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The Influence Of Regional Original Income Components On Regional Financial Independence *(Study On Districts/Cities In West Kalimantan Province 2020–2024)*

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Abstract

Fiscal independence among regency and municipal governments in West Kalimantan remains relatively low due to their continued dependence on fiscal transfers from the central government. Therefore, this study aims to analyze the effect of each component of Local Own-Source Revenue (LOR) on regional financial independence. This study employed a quantitative research approach using multiple linear regression analysis. The sample consisted of 14 regencies and municipalities in West Kalimantan, with 70 observations derived from the Regional Budget Realization Reports for the 2020–2024 period. The findings indicate that all components of Local Own-Source Revenue, including local taxes, regional retributions, returns on separated regional assets, and other legitimate local revenues, have a positive and statistically significant effect on regional financial independence, both partially and simultaneously. In addition, the regression model demonstrates strong explanatory power, with an Adjusted R-Square value of 0.757, indicating that 75.7% of the variation in regional financial independence is explained by the independent variables included in the model. These findings suggest that optimizing Local Own-Source Revenue plays a crucial role in strengthening regional fiscal capacity, enhancing financial independence, and reducing dependence on transfers from the central government. Therefore, local governments are encouraged to improve revenue collection and management to support sustainable fiscal decentralization.

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Keywords:Local Own-Source Revenue, Regional Financial Independence, Fiscal Decentralization, West Kalimantan.

INTRODUCTION

The implementation of regional autonomy policies provides wider discretionary space for regional governments to manage government affairs according to the characteristics, needs and potential of each region.(Article 18 Paragraph (2) of the 1945 Constitution of the Republic of Indonesia).The delegation of authority is not only aimed at bringing services closer to the community, but also at stimulating efficiency in governance, accelerating regional development, and increasing the capacity for independent fiscal financing.(Putro et al., 2024).

As a consequence of the implementation of regional autonomy, the government has implemented fiscal decentralization which gives regional governments the freedom to regulate regional income and expenditure according to their respective development priorities.(Ningsih et al., 2023).Through this policy, each regional government is required to increase its fiscal capacity by optimizing Regional Original Income (PAD) as a source of income from regional economic potential.(Nurjanah, 2025).

Despite the fiscal decentralization framework having been implemented for many years, the level of fiscal independence of local governments in Indonesia remains suboptimal. The majority of local government entities still rely on transfer funds from the central government to support their revenue structure, rather than optimizing self-managed revenue. This high dependency on local revenue (PAD) indicates that the exploration and utilization of local revenue (PAD) potential is not yet fully sufficient to cover the operational burden of government and regional development spending.(Supriyanto, 2025).

A similar situation is reflected in several regencies and cities across West Kalimantan Province. According to the 2020–2024 regional budget (APBD) realization report, the region's fiscal independence level has stagnated at around 13% to 15%. This figure places West Kalimantan's regional fiscal resilience at a very low level, with an instructive relationship pattern. Consequently, regional operational and development budget needs are still dependent on central government allocations, given the relatively small portion of local revenue (PAD) as a proportion of aggregate revenue.

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Table 1. Average Realization of PAD, TKD, and Financial Independence Ratio of Regencies/Cities in West Kalimantan Province 2020–2024

Year	PAD	TKD	Fiscal Independence
2020	126.89	1046.77	13%
2021	140.45	1150.77	13%
2022	151.99	1123.76	14%
2023	157.24	1176.97	15%
2024	181.15	1281.81	15%

Source: DJPK Ministry of Finance, processed data.

In addition to the low average level of self-sufficiency, there are also quite striking differences in fiscal capacity between regencies and cities in West Kalimantan Province. Kapuas Hulu Regency, for example, only recorded a self-sufficiency ratio of around 5%–6% during the study. In contrast, Pontianak City achieved a ratio of between 45% and 56%. This difference reflects each region's varying capacity to explore local economic potential, manage revenue sources, and optimize local revenue (PAD) revenue. Therefore, each region's fiscal capacity is influenced not only by the magnitude of its economic potential but also by the effectiveness of its revenue management.

Various previous studies generally concluded that Regional Original Income contributes positively to increasing the financial independence of regional governments.(Syafira Frijunita et al., 2024; Mahardika & Fauzan, 2022; Pramesti & Mildawati, 2025).However, the results of other studies show that this influence is not always significant due to the high proportion of transfer funds in the regional income structure.(Putri & Mulyandani, 2025).Differences in findings also occurred in the components of Regional Retribution and Separated Regional Asset Management Results (HPKD), especially when research was conducted on different regional characteristics, such as between regions on Java Island and outside Java Island.(Novianti & Ishak, 2022;Kirany & Widdarno, 2025).The inconsistency of the study results shows that the effectiveness of each PAD component in strengthening fiscal independence still requires further empirical proof.

Unlike most previous studies that treat Regional Original Revenue (PAD) as a single variable, this study analyzes PAD based on its four components: Regional Taxes, Regional Levies, Separated Regional Asset Management Results, and Other Legitimate PAD. This approach allows for a more detailed identification of the contribution of each

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component to enhancing regional financial independence. From a theoretical perspective, the study's findings, which show that all PAD components have a positive and significant impact on regional financial independence, provide empirical support for Stewardship Theory. This finding indicates that regional governments, as managers of public trusts, are capable of optimizing regional revenue sources to strengthen fiscal capacity and reduce dependence on transfers from the central government. Furthermore, this study's findings align with Signaling Theory, which explains that an increase in the regional government's ability to collect PAD is a positive signal of the region's financial management performance and fiscal capacity. Therefore, this study not only reinforces previous findings but also expands empirical studies by analyzing each PAD component separately, providing a more in-depth picture of the role of each revenue source in the level of regional financial independence. Empirical evidence generated from districts/cities in West Kalimantan Province for the 2020–2024 period is expected to add to the research literature on fiscal decentralization, particularly in regions outside Java, as well as serve as a consideration for local governments in formulating policies to optimize Regional Original Income in a sustainable manner.

LITERATURE REVIEW

Stewardship Theory(Stewardship Theory)

*Stewardship Theory*viewing the party entrusted with managing the organization as having the responsibility to strive to make achieving the organization's goals a top priority compared to personal interests(Eko Raharjo, 2020).In this study, local governments are positioned as stewards responsible for effectively managing financial resources to improve public welfare. This responsibility is reflected in the local government's ability to optimize local revenue (PAD) as a source of development funding. The better PAD management, the greater the region's ability to finance its own fiscal needs, thus reducing dependence on central government transfer funds.(Nurjanah, 2025).

Signaling Theory(Signal Theory)

Signaling Theory explains how an entity confirms the credibility of its performance to stakeholders. In local government, this signal is realized through information reflected in financial reports and fiscal performance achievements. Increased local revenue (PAD) and a high financial independence ratio can be indicators of a local government's ability to manage economic potential effectively, transparently, and accountably. This

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information provides confidence to the public and the central government regarding the quality of regional financial management.(Putri & Mulyandani, 2025).

Regional Financial Independence

Regional financial independence demonstrates the ability of a local government to finance governance and development through its own revenues. The higher the level of regional financial independence, the lower its dependence on financial assistance from the central or provincial government.(Novianti & Ishak, 2022).

Table 2. Criteria for Regional Financial Independence and Relationship Patterns

Financial Capability	Percentage (%)	Relationship Patterns
Very Low	0% – 25%	Instructive
Low	>25% – 50%	Consultative
Currently	>50% – 75%	Participatory
Tall	>75% – 100%	Delegative

Source: Puspita and Septiani (2019) inRahmadi & Hastuti (2023).

Regional Original Income (PAD)

Regional Original Revenue (PAD) is revenue derived from a region's economic potential. According to Law No. 1 of 2022, PAD comprises Regional Taxes, Regional Levies, Proceeds from the Management of Separated Regional Assets, and Other Legitimate PAD. Optimizing all these components plays a crucial role in increasing the fiscal capacity and financial independence of regional governments.

Hypothesis Development

Regional financial independence is influenced not only by the size of local revenue (PAD) but also by the contribution of each component. Regional taxes and levies provide a relatively stable source of revenue from community economic activity, while the results of the management of separated regional assets reflect the effectiveness of capital investment management, and regionally-owned enterprises (BUMD) serve as an alternative source of income.(Kirany & Widdarno, 2025).Other Legitimate PAD is a source of additional income that strengthens the regional fiscal structure.

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Various previous studies have shown that PAD generally has a positive impact on Regional Financial Independence.(Amalia & Haryanto, 2019;Mahardika & Fauzan, 2022;Frijunita et al., 2024;Pramesti & Mildawati, 2025;Fariyanda et al., 2025).However, the results of studies on each PAD component have not shown consistent conclusions.

Regional taxes have generally been proven to have a positive impact on regional financial independence because they have the characteristics of mandatory and stable revenues.(Novianti & Ishak, 2022;Nurrahmadani et al., 2024;Kirany & Widdarno, 2025).On the other hand, studies on regional levies still show mixed findings. Some studies found that increasing levies could strengthen regional fiscal capacity, while others showed that their contribution was suboptimal due to relatively high collection costs.(Novianti & Ishak, 2022).

Differences in study results were also found in the Management of Separated Regional Assets. Some studies showed that profits from regionally-owned enterprises (BUMD) could improve regional fiscal capacity, while others concluded that the variable's influence was insignificant in some local governments.(Kirany & Widdarno, 2025).On the other hand, other legitimate PAD generally still makes a positive contribution to increasing regional revenue and can therefore support strengthening the financial independence of regional governments.(Novianti & Ishak, 2022).

According to this description, the research hypothesis is formulated as follows:

H1: Regional Taxes have a positive effect on Regional Financial Independence. H2: Regional Retributions have a positive effect on Regional Financial Independence. H3: The Results of Separated Regional Asset Management (HPKD) have a positive effect on Regional Financial Independence. H4: Other Legitimate PAD have a positive effect on Regional Financial Independence.

H5: Regional Taxes, Regional Retributions, Separated HPKD, and Other Legitimate PAD simultaneously influence Regional Financial Independence.

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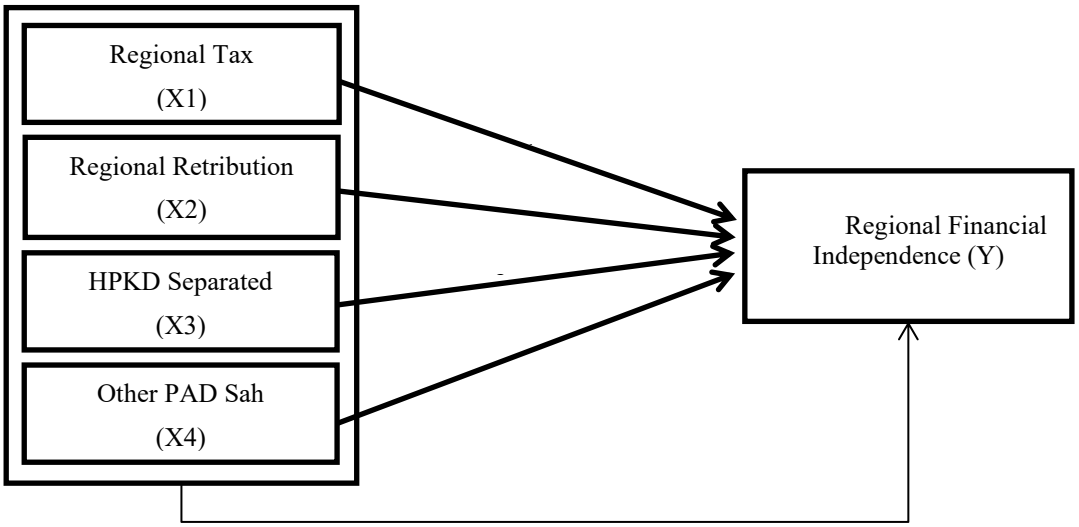


Figure 1. Conceptual Framework

RESEARCH METHODS

This study applies a quantitative method with a causality approach to test and analyze the causal relationship between variables empirically.(Sugiyono, 2013).The focus of the analysis is directed at the influence of PAD components which include Regional Taxes, Regional Levies, Results of Management of Separated Regional Assets, and Other Legitimate PAD on Regional Financial Independence.

The object of this study is the financial reports of district and city governments in West Kalimantan Province. The population covered all 14 districts/cities in West Kalimantan Province during 2020-2024. The sampling technique used was purposive sampling with two main criteria:

1. The district/city governments that are administratively active in West Kalimantan Province during 2020–2024;
2. Regional governments that publish Budget Realization Reports (LRA) periodically and completely via the official website of the Directorate General of Fiscal Balance (DJPK) during the observation period.

Based on the sample selection criteria, 70 observation units were obtained from 14 district/city governments in West Kalimantan Province during the 2020–2024 period. This study uses secondary data compiled in the form of pooled data, namely a combination of cross-section and time series data. The cross-section data consists of

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14 district/city governments in West Kalimantan Province, while the time series data covers an observation period of five years, namely 2020, 2021, 2022, 2023, and 2024. Thus, the number of research observations is 70 (14 regions × 5 years). All data are obtained from the Budget Realization Report (LRA) of the Regional Budget (APBD) published by the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance of the Republic of Indonesia.

This study uses two types of variables, namely dependent variables and independent variables with the following details:

1. Dependent Variable (Y)

A. Regional Financial Independence

Measurement of regional financial independence is carried out by comparing the realization of PAD with Transfer Income.

$$Rasio\ Kemandirian = \frac{PAD}{Pendapatan\ Transfer}\ x\ 100\%$$

2. Independent Variable (X)

A. Regional Tax (X1)

Measurements are made using the natural logarithm value of the total realization of regional tax revenue.

$$X_1 = Ln\ (Pajak\ Daerah)$$

B. Regional Retribution (X2)

Measurements are made using the natural logarithm value of the total realization of regional retribution revenue.

$$X_2 = \text{Ln}\ (Retribusi\ Daerah)$$

C. Results of Management of Separated Regional Assets (X3)

Measurement is carried out using the natural logarithm value of the total share of profit on capital participation of regional governments or BUMD.

$$X_3 = Ln(HPKD)$$

D. Others Valid PAD (X4)

Measurements are made using the natural logarithm value of the total other legitimate PAD receipts.

$$X_4 = Ln\ (Lain\text{-}lain\ PAD\ yang\ Sah)$$

Data processing in this study was conducted using IBM SPSS Statistics 27. Before the regression analysis was conducted, the study began with descriptive

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statistics to describe the characteristics of the data through minimum, maximum, mean, median, and standard deviation values. Then, classical assumption tests were conducted, including normality tests (Kolmogorov–Smirnov), multicollinearity (Tolerance and VIF), heteroscedasticity (Glejser), and autocorrelation (Durbin–Watson). After all assumptions were met, the hypotheses were tested using multiple linear regression, with a t-test to test partial effects and an F-test for simultaneous effects at a significance level of 5% (α = 0.05). The hypothesis was considered supported if the significance value was <0.05 and the direction of the coefficients was in accordance with the hypothesis. Model feasibility was assessed using the F-test, and the model's ability to explain variations in the dependent variable was measured using the Adjusted R-Square value.(Darren George & Paul Mallery, 2020).

RESULT AND ANALYSIS

The research data covers all regencies/cities in West Kalimantan Province during 2020–2024, with a total of 70 observations (N=70). Natural logarithm (Ln) transformation was used on the independent variables to align the data scale and reduce potential distribution deviations, thus optimizing the regression model estimation. The descriptive statistics are shown in Table 3:

Table 3. Descriptive Statistics Results

Variables	Mean	Median	Maximum	Minimum	Std. Dev.
Independence (Y)	0.1398	0.099	0.5638	0.0354	0.1259
Regional Tax (X1)	24,4226	24,4042	26,6761	22,3928	1.0428
Regional Retribution (X2)	22,5741	22,3534	25,5191	20,4221	1.0385
HPKD (X3)	22,6142	22,5746	24,2472	21,5734	0.6358
Other PAD (X4)	24,5186	24,6696	25,8654	21,8218	0.9401

The average value of the Regional Financial Independence Ratio is 0.1398 or equivalent to 13.98% which shows that the level of fiscal independence of districts/cities

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in West Kalimantan is still at the "Very Low" level with an "Instructive" relationship pattern. This situation shows that local governments still have a fairly high dependence on transfer funds from the central government.

The minimum value of 3.54% indicates that some regions still have a very high level of dependence on central transfer funds, while the maximum value of 56.38% indicates that some regions have begun to achieve a moderate level of independence. The standard deviation of 0.1259 indicates significant variation, reflecting disparities in fiscal capacity between districts/cities in West Kalimantan.

Classical Assumption Test

1. Normality Test

A normality test was performed to determine whether the regression model or residuals had a normal distribution. The results of the One-Sample Kolmogorov-Smirnov test are shown in Table 4.

Table 4. Normality Test Results

Unstandardized Residual	Mark
Test Statistics	0.105
Asymp. Sig. (2-tailed)	0.068

The Asymp. Sig. (2-tailed) value is 0.068 > 0.05 significance level. Therefore, the residuals of the regression model are normally distributed, so the normality assumption has been met.

2. Multicollinearity Test

Multicollinearity testing is carried out to find out whether there is a strong relationship between independent variables in the regression model.

Table 5. Multicollinearity Test Results

Variables	Tolerance	VIF
Regional Tax (X1)	0.556	1,800
Regional Retribution (X2)	0.445	2,245
HPKD (X3)	0.622	1,608
Other PAD (X4)	0.420	2,382

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All variables have a VIF value below 10 and Tolerance above 0.10, so the model is free from multicollinearity problems.

Heteroscedasticity Test

Heteroscedasticity detection is carried out using the Glejser test to find out whether the residual variance is constant.

Table 6. Results of Heteroscedasticity Test (Glejser)

Variables	Sig.
Constant (C)	0.048
Regional Tax (X1)	0.980
Regional Retribution (X2)	0.078
HPKD (X3)	0.855
Other PAD (X4)	0.910

The results of the Glejser test show that the significance value of all variables is greater than 0.05, so the model is considered to meet the homoscedasticity assumption.

Autocorrelation Test

Autocorrelation is tested using the Durbin–Watson statistic to find out whether or not there is a relationship between the residuals in one observation and the residuals in other observations.

Table 7. Autocorrelation Test Results

Information	Mark
Durbin-Watson	1,754

The Durbin-Watson value of 1.754 is in the range of 1.50–2.50, so the regression model is considered free from autocorrelation problems.

Multiple Linear Regression Analysis and Hypothesis Testing

After meeting the classical assumptions, a multiple linear regression test was conducted to determine the effect of PAD components on Regional Financial Independence. The test results are shown in Table 8.

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Table 8. Results of Regression Analysis and Hypothesis Testing

Variables	Coefficient	t-Statistic	Prob.
Constant (C)	-0.692	-13,055	0,000
Regional Tax (X1)	0.030	3,429	0.001
Regional Retribution (X2)	0.025	4,130	0,000
HPKD Separated (X3)	0.060	4,166	0,000
Other PAD (X4)	0.041	5,227	0,000
R Square	0.771		
Adjusted R Square	0.757		
F-Statistic	53,964		
Sig. F	0,000		

The multiple linear regression equation obtained in this study is:

Y = -0.692 + 0.030X1 + 0.025X2 + 0.060X3 + 0.041X4 + e

The analysis results show an Adjusted R-Square value of 0.757, meaning 75.7% of the variation in Regional Financial Independence can be explained by Regional Taxes, Regional Levies, Separated Regional Asset Management Results (HPKD), and Other Legitimate PAD. The remaining 24.3% of the variation is influenced by factors outside the model that were not analyzed in this study.

According to the regression results, all independent variables have positive regression coefficients with a significance level of <0.05. This situation indicates that Regional Taxes, Regional Levies, HPKD, and Other Legitimate PAD each make a significant contribution to improving Regional Financial Independence. Furthermore, the F-test results yielded a significance value of 0.000, indicating that all independent variables collectively have a significant impact on the dependent variable. Therefore, all research hypotheses are empirically supported.

Of all the variables analyzed, HPKD had the largest regression coefficient. These findings indicate that optimizing regional asset management and capital participation in regionally-owned enterprises (BUMD) contribute more significantly to strengthening the fiscal capacity of regional governments than other components of local revenue (PAD). These results align with Stewardship Theory, which views regional governments as responsible for optimally managing public resources to generate benefits for the community. Furthermore, increasing regional capacity to generate local revenue also reflects a positive signal regarding the quality of regional financial management, as explained in Signaling Theory.

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The Influence of Regional Taxes on Regional Financial Independence

The analysis shows that regional taxes have a positive and significant impact on regional financial independence, with a significance value of 0.001. This finding demonstrates that regional tax revenue remains a crucial source of revenue for increasing the fiscal capacity of local governments.

This situation aligns with the actual situation of district/city governments in West Kalimantan Province during the 2020–2024 period. Following the economic recovery following the COVID-19 pandemic, activities in the trade, services, construction, and plantation sectors, which support the regional economy, have again increased. This development has led to an increase in the objects and bases for regional tax collection, such as the Certain Goods and Services Tax (PBJT), Land and Building Acquisition Tax (BPHTB), and Rural and Urban Land and Building Tax (PBB-P2).(Kumala & Bakar, 2022).The increase in tax revenue provides greater fiscal space for regional governments to finance governance and development by relying on their own revenue sources, thereby increasing the level of regional financial independence.

These results reinforce the findings of Novianti and Ishak (2022), Nurrahmadani et al. (2024), and Kirany and Widdarno (2025), who stated that increased regional tax revenue contributes to strengthening fiscal independence. From a Signaling Theory perspective, the magnitude of tax revenue can be seen as an indicator of the success of regional governments in managing regional economic potential, thus reflecting improved financial governance.

The Influence of Regional Retribution on Regional Financial Independence

Regional levies have also been shown to have a positive and significant impact on regional financial independence, with a significance value of 0.000. These results demonstrate that retribution revenues continue to play a role in strengthening the fiscal capacity of local governments.

This situation aligns with the efforts of district/city governments in West Kalimantan Province during the 2020–2024 period to optimize various types of regional levies by improving the quality of public services and streamlining the collection system. Increased community activity post-pandemic has also encouraged the use of public facilities, such as traditional markets, parking lots, terminals, health services, and certain licensing services.(Juwita & Hidayatulloh, 2024).The increased utilization of these services has an impact on increasing regional levy revenues, thereby providing

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additional Regional Original Income and strengthening the ability of regional governments to finance the implementation of government.

This finding is consistent with the studies by Nurrahmadani et al. (2024) and Aryani and Nuswandari (2026), which show that increased levy revenue can support regional fiscal independence. According to Stewardship Theory, this reflects the local government's ability to manage public services and levy collection systems, thus generating additional revenue for the region.

The Impact of the Results of Management of Separated Regional Assets on Regional Financial Independence

The results of the management of separated regional assets are the variables with the largest contribution in this study model. A significance value of 0.000, coupled with the highest regression coefficient, indicates that the management of regionally-owned enterprises (BUMD) and regional assets plays a crucial role in increasing the fiscal capacity of local governments.

This condition reflects that district/city governments in West Kalimantan Province are starting to be able to optimize asset management and regional capital participation so as to provide economic benefits in the form of dividends or profit shares from BUMD.(Saputra et al., 2025).This revenue is a relatively stable source of Regional Original Income (ROI) that can be used to finance government operations and regional development. Thus, productive management of regional assets not only increases the value of regional assets but also strengthens the fiscal capacity of regional governments without relying entirely on transfer funds from the central government.

This finding echoes research by Kirany and Widdarno (2025), which outlined that optimizing regional-owned enterprise (BUMD) management can strengthen regional revenue structures. According to Stewardship Theory, these results reflect the success of regional governments in managing their assets, which can generate economic benefits for the region.

The Influence of Other Legitimate PAD on Regional Financial Independence

The Other Legitimate PAD variable also showed a positive and significant influence on Regional Financial Independence with a significance value of 0.000. These results indicate that revenue sources outside of regional taxes, regional levies, and HPKD continue to contribute to strengthening the structure of regional government revenue.

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This situation indicates that district/city governments in West Kalimantan Province are not solely relying on revenue from regional taxes and levies, but are also striving to optimize various other legitimate revenue sources in accordance with statutory provisions. These components include current account fees, interest income, regional cash account management, and other legitimate revenues.(Hasanah et al., 2025).Optimizing various sources of income helps maintain the stability of regional revenues so that regional governments have better ability to finance the implementation of governance and development, especially when revenues from one of the components of PAD fluctuate.

This finding supports the study by Novianti and Ishak (2022), which found that optimizing various PAD sources can increase the fiscal capacity of local governments. This demonstrates that diversifying regional revenue sources is one strategy that can strengthen regional financial independence in a sustainable manner.

The Simultaneous Influence of PAD Components on Regional Financial Independence

Simultaneous testing results confirm that Regional Taxes, Regional Levies, Separated Regional Asset Management Results, and Other Legitimate PAD contribute positively and significantly to Regional Financial Independence in districts/cities throughout West Kalimantan Province in the 2020–2024 period. This empirical finding proves that accelerating fiscal independence cannot rely solely on a single revenue instrument, but rather relies heavily on the capability of regional executives in managing all PAD components in an integrated manner.

This phenomenon reflects the real conditions in the regencies/cities of West Kalimantan Province, which are continuously striving to strengthen fiscal capacity by increasing regional tax revenues, optimizing regional levies, managing assets and capital investments more productively, and utilizing various other legitimate revenue sources. These steps are increasingly important given that many regions still rely on transfer funds from the central government to meet government and development financing needs. Therefore, optimal management of all components of Regional Original Revenue (PAD) is one strategy to increase regional fiscal capacity while reducing dependence on central government funding sources.

The results of this study reinforce the prescriptions of Stewardship Theory, which posits that local governments act as accountable managers of public resources for the benefit of the community. A region's success in maximizing all independent revenue

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items demonstrates efficient budget management focused on improving the public's quality of life. Consequently, the more optimal the management of each component of local revenue (PAD), the stronger the region's ability to create sustainable fiscal independence.

CONCLUSION

This study proves that all components of PAD, namely Regional Taxes, Regional Levies, Separated Regional Asset Management Results (HPKD), and Other Legitimate PAD, contribute positively to increasing Regional Financial Independence in district/city governments in West Kalimantan Province during 2020–2024. Partial and simultaneous testing shows that all PAD components have an impact on Regional Financial Independence. This shows that increasing each PAD component plays a crucial role in strengthening regional fiscal capacity, thereby reducing dependence on transfer funds from the central government.

Of all the variables studied, HPKD had the greatest impact on Regional Financial Independence. The findings demonstrate that optimal management of regional assets and regionally-owned enterprises (BUMD) is a strategic source of revenue to strengthen regional finances. Furthermore, regional taxes remain a crucial component of local revenue (PAD) because they can provide stable and sustainable revenue.

Theoretically, the results of this study support Stewardship Theory, which emphasizes the role of local governments in effectively managing public resources to improve public welfare by strengthening fiscal capacity. These findings also align with Signaling Theory, as increased PAD reflects a positive signal regarding the local government's ability to manage finances transparently, accountably, and sustainably.

RECOMMENDATIONS

This study still has several limitations. First, it only uses four main components of local revenue (PAD) as independent variables, thus excluding other factors that could potentially influence regional financial independence, such as economic growth, inflation, or regional spending. Second, the study's observation period is limited to 2020–2024, which covers the post-pandemic period, resulting in data fluctuations in some regions.

Regional governments are advised to optimize their PAD management, particularly the HPKD component, by strengthening governance and enhancing the performance of regionally-owned enterprises (BUMD). Furthermore, regional

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governments need to improve the effectiveness of Regional Tax and Retribution management by strengthening administration and digitizing the collection system to minimize potential revenue leakage. Future researchers are advised to extend the observation period and consider other variables that may influence Regional Financial Independence to achieve more comprehensive research results.

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