standard deviation value of 255.30315. After obtaining the results of descriptive statistics, the results of the normality test using Shapiro-Wilk are then presented.

### 3.2 Shapiro-Wilk Normality Test

**Table 5. Results of normality test Shapiro-Wilk**

Information	Shapiro-Wilk		
	Statistics	df	Sig.
Effectiveness Ratio	,961	96	,006
Fiscal Decentralization Ratio	,965	96	,012
Independence Ratio	,277	96	,000

Based on the results of the normality test using Shapiro-Wilk from the table above, it can be seen that the effectiveness ratio test results are  $0.006 < 0.05$ , for the fiscal decentralization ratio obtained a value of  $0.012 < 0.05$  and the independence

ratio  $0.000 < 0.05$ . Based on the results of these tests, it shows that the three ratios are not normally distributed

### 3.3 Mann-Whitney U difference test

#### 3.3.1 Effectiveness Ratio

**Table 6. Results of the Differential Test of Effectiveness Ratios**

Information	Effectiveness Ratio
Mann-Whitney University	961,000
Wilcoxon W	2137,000
Z	-1,400
Asymp. Sig. (2-tailed)	,162

Based on the Mann-Whitney U test results for the effectiveness ratio in the table above, a significance value of  $0.162 > 0.05$  was obtained. These results indicate that there is no significant difference in the effectiveness ratio between provincial governments in Sulawesi and Kalimantan. Thus, the first hypothesis (H1) is accepted.

#### 3.3.2 Fiscal Decentralization Ratio

**Table 7. Results of the Fiscal Decentralization Ratio Difference Test**

Information	Fiscal Decentralization Ratio
Mann-Whitney University	956,000
Wilcoxon W	2132,000
Z	-1,436
Asymp. Sig. (2-tailed)	,151

Based on the table above, the Mann-Whitney U test for the fiscal decentralization ratio obtained a significance value of  $0.151 > 0.05$ . This result indicates that there is no significant difference in the fiscal decentralization ratio between provincial governments in Sulawesi and Kalimantan. Thus, the second hypothesis (H2) is accepted.

#### 3.3.3 Independence ratio

**Table 8. Results of the Difference Test for Independence Ratios**

Information	Independence Ratio
Mann-Whitney University	1,000,000
Wilcoxon W	2176,000
Z	-1,114
Asymp. Sig. (2-tailed)	,265

The Mann-Whitney U test for the independence ratio obtained a significance value of  $0.265 > 0.05$ . This result indicates that there is no significant difference in the independence ratio between provincial governments in Sulawesi and Kalimantan. Thus, the third hypothesis (H3) is accepted.

### 3.3 Discussion

The results of the study indicate that there is no significant difference in the financial performance effectiveness ratio of provincial governments in Sulawesi and Kalimantan during the 2022–2024 period, based on published data from Bank

Indonesia. This finding indicates that the ability of local governments to realize revenues according to budget targets is relatively homogeneous, thus the first hypothesis (H1) is accepted. This uniformity reflects the effectiveness of regional fiscal policy implementation within a uniform national regulatory framework.

From the perspective of Agency Theory, local governments as agents have an obligation to meet revenue targets set by the principal through budgeting and supervision mechanisms. (Ardini, 2023) The absence of significant differences between regions indicates that the agency control mechanism, transparency, and public financial accountability are effective in reducing information asymmetry. This finding is in line with research by (Ananda Aulia Erica, 2023) shows a good level of effectiveness in the Province of DI Yogyakarta and the Riau Islands, but is different from (Muslim et al., 2023) found that the Kendari City Government's effectiveness ratio remains ineffective. This difference indicates that, despite the national oversight system, fiscal capacity and governance quality at the local government level still have the potential to impact effectiveness.

The results of the study indicate that there is no significant difference in the fiscal decentralization ratio between provincial governments in Sulawesi and Kalimantan during the observation period, thus accepting the second hypothesis (H2). This finding indicates that the level of fiscal independence of provincial governments in both regions is relatively homogeneous, particularly in their ability to manage regional revenue sources relative to total revenue. This uniformity reflects the relatively uniform implementation of fiscal decentralization policies across provinces outside Java.

From an agency theory perspective, local governments act as agents authorized by their principals to manage fiscal resources responsibly. The absence of significant differences in fiscal decentralization ratios indicates that central-regional fiscal regulation and oversight mechanisms play an effective role in aligning the interests of agents and principals. This finding aligns with (Rheswari & Akbar, 2022) which found no significant difference in the fiscal decentralization ratio before and after the Covid-19 pandemic in Gresik Regency, but different from (Setiani & Sarwono, 2025) This indicates that the fiscal decentralization performance of provinces in Java is better than that of Kalimantan. This difference indicates that regional economic structure and fiscal capacity still influence the level of fiscal independence of local governments.

The results of the study indicate that there is no significant difference in the financial independence ratio between provincial governments in Sulawesi and Kalimantan, thus accepting the third hypothesis (H3). This finding indicates that the level of provincial governments' ability to independently finance their fiscal needs through Regional Original Revenue (PAD) is relatively homogeneous across the two regions, despite their differing geographic characteristics and economic structures.

From the perspective of Agency Theory, the regional government as an agent is responsible to the principal to manage regional income sources optimally and accountably. (Zaki, AN, Oktafiyani, M., & Yovita, 2023) The absence of significant

differences in the independence ratio indicates that fiscal regulation mechanisms, central-regional transfer systems, and budget oversight play a role in suppressing performance variations between regions. This finding differs from previous research.(Ratu et al., 2023)which found a significant difference in the independence ratio between island and non-island districts, where non-island areas had a higher level of independence. However, the results of this study are in line with(Arfath & Priyono, 2023)This indicates that the independence ratio of DKI Jakarta Province did not experience a significant difference before and during the Covid-19 pandemic. These findings indicate that the level of government and the fiscal context of a region influence variations in regional financial independence.

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#### 4. CONCLUSION

This study shows that there is no significant difference in the effectiveness ratio, fiscal decentralization ratio, and financial independence ratio between provincial governments in the Sulawesi and Kalimantan regions in the 2022–2024 period. All research hypotheses (H1–H3) are accepted, indicating that the financial performance of provincial governments in both regions is relatively homogeneous. From an Agency Theory perspective, these findings reflect the effectiveness of oversight mechanisms, national fiscal regulations, and regional financial accountability systems in aligning the interests of regional governments as agents with the central government and the community as principals, thereby reducing information asymmetry and performance variations between regions despite differences in economic and geographic characteristics.

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