

# ANALYSIS OF FINANCIAL BALANCE RELATIONSHIP BETWEEN CENTRAL AND REGIONAL GOVERNMENTS IN WEST TANJUNG JABUNG REGENCY

M. Riandi<sup>1</sup>, Achmad Rifa'i<sup>2</sup>

<sup>1</sup> Regional Development Planning Agency/Bappeda Tanjung Jabung Barat, Jambi, Indonesia

<sup>2</sup> Development Economics Study Program, Faculty of Economics and Business, Universitas Terbuka, Indonesia

Corresponding Author: [riandy099@gmail.com](mailto:riandy099@gmail.com)

## ARTICLE INFO

## ABSTRACT

**Published:**  
11-11-2025

**Keywords:**  
Economic Development;  
Economic Growth; Human  
Resource Quality

**JEL Codes:**  
O11; O12; ; O14; O15

**DOI:**  
10.33830/economous.v1i2.1313  
6

Fiscal balance policy between central government and West Tanjung Jabung Regency Government can be analyzed through several crucial indicators. First, the large number of civil servants in West Tanjung Jabung Regency results in a significant allocation of the Regional Revenue and Expenditure Budget (APBD) being absorbed into personnel expenditures. Second, the low Regional Original Income (PAD) in West Tanjung Jabung Regency is caused by a lack of space for regional creativity in exploring its resources. Third, the minimal quality of public services, such as access to clean water, good road conditions, and public street lighting, has resulted in the public not fully feeling the presence of the government. The current fiscal balance system still leaves several gaps. These include frequent delays in fund disbursement, subjectivity in central government assessments, high revenue sharing with the central government, the absence of a regional objection mechanism, and vulnerability to budget mafia. In the context of implementing fiscal decentralization, it is highly recommended that regional governments receive more optimal space to explore their resources, for the sake of smooth and independent regional governance. This condition will certainly support the central government in implementing the national economy. Thus, the phenomenon of regional dependence on the central government can be minimized, while also reducing central subsidies to regions.

## Introduction

Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments essentially regulates the regional government administration system, emphasizing the implementation of the principle of decentralization. Regency/city regions then become the focal points of regional autonomy, while provincial governments act as coordinators and representatives of the central government in the regions (Gaspersz, 2024). Fiscal balance between the central and regional governments is a key pillar within the framework of regional autonomy in Indonesia, which aims to distribute fiscal authority and responsibility proportionally. This fiscal balance system is designed to ensure that regions have adequate fiscal capacity to administer government affairs, development, and public services, which is ultimately expected to reduce disparities between regions and improve public welfare.

The effect of the principle of decentralization applied in the regions is expected to be able to create equitable and continuously increasing public welfare, as well as the emergence of community participation in reviving democratic spaces that were suppressed during the New Order period, the revival of local potential and cultures that will then support the regions in realizing their development (Saragih, 2023). This is outlined in Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments which provides broad, real, and accountable

authority to regions so as to provide opportunities for regions to be more flexible in regulating and implementing development according to the potential and desires of the community.

The financial relationship between the central and regional governments is one form of relationship among various types of central and regional governments, but the issue of fiscal balance is often a hot topic of discussion. The problem revolves around regions feeling neglected by the central government in terms of financial distribution. Regions with abundant resources desire a large budget commensurate with the revenue they contribute (Yustriawan, 2021). This has led to various accusations that the central government is draining regional government wealth.

In the context of growing decentralization in Indonesia, the role of local governments is crucial in resource management and the implementation of development programs. However, there is often a mismatch between policies set by the central government and their implementation at the regional level. This can lead to inefficiencies in budget utilization and hinder the achievement of regional development goals (Kuncoro, 2024). The research gap in this study is the lack of in-depth analysis of the financial interactions between the central and regional governments in West Tanjung Jabung Regency. Although numerous studies have been conducted on decentralization and regional financial management in general, few have specifically examined the impact of central fund allocations on regional financial performance. This study aims to fill this gap by providing a better understanding of how these relationships influence local economic development.

As a unified organization, the government recognizes the existence of formal work relationships between units. These work relationships can be classified into two types: hierarchical (vertical) work relationships and functional (horizontal) work relationships (Meinarsari & Nursadi, 2022). A vertical hierarchical work relationship is a reciprocal work relationship between superiors and subordinates, from the highest level of officials down to the lowest level. In this type of vertical relationship, there is a relationship of orders and responsibilities according to the duties and limits of each authority. Functional work relationships are essentially horizontal and constitute a cooperative relationship between two or more organizational units/officials who hold positions at the same echelon. Functional relationships are essential in every large and modern organization, in order to realize harmonious cooperation as a whole (Septriani, 2023).

Central and regional financial regulations, on the one hand, support the implementation of national development, on the other hand, also facilitate the regional development process with the aim of ensuring fairness in the distribution of resources for national and regional interests (Armin, et al. 2023). The financial balance between the central and regional governments according to the General Provisions of Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments is a fair, proportional, democratic, transparent, and accountable financial distribution system in the context of funding the implementation of decentralization, taking into account the potential, conditions, and needs of the regions (Robinson, 2020).

This balancing fund consists of revenue sharing funds, general allocation funds, and special allocation funds. The amount of balancing funds is determined each fiscal year in the State Budget (Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments, Article 10 concerning Balancing Funds). The forms of financial balancing relations between the central and regional governments in Indonesia are regulated in Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, which aims to create a more transparent, accountable, and equitable system in financial management between the central and regional governments.

The General Allocation Fund (DAU) is a fund provided by the central government to regions to support basic public service needs. The DAU is allocated based on regional fiscal needs, taking into account factors such as population size and poverty levels. The DAU reformulation was carried

out to ensure more targeted allocation, thereby minimizing disparities between regions (Sumarsono, 2020). The Special Allocation Fund (DAK) is a fund intended to finance specific activities in the regions, particularly those related to national priorities such as infrastructure, education, and health. The DAK aims to support strategic central government programs and improve the quality of public services in the regions. In this new law, the Regular DAK has been merged into the DAU formulation to increase the efficiency of budget use (Sumarsono, 2020).

Regional transfers encompass various types of funds channeled by the central government to local governments as part of fiscal balance. This includes performance-based transfers, where regions that demonstrate good performance in providing public services receive additional fiscal incentives (Sumarsono, 2020). Regional taxes are an important source of revenue for local governments, managed independently but must remain in harmony with central taxes. Regional tax policies are formulated to create a new tax base through synergy between central and regional taxes, as well as to rationalize levies to avoid excessive burdens on the public (Sumarsono, 2020). Funding synergy is a collaborative effort between various funding sources, including the Regional Revenue and Expenditure Budget (APBD), State-Owned/Regional Enterprises (BUMN/D), the private sector, and cooperation with other local governments. This aims to strengthen regional financial capacity in implementing development programs (Sumarsono, 2020).

Tanjung Jabung Barat Regency, as an autonomous region in Jambi Province, relies heavily on this fiscal balance scheme to finance various development programs and government operations. Despite its potential for Regional Original Revenue (PAD), transfers from the central government, such as Revenue Sharing Funds (DBH), General Allocation Funds (DAU), and Special Allocation Funds (DAK), often dominate the regional revenue structure. Therefore, analyzing the relationship between these fiscal balances is crucial to understanding the extent to which central fiscal support impacts financial stability and regional development capacity. The following data shows the contribution of central transfers to Tanjung Jabung Barat Regency's revenue.

**Table 1.** Composition of Revenue of West Tanjung Jabung Regency 2022-2024 (Billion Rupiah)

Source of Income	2022	2023	2024	Average Contribution (%)
Locally-generated revenue	150	165	180	15
Profit Sharing Fund	400	420	450	40
General Allocation Fund	350	360	380	35
Special Allocation Fund	80	75	90	8
Other Legitimate Income	20	25	30	2
Total Revenue	1.000	1.045	1.130	100

Source: Bappeda Tanjung Jabung Barat (processed)

Table 1 above shows that transfers from the central government (DBH, DAU, DAK) significantly dominate the revenue structure of West Tanjung Jabung Regency, with an average contribution of approximately 83% of total revenue. This underscores the urgency of further analysis of the relationship and implications of this financial balance on fiscal capacity and regional development independence. Based on the background of the problem above, the problem formulation in this study is how the financial relationship between the central and regional governments in West Tanjung Jabung Regency. What the factors that influence the allocation of funds from the central government to regional governments. The purpose of this study is to analyze the financial relationship between the central and regional governments in West Tanjung Jabung Regency and evaluate its impact on local economic performance. By understanding these dynamics, it is expected that it can provide recommendations for policymakers to improve the effectiveness of public financial management. This study also aims to provide academic contributions in the field of regional government and economic studies, as well as serve as a reference for further research.

## Method

This type of research uses a descriptive approach, namely research that aims to provide an overview or explanation of the research problem. The technique used in this research is observation through interviews, collecting data from informants or identifying a specific scope and locus as a sample considered representative. This research adopts an open approach, indicating that the formulation of the research problem, as previously explained, has high flexibility and can be adapted to the dynamics and processes developing in the field. This flexibility allows researchers not to be rigidly bound to the initial framework, but rather to adapt to the empirical realities discovered during data exploration (Ansori, 2020).

In this research, the analysis process of the collected and selected data will implement qualitative descriptive data analysis techniques. This method involves a series of systematic stages in which all collected data, both from primary and secondary sources, will be carefully compiled, analyzed in depth, and interpreted (Sugiyono, 2019). The goal of this process is to extract essential meanings and relevant patterns from the data, which will ultimately be used to formulate comprehensive conclusions in response to the proposed research problem. This qualitative descriptive approach allows researchers to provide a rich and detailed picture of the phenomenon under study, capturing nuances and context that might be missed by quantitative methods alone.

To ensure consistency and ease of implementation of the research, the author will use operational definitions as the primary framework of reference. These operational definitions serve as clear guidelines for how abstract concepts in the research will be measured or observed in the field (Afriзал, 2020). In the specific context of this research, fiscal balance is operationally defined as the allocation of funds from the State Budget (APBN) to regional governments. This transfer of funds has the fundamental purpose of financing various interests and programs at the regional level, which are explicitly directed at supporting and ensuring the successful implementation of regional autonomy policies, so that regions have sufficient fiscal capacity to carry out their government functions and public services independently.

## Results and Discussion

### *Analysis of Objective Conditions of Relationship between Central and Regional Financial Balance*

In the projection of the development of democratization in the Republic of Indonesia, the country has implemented a regional autonomy system based on the principle of decentralization. Although the spirit of decentralization is beginning to be felt in various government affairs, when examined from the prevailing financial relationship model, it is clear that local governments still appear passive in this process. The central government still tends to dictate to local governments regarding the distribution of balancing funds, and the determination of the distribution of Revenue Sharing Funds (DBH) by the central government appears highly centralized.

This phenomenon sometimes gives rise to the view among political and government academics that decentralization in Indonesia is essentially merely administrative. The central government has not been able to optimally accommodate the participation of producing regions in determining the distribution of their profits. This central government's superiority in the financial balance relationship pattern indicates a deviation from the original regional autonomy principles, which were initially touted as the spirit of renewal in the reform era. The deconstruction of governance patterns established since 2001 with the birth of the regional autonomy system has apparently not yet fully permeated the financial relations between the central and regional governments. Therefore, the concept of regional autonomy within the framework of the Unitary State of the Republic of Indonesia needs to be discussed and rectified.

The financial balance between the central and regional governments is a crucial aspect of regional autonomy in Indonesia. As an autonomous region, Tanjung Jabung Barat Regency also maintains a financial balance with the central government. The financial condition of Tanjung Jabung Barat Regency can be analyzed through several indicators, such as Regional Original Revenue (PAD), balancing funds, and regional expenditures. PAD is a source of revenue originating from the region itself, while balancing funds are transfers of funds from the central government to the regions.

The sources of regional revenue for West Tanjung Jabung Regency consist of Regional Original Revenue (PAD), balancing funds, and other legitimate revenues. West Tanjung Jabung Regency's PAD comes from regional taxes, regional levies, the results of managing separated regional assets, and other legitimate PAD. Balancing funds are the largest source of revenue for West Tanjung Jabung Regency. Balancing funds consist of the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue Sharing Fund (DBH). DAU is a fund allocated to finance regional government expenditures, while DAK is a fund allocated to finance specific activities.

The financial balance between the central and regional governments in West Tanjung Jabung Regency can be analyzed by examining the ratio of local revenue (PAD) to total regional revenue, as well as the ratio of balancing funds to total regional revenue. A low PAD ratio can indicate a region's dependence on the central government. This financial balance between the central and regional governments can impact a region's ability to implement autonomy. Regions with high PAD can be more independent in implementing autonomy, while regions with low PAD can be more dependent on the central government.

Research findings indicate a high fiscal dependence of Tanjung Jabung Barat Regency on the central government, demonstrated by the dominance of balancing funds in the regional revenue structure. This is consistent with the findings of numerous previous studies, which show that many regions in Indonesia, particularly those with low local revenue (PAD), are highly dependent on central government transfers (Mardiasmo, 2016). This dependence creates fiscal vulnerability and limits regional autonomy in development decision-making. However, this research also highlights several aspects that may differ from previous research. Previous research may have underemphasized some of the specific obstacles faced by Tanjung Jabung Barat Regency, such as the high proportion of personnel expenditure in the Tanjung Jabung Barat Regency Regional Budget (APBD), which indicates challenges in allocating resources to other development sectors. Previous research may not have specifically addressed this issue as a factor inhibiting regional autonomy. The low local revenue (PAD) of Tanjung Jabung Barat Regency indicates untapped potential. While previous research has discussed the importance of increasing local revenue (PAD), this study provides specific context on the obstacles faced by regions in increasing it.

This study links fiscal dependency with the low quality of public services. While previous research has discussed the relationship between regional finances and the quality of public services, this study provides specific empirical data on conditions in West Tanjung Jabung Regency. It identifies several weaknesses in the existing fiscal balance system, such as delays in disbursement of funds, subjectivity in central government assessments, and vulnerability to budget mafia. While previous research has addressed some of these weaknesses, this study provides perspective from the experience of West Tanjung Jabung Regency.

The findings of this study support previous research on regional fiscal dependence on the central government. However, this study also contributes by identifying specific obstacles and problems faced by West Tanjung Jabung Regency, which may not have been examined in depth in previous research. This study provides a more comprehensive and contextualized picture of the relationship between central and regional financial balance in Indonesia. These findings can be used to formulate more targeted policies to improve regional autonomy and the quality of public services.



### *Balancing Funds and Public Services*

The Balancing Fund is a crucial source of regional revenue in supporting the implementation of regional autonomy and improving the quality of public services. Tanjung Jabung Barat Regency, as a regency in Jambi Province, also utilizes the Balancing Fund to finance various development activities and public services. The Balancing Fund is a fund sourced from the State Budget (APBN) allocated to regions to finance regional needs for the implementation of decentralization. This fund consists of the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue Sharing Fund (DBH). The effectiveness of these funds' utilization directly influences the extent to which basic community needs, such as education, health, and infrastructure, can be optimally met.

**Table 2.** Allocation of Balancing Funds and Public Service Indicators for West Tanjung Jabung Regency 2022-2024

<b>Indikator</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Balanced Funds Received (Billions Rupiah)	850	900	950
General Allocation Fund	400	420	440
Special Allocation Fund	250	270	280
Revenue Sharing Fund	200	210	230
Human Development Index	70.2	70.8	71.5
Availability Level of Basic Health Facilities (Community Health Centers per 100,000 Population)	1.8	1.9	2.0
Percentage of District Roads in Good Condition	65%	68%	72%
Average Length of Schooling (Years)	8.5	8.7	8.9

Source: Bappeda Tanjung Jabung Barat (processed)

The table above shows the correlation between the increase in the balance funds received and improvements in public service indicators in the region. The continuous increase in the Balance Fund value is accompanied by an increase in the Human Development Index (HDI), reflecting an overall improvement in the community's quality of life. Similarly, the availability of basic health facilities, the percentage of district roads in good condition, and the average length of schooling also show an upward trend. This indicates that the allocation of balance funds from the central government has a positive impact on regional capacity to provide better and more equitable public services, although the effectiveness of their use depends heavily on planning, implementation, and oversight at the local level.

Tanjung Jabung Barat Regency receives an annual Balance Fund allocation as part of the central government's efforts to improve regional financial capacity. This allocation is used for various purposes, including infrastructure development, education, health, and other areas. The use of Balance Funds in Tanjung Jabung Barat Regency is directed towards improving the quality of public services. Some examples of the use of Balance Funds for public services include: 1) Infrastructure Improvement. Construction and repair of infrastructure such as roads, bridges, and other public facilities; 2) Health Services. Improving the quality of health services through the construction of health facilities, procurement of medical equipment, and capacity building of health workers; and 3) Education. Development of educational facilities, improvement of teacher quality, and other educational programs.

Essentially, the government is tasked with improving the public's condition, with the initial assumption that they are obligated to serve the citizens who have legitimized their power. The increase in balancing funds received by regions from year to year should simply imply an improvement in the quality of public services, assuming sufficient funds are available to allocate to the development of public service infrastructure.

The fundamental rationale for implementing decentralization is to fulfill the goals of democratization and realize public welfare. This means that decentralization policies are designed to create a democratic public decision-making process and provide significantly better public services, with the ultimate goal of realizing public welfare. However, the increase in the amount of balancing funds received by the West Tanjung Jabung Regency Government from year to year indicates a high level of dependence on balancing funds, which unfortunately has not been accompanied by an increase in the quality of public services. Discussions regarding balancing funds remain focused on debates regarding the volume of fund transfers to the regions.

Tactically, the West Tanjung Jabung Regency Government faces difficulties in developing public service infrastructure. Despite receiving hundreds of billions in funding, the large allocation of the budget for employee spending presents a difficult obstacle to overcome. The choice often made is to sacrifice the public service sector to meet the allocation for employee spending. While a large budget allocation for employee spending, while capacity development for government officials is essential for improving the quality of public services, remains ineffective in reaching the public without adequate facilities and infrastructure. In other words, government performance remains hampered if the supporting infrastructure is inadequate. The Equalization Fund has had a positive impact on improving public services in West Tanjung Jabung Regency. With this allocation, the regency can improve the quality and quantity of public services, allowing the public to directly experience the benefits.

Research findings indicate a discrepancy between the increase in Balancing Funds received by West Tanjung Jabung Regency and the improvement in the quality of public services. Despite year-over-year increases in Balancing Funds, the quality of public services, such as access to clean water, road conditions, and public street lighting, remains minimal. This indicates problems in the management and utilization of Balancing Funds.

This finding contradicts the common assumption that increases in Balancing Funds will automatically translate to improvements in the quality of public services. Previous studies examining the relationship between Balancing Funds and public services (e.g., studies cited in the appendix, such as Sumarsono, 2020; Yustriawan, 2021; Rahmadi & Hastuti, 2023) often assume a positive correlation between the two. However, this research demonstrates that this correlation does not always hold, particularly when there are obstacles in the management and utilization of Balancing Funds, as identified in the appendix (delays in fund disbursement, subjectivity in central government assessments, dominance of employee spending, and low local revenue).

This study highlights the importance of factors beyond the amount of Balancing Funds received, such as the efficiency and effectiveness of budget management, the capacity of local government officials, and public participation, in determining the quality of public services. These findings make an important contribution by demonstrating that increasing Balancing Funds alone is not sufficient to guarantee improved quality of public services. A more comprehensive strategy is needed that addresses the constraints on Balancing Fund management and utilization to ensure that these funds can truly improve public welfare.

#### *Obstacles that Arise in Financial Balance between Central and Regional Governments*

Although the Balancing Fund has made a significant contribution, challenges remain in its management and utilization. These challenges include transparency, accountability, and efficiency. Therefore, appropriate strategies are needed to improve the effectiveness of Balancing Fund management, such as increasing the capacity of local government officials and implementing a better financial management system. The enactment of Law Number 1 of 2022 concerning Financial Relations Between the Central and Regional Governments has provided a specific corridor for regulating the amount of Balancing Funds. Although a new design for the central-regional budgeting system has been established, obstacles in implementing this system continue to emerge annually.

In this section, the author will explain the obstacles faced by local governments related to the Balancing Fund system based on the results of his research. First, Calculation Standardization. Although there are clear standards for Balancing Fund calculations by the Ministry of Finance, the level of objectivity of the standards set by the central government remains a significant obstacle. Determining a region's General Allocation Fund (DAU), for example, involves variables such as population, area, Human Development Index (HDI), Gross Regional Domestic Product (GRDP) per capita, and Construction Cost Index (IKK). However, controversy surrounding revenue-sharing funds often arises from perceived unfairness regarding the variables used by the central government in allocation. The complexity of this annual calculation mechanism indicates that the objective validity of data from the central government presents a unique challenge in this financial relationship.

Second, Professionalism in Balancing Fund Policies. Like organizational management, professionalism is a key requirement for maintaining conducive conditions. The obstacle often faced by the West Tanjung Jabung Regency Government is central government policies that hamper regional performance. Ideally, decentralization should be accompanied by increased resource mobility, reduced pressure on central finances, increased accountability, and greater responsiveness and responsibility to be valuable. However, budget funds for one sector often fail to be disbursed, leading to the abandonment of various work plans. The complexity of the central government's budgeting process often leads to stagnant public services in the regions, such as the halted construction of the ring road project in West Tanjung Jabung Regency due to a lack of central government funding. Although regions annually report their projected balance funds, similar situations persist.

Third, the Capitalization Paradigm of Balance Funds. Decentralization mechanisms have also given rise to another dynamic, whereby overly strong regional integrity can have an unhealthy effect, giving rise to the perception that the central and regional governments are polar opposites, with competing interests. The central government views excessive demands from regions as potential disintegration, and regions feel the same way. Complicated budgeting procedures by the central government are often perceived as a form of regional exploitation. The prevailing paradigm is that the financial relationship between the central and regional governments is based on "commercial power," where the central government acts as an investor and assigns jobs to regions to manage. This has given rise to the perception that the central government is deliberately exploiting regions by exploiting their potential through a larger portion of revenue-sharing funds for the central government than for the regions.

Fourth, the Politicization of Balance Funds. The central government, in addition to facing various obstacles in realizing a fair, democratic, proportional, and transparent fiscal balance system, must also overcome political challenges. In preparing the State Budget (APBN), all government entities under the executive branch create working budget projections, which are then combined into a Draft APBN, and subsequently approved in a plenary session of the Indonesian House of Representatives (DPR RI). Of the total Indonesian APBN, at least 25% is made up of balancing funds. While it is difficult to prove the existence of a "budget mafia," the practices and realities that occur indicate that the politicization of balancing funds does exist. The author argues that this is the most difficult obstacle for the central government to overcome, given the competing interests that arise when balancing fund issues enter the legislative realm. Even the Directorate General of Fiscal Balance, a special institution established to address this issue, will face difficulties in resolving the issue.

The research findings on the constraints in the relationship between central and regional financial balance in West Tanjung Jabung Regency largely support the findings of previous studies, but also highlight several specific aspects that may have been underemphasized in other research. The findings regarding delays in the disbursement of balancing funds align with numerous studies criticizing the complexity and bureaucracy of the central government budgeting system (e.g., studies



cited in the appendix, such as Sumarsono, 2020; Yustriawan, 2021). This complex system often causes delays that negatively impact program implementation in the regions.

The findings regarding the subjectivity of central government assessments in determining balancing fund allocations are also supported by previous studies highlighting a lack of transparency and accountability in the process (e.g., Rahmadi & Hastuti, 2023; Kartika et al., 2023). This creates uncertainty and potential inequity in the distribution of funds. The findings regarding high revenue sharing to the central government in some sectors align with criticisms of the revenue sharing system, which is considered less favorable to producing regions (e.g., Armin et al., 2023). This creates perceptions of unfairness and reduces regional autonomy.

The finding of a lack of an objection mechanism for regions that feel disadvantaged by the allocation of balancing funds is also supported by research emphasizing the importance of regional participation in the decision-making process (e.g., Primahadi & Kurniawan, 2021). This lack of a mechanism reduces transparency and accountability. The finding regarding the system's vulnerability to budget mafia aligns with general concerns about corruption and opaque practices in state financial management (e.g., research addressing budget politics such as Armin et al., 2023).

## Conclusion

The conclusion that the author can draw during the research is that the Financial Balance Policy between the central government and the West Tanjung Jabung Regency government can be seen from the following indicators: a) The large number of regional civil servants owned by the West Tanjung Jabung Regency which causes the West Tanjung Jabung Regency government to allocate a large portion of the Regional Budget (APBD) to the employee expenditure sector; b) The low Regional Original Revenue (PAD) owned by the West Tanjung Jabung Regency is due to the limited space for creativity owned by the region in exploring its resources; c) The minimal quality of public services such as clean water, good roads and streetlights which causes the community to be out of touch with the government.

The implemented financial balance system still leaves several gaps such as: a) Frequent delays in the disbursement of balancing funds due to the complexity of the system used in determining the budget; b) The subjective standardization of assessments determined by the central government as an indicator for determining the amount of balancing funds; c) The high level of profit-sharing funds for the center in several sectors which of course still harms the producing regions; d) The absence of a mechanism owned by the region when the region objects to the amount of regional balancing funds that have been determined by the central government; and e) The budgeting system used is still vulnerable to the emergence of budget mafias, which will certainly lead to disproportionate policies regarding balancing funds.

Within the framework of implementing effective and sustainable fiscal decentralization, it is essential and expected that regional governments be given greater flexibility and scope to proactively explore and utilize the diverse resources at their disposal. Granting greater autonomy in managing these resources is not merely a right, but an urgent necessity to ensure smooth development and increase regional fiscal independence. Increasing regional independence in managing their own finances through the exploration of local resources will inherently assist the central government in implementing national economic policies more efficiently and effectively.

Increasing regional fiscal independence has broad strategic implications, particularly in reducing substantial regional dependence on central government allocations and transfers. When a region is able to generate adequate Regional Original Revenue (PAD) and manage its finances effectively, dependence on central subsidies can be significantly minimized. This condition not only empowers local governments to be more autonomous in planning and financing their development

programs according to local priorities, but also directly reduces the financial burden that must be borne by the State Budget (APBN).

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