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# Analysis of Factors Influencing Regional Financial Independence in Regencies/Cities in Yogyakarta

**Faustina Raissa Indriati**✉**, Annis Nurfitriana Nihayah**

Development Economic Study Program, Faculty of Economics and Business, Universitas Negeri Semarang

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## *Abstract*

This study aims to determine the factors influencing regional financial independence in regencies/cities in the Special Region of Yogyakarta Province. This study uses panel data regression analysis which is a combination of cross-sectoral data from 5 regencies/cities in the Special Region of Yogyakarta Province and time series data from 2014-2024. The results of this study indicate that special funds, regional revenues, and special allocation funds have a significant positive influence on regional financial independence. Meanwhile, general allocation funds have a negative but insignificant influence on regional financial independence in regencies/cities in the Special Region of Yogyakarta Province. Regional financial independence can be improved by optimizing regional revenues and utilizing specific and asymmetric fiscal transfers so as not to rely on transfer funds that tend not to encourage regional financial independence.

**Keywords:** Regional Financial Independence, Spesial Funds, Regional Original Income, General Alllocation Funds, Spesial Allocation Funds

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✉ Correspondence Address :
Address: Gedung L2 Lantai 2 FE Unnes
Kampus Sekaran, Gunungpati, Semarang, 50229
E-mail : faustinaraissa@students.unnes.ac.id

## INTRODUCTION

The implementation of regional autonomy in Indonesia after the 1998 reforms was marked by the implementation of fiscal decentralization through the delegation of financial management authority from the central government to regional governments through regional transfer funds.

This policy aims to reduce the fiscal gap while providing space for regions to manage development according to regional characteristics and needs. The role of regional transfer funds in the state budget structure has continued to increase over the years, making transfer funds a key instrument in financing regional governance and development in Indonesia.

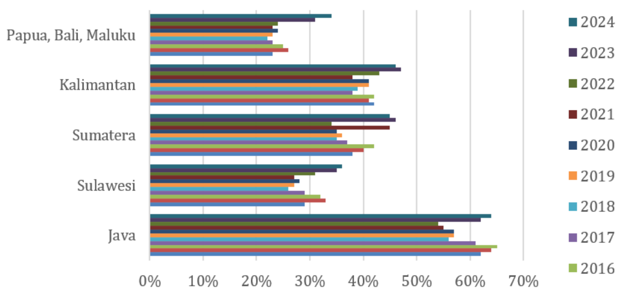


**Figure 1.** Average regional financial independence level in Indonesia 2014-2024
Source: DPJK, 2024

(Oates, 1972). One of the main indicators of the success of fiscal decentralization is regional financial independence, which reflects the ability of local governments to finance government expenditures and development through revenues sourced from the region itself, without excessive dependence on transfer funds from the central government.

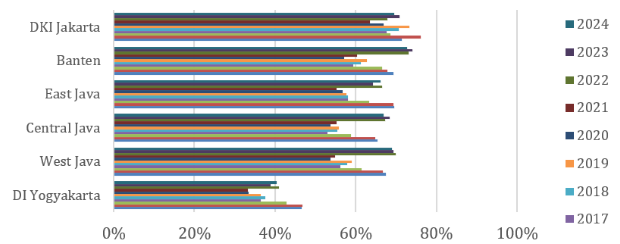


**Figure 2.** Average level of regional financial independence in Java Island 2014-2024
Source: DPJK, 2024

Dependence on transfer funds from central allocations continues to increase. Development and economic activity are concentrated in Java, while regions outside Java are relatively lagging behind, reflecting a reciprocal effect where economic and fiscal resources are more likely to be diverted to regions with greater capacity, thus increasing inter-regional disparities.

Furthermore, most regions still have low regional incomes, making reliance on central transfers a key determinant in financing regional development. This confirms that the success of fiscal decentralization depends not only on the size of transfer funds, but also on the ability of regions to manage financial resources independently and responsibly.

Within the theoretical framework of fiscal federalism, the delegation of fiscal authority is used to align the provision of public services with the needs of the community so that local governments can meet public needs effectively

Based on Figure 1, several regions in Indonesia show significant variations across islands during the 2014-2024 period. Java has the highest level of financial independence compared to other regions, at around 54%-64%. In contrast, Sulawesi, Sumatra, Kalimantan, Papua, Bali, and Maluku generally remain below 50%. This indicates that regions in Java have a stronger fiscal capacity to finance regional expenditures and are centers of government, trade, industry, and services, thus providing a broader and more stable revenue base. Figure 2 will illustrate the level of regional financial independence in the provinces of Java.

Figure 2 shows that Java Island has a relatively high level of regional fiscal independence. The level of fiscal independence of the Special Region of Yogyakarta has consistently ranged from 33% to 47%, relatively low compared to other provinces in Java. Within the framework of fiscal federalism, regions in

Java should have a relatively strong fiscal capacity supported by a large economic base, infrastructure, and population.

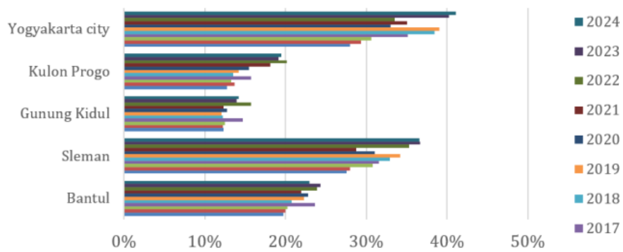


**Figure 3.** Regional financial independence in districts/cities in Yogyakarta Province 2014-2024
Source: BPS of Yogyakarta, 2024

However, the conditions in the Special Region of Yogyakarta show a fiscal phenomenon, where the level of regional fiscal independence still lags behind other provinces. The economic structure of the Special Region of Yogyakarta, which is dominated by the services, education, and tourism sectors, has different characteristics from other provinces that are based on industry and trade.

Therefore, it tends to produce a more limited tax base, resulting in a low contribution of regional revenue to total regional income. As a result, the government of the Special Region of Yogyakarta is relatively more dependent on fund transfers from the central government. Figure 3 will explain the graph of regional financial independence in regencies/cities in the Special Region of Yogyakarta Province to observe and further analyze the implementation of existing regional financial independence.

Figure 3 shows that the level of regional financial independence among regencies/cities in the Special Region of Yogyakarta Province also varies significantly. Yogyakarta City and Sleman Regency have a relatively higher level of financial independence than Bantul, Kulon Progo, and Gunung Kidul Regencies. This indicates differences in the economic capacity and fiscal potential of each region, where regions with denser economic activity tend to have more independent financing capabilities.

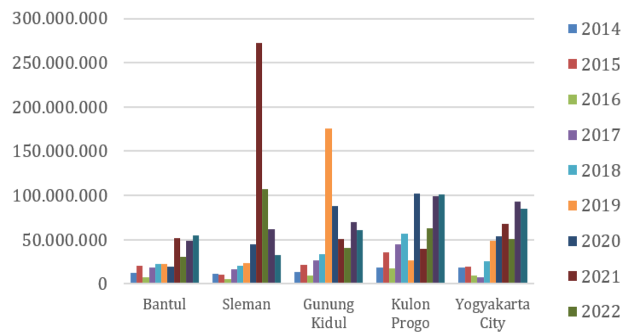


**Figure 4.** Special Funds for Regencies/Cities Yogyakarta Province 2014-2024
Source: BPS of Yogyakarta, 2024

This condition aligns with Oates (1972) view that regions with strong fiscal capacity will be more able to carry out allocation and distribution functions efficiently without relying on fund transfers, which can reduce the incentive for local governments to optimize regional revenue potential. Thus, the financial independence of regencies/cities in the Special Region of Yogyakarta Province is relevant to evaluate, not only illustrating the success of fiscal decentralization but also providing an overview of strengthening regional revenues in a more equitable and efficient manner to support sustainable regional financial independence.

Figure 4 shows that Special Funds for districts/cities in the Special Region of Yogyakarta (DIY) tended to increase nominally from 2014 to 2024, although there were differences between years and regions. This indicates that Special Funds function as an asymmetric fiscal instrument that has the potential to strengthen regional financial capacity if managed effectively. Therefore, the need for special programs and the ability to absorb budgets vary by region. This finding aligns with Oates' (1972) view that regions with strong fiscal capacity are more capable of efficiently carrying out allocation and distribution functions without excessive dependence on central government transfer funds.

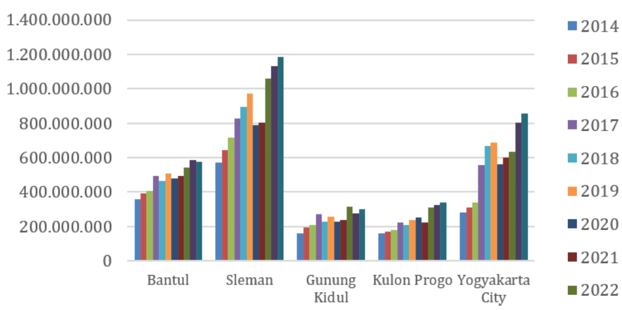


**Figure 5.** Regional Original Revenue in Regencies/Cities Yogyakarta Province 2014-2024
Source: BPS of Yogyakarta, 2024

The uniqueness of DI Yogyakarta as a region with special status under Law Number 13 of 2012 adds variables to the analysis of regional financial independence. Danais is a form of fiscal transfer provided to finance special authorities in handling cultural, land, spatial planning, and institutional issues.

Causally, Danais has the potential to increase regional financial independence through special authority financing by Danais, allowing local governments to use other fiscal resources for more productive activities, thus potentially increasing PAD and the effectiveness of Danais utilization increases the efficiency of regional expenditure, thereby reducing dependence on general transfers from the central government. Sugiyanto and Musfirati (2023) support this argument by showing that Special Funds have a significant influence on regional financial independence, indicating that the utilization of Danais has the potential to strengthen regional fiscal capacity if managed effectively.

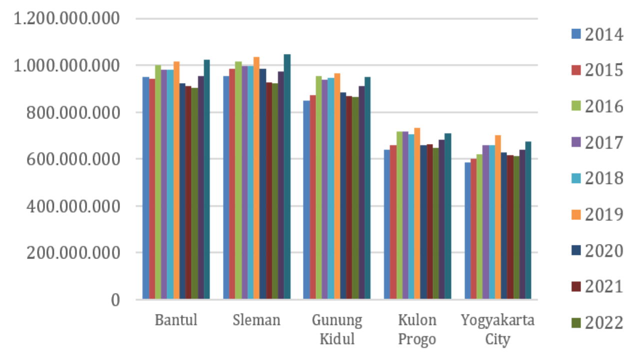


**Figure 6.** General Allocation Funds in Regencies/Cities Yogyakarta Province 2014-2024
Source: BPS of Yogyakarta, 2024

Figure 5 shows significant differences in regional revenues between regencies/cities from 2014 to 2024. The regional revenues (PAD) of Yogyakarta City and Sleman Regency were significantly higher than those of other regions, indicating a strong tax base and economic activity. PAD enhances regional financial independence because regions with high PAD are able to finance their regional needs without relying on transfer funds, thereby increasing fiscal flexibility and public service delivery capacity.

In other words, PAD enhances regional financial independence by strengthening regional financing capacity and reducing transfer funds (Frida, 2022). According to Bird M., & Smart M (2002), optimizing regional revenues (PAD) serves as a parallel strategy to reduce excessive dependence on central government transfers and to strengthen long-term financial autonomy at the regional level. Novindriastuti & Purnomowati (2020) also emphasize than successful management successful management of this component significantly strengthens PAD, making it a crucial pillar in supporting fiscal autonomy.

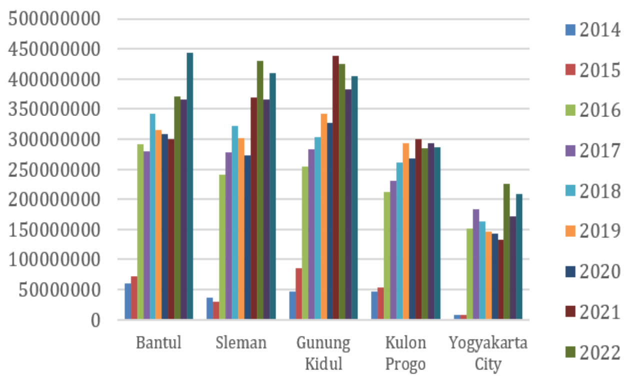


**Figure 7.** Special Allocation Funds in Regencies/Cities Yogyakarta Province 2014-2024
Source: BPS of Yogyakarta, 2024

Figure 6 shows that all regions receive relatively large and stable allocations. This stability demonstrates the role of the General Allocation Fund (DAU) as a fiscal equalization instrument. However, the dominance of this transfer can impact inter-regional fiscal policy, including incentives to increase regional revenue.

This is in line with the theory of fiscal federalism, which highlights the disincentive effect, namely the tendency of regional governments to reduce their efforts to generate regional revenue when receiving large amounts of general transfer funds (Oates, 1972).

In other words, the General Allocation Fund (DAU) can reduce regional incentives to increase regional revenue, thereby reducing regional financial independence. Lewis & Smoke (2020) state that high dependence on transfer funds tends to weaken fiscal capacity. The General Allocation Fund (DAU) generally increases regional government liquidity, enabling government spending to continue, but also reduces incentives to maximize regional revenue. Therefore, to increase financial independence, regional revenue must be strengthened, and dependence on the General Allocation Fund (DAU) can be gradually reduced.

Figure 7 shows that the Special Allocation Fund (DAK) exhibits significant fluctuations across regions and periods. This indicates that each region has different sectoral development needs and priorities. Despite its conditional nature, the Special Allocation Fund (DAK) still contributes to supporting regional development and can enhance fiscal independence if directed to productive sectors, thereby increasing the tax base, increasing Regional Original Income (PAD), and ultimately enhancing regional financial independence.

Shah (2020) and Ter-Minassian (2020) found that high reliance on conditional transfers tends to reduce regional fiscal independence, thus ensuring that PAD remains a key pillar in achieving sustainable regional financial independence. Research conducted by Sugiyanto & Musfirati (2021) found that Danais has a positive impact on financial independence, indicating that Danais allocations can strengthen regional fiscal capacity if used appropriately.

Conversely, according to Sunarto Mirman (2017), Danais has a negative impact, meaning that even though Danais is received by regions, it is likely not fully directed towards productive programs that can increase the Regional Original Income (PAD) base. Puspitasari (2020) in her research showed that PAD has a positive impact on regional financial independence.

The higher the PAD received by a region, the greater the region's ability to meet its regional needs. Conversely, research by Lulu

Syifa Fadhila & Dewi Susilowati (2025) found that PAD has a negative impact on regional financial independence, indicating that increases in PAD have not been followed by increased financial independence due to the dominance of transfer revenue.

Research by Hokum (2025) found that the General Allocation Fund (DAU) had a significant negative impact on regional financial independence, indicating that although the DAU is a large component of the allocation fund, while increasing regional fiscal capacity, it actually weakens incentives to generate regional revenue. Research by Praisy Gratia Sulangi et al. (2022) stated that the General Allocation Fund (DAK) has a positive impact on regional financial independence when used to increase fiscal capacity and support basic services.

Another study by Musfirati & Sugiyanto (2021) found that the DAK had a significant positive effect on the Regional Financial Independence Fund (KKD), indicating that conditional transfers, when directed to productive sectors, can strengthen fiscal capacity. Research by Verawaty et al. (2017) showed that the DAK was insignificant on regional financial independence.

Based on the preliminary description, the main problem in this study is the still low level of regional financial independence in regencies/cities in the Special Region of Yogyakarta Province despite the continued increase in fund allocations. This demonstrates the paradox of fiscal decentralization where increased fund transfers are not always followed by increased regional fiscal capacity.

Therefore, the purpose of this study is to analyze the influence of Danais, PAD, DAU, DAK on the financial independence of regencies/cities in the Special Region of Yogyakarta Province during the period 2014-2024. This research is expected to enrich the literature on decentralization and serve as a basis for formulating more effective regional revenue management policies to strengthen regional financial independence.

## RESEARCH METHODS

The research type used is quantitative research using numerical data and statistical analysis. The purpose of this study is to determine the factors influencing regional financial independence in regencies and cities in the Special Region of Yogyakarta Province during the period 2014-2024.

The variables used in this study are regional financial independence as the dependent variable, followed by regional revenue, general allocation funds, special allocation funds, and special funds as the independent variables.

This study uses secondary data from various sources, including the Central Statistics Agency of the Special Region of Yogyakarta Province, the Ministry of Finance, and Dataku from Yogyakarta Regional Development Planning Agency (BAPPERINDA). The method used is panel data analysis with 55 observations consisting of annual time series data from 2014-2024 and inter-regional data from five regencies/cities in the Special Region of Yogyakarta Province. The model equation in this study is as follows:

$$KKDit = \beta 0 + \beta 1lnPADit + \beta 2lnDAUit + \beta 3lnDAKit + \beta 4lnDANAISit + \varepsilon it$$

Due to differences in units and quantities in the research variables, the data were converted to logarithmic form. Several variables in this study were converted to logarithmic form, resulting in a new model equation, presented in equation 2 below:

$$KKD_{it} = \beta_0 + \beta_1 Log\_DANAIS_{it} + \beta_2 Log\_PAD_{it} + \beta_3 Log\_DAU_{it} + \beta_4 Log\_DAK_{it} + \varepsilon_{it}$$

Where KKD represents regional financial independence; Danais represents special fund; PAD represents locally generated revenue; DAU represents general allocation fund; DAK represents special allocation fund; $\beta_0$ represents the constant of the equation; $\beta_1 - \beta_4$ represents respective regression coefficients independent variable; Log represents logarithm; ε represents error term; i represents cross-section; and t represents time series.

KKD is the region's ability to finance government expenditure from its own revenue sources. DANAIS is the special transfer funds from the central government related to the special authority of the Special Region of Yogyakarta.

PAD is the regional income comes from local economic potential. DAU is diversion of central funds to equalize regional fiscal capacity. DAK is the transfer of central funds to finance special activities in accordance with national priorities. All the variables are sourced from BPS and DPJK.

This study uses panel data regression analyzed using three approaches: Common Effects, Fixed Effects, and Random Effects. The best model approach was determined using the Chow and Hausman tests. After that, statistical tests were conducted. These statistical tests consisted of the adjusted coefficient of determination (adjusted R-squared), the F test, and the t test.

## RESULTS AND DISCUSSION

In panel data regression, there are three stages used to determine the appropriate model selection, with the initial steps being the Chow test, the Hausman test, and the multiple Lagrange test. The first step is to choose the best model between the Common Effects Model (CEM) and the Fixed Effects Model (FEM).

**Table 1.** Chow Test Estimation Results

| Effects Test | Statistic | df | Prob |
|---|---|---|---|
| Cross-section F | 125.800934 | (4,46) | 0.000 |
| Cross-section Chi-square | 136.390544 | 4 | 0.000 |

Source: Data processed, 2025

In the Chow test approach, a significance level of 0.05 is used when the probability value is greater than the alpha value, then the appropriate model to use is the common effects model (CEM) compared to the fixed effects model. Meanwhile, if the probability value is smaller than the alpha value, then the appropriate model to use is the fixed effects model (FEM).

Based on the Chow test estimation results in table 1, it can be said that the Chow test estimate obtained a probability value of 0.0000, which is smaller than the 5 percent significance level. This result indicates the rejection of the null hypothesis and confirms that there are significant differences in characteristics between districts/cities in the Special Region of Yogyakarta Province, so the Common Effects Model is not suitable for use.

Therefore, the Fixed Effects Model was chosen as the most appropriate estimation model because it is able to address differences in each region, including differences in economic structure, fiscal capacity, and institutional characteristics. In addition, this model is in line with Oates' (1972) theory of fiscal federalism, which emphasizes that the effectiveness of fiscal decentralization and regional financial independence are influenced by differences in fiscal capacity and local characteristics between regions. The next step that must be done is the Hausman test to choose the most appropriate model between the fixed effects model (FEM) and the random effects model (REM).

**Table 2.** Hausman Test Results

| Test Summary | Chi-Sq.Statistic | Chi-Sq. d.f. | Prob |
|---|---|---|---|
| Cross-section random | 503.203736 | 4 | 0 |

Source: Data processed, 2025

In the Hausman test, a model is considered good if the probability value is less than alpha ($\alpha<0.05$), then the best model used is the fixed effects model. Meanwhile, if the probability value is greater than alpha ($\alpha>0.05$), then the selected model is the random effects model.

Based on the results of the Hausman test in table 2, obtained a probability value of 0.0000, the best model that is more appropriate to use in this study is the fixed effects model (FEM) compared to the random effects model, which indicates a correlation between the dependent and independent variables.

Therefore, FEM was chosen as the best estimation model because it is able to handle differences in structural characteristics and specific fiscal capacity. This model choice is in line with the opinion of Oates (1972), who emphasized that differences in regional characteristics and fiscal capacity between regions impact regional financial performance within the framework of fiscal decentralization.

The multiple Lagrange (LM) test step was not performed because the estimation results indicate the fixed effects model as the best model. Based on the test of the best model selection between the Chow test and the Hausman test on two structural equation models, the best model used between the two models is the fixed effects model.

Table 3 shows the estimated data results from the t-statistic test, which shows how the independent variables independently influence the dependent variable, at a 5% significance level. Based on these estimation results, the following model equation is obtained:

$$Y = 0{,}102949 + 0{,}000106Danaisit + 0{,}003119PADit + 0{,}002899DAKit + \varepsilon it$$

From the regression model above, it can be explained that the constant value is 0.102949 and has a positive value. This value means that if all independent variables in this study are zero, then the average regional financial independence is 23.64%. Special funds (danais) produce significant positive findings indicated by a probability value smaller than alpha 5% (0.0201 < 0.05) with a regression coefficient value of 0.0001.

This value can be interpreted that if special funds increase by 1%, then regional financial independence will increase by 0.0001% assuming ceteris paribus. Similarly, if special funds decrease by 1%, then regional financial independence will decrease by 0.0001% assuming ceteris paribus. Therefore, it can be concluded that the amount of special funds provided by the district/city government in the Special Region of Yogyakarta Province will affect regional financial independence. Furthermore, the increase in special funds contributes to increasing the fiscal capacity of local governments and allows them to finance regional needs without relying entirely on regional revenue (PAD), thus strengthening and stabilizing the regional financial structure (Sari & Nugroho, 2019).

**Table 3.** Fixed Effects Model Estimation Results

| KKD | Coefficienct | Std.err. | t-statistic | Prob. |
|---|---|---|---|---|
| Log_DANAIS | 0.000106 | 0.001053 | 0.100819 | 0.0201 |
| Log_PAD | 0.003119 | 0.003770 | 0.827403 | 0.0123 |
| Log_DAU | -0.002159 | 0.005755 | -0.375084 | 0.7093 |
| Log_DAK | 0.002899 | 0.000692 | 4.191058 | 0.0001 |
| C | 0.102949 | 0.280228 | 0.367374 | 0.7150 |
| R2 | 0.936341 | | | |
| Adjusted R2 | 0.925270 | | | |
| F-statistic | 84.57504 | | | |
| Prob(F-statistic) | 0.000000 | | | |

Source: Data processed, 2025

Similar research was conducted by Musfirati & Sugiyanto (2021), Prastiwi & Aji (2022). The results of this study align with the theory of fiscal federalism (Oates, 1972), which states that Danais, tailored to regional characteristics and authorities, can increase the effectiveness of public spending and strengthen regional fiscal policy. Data from 2014-2024 shows an increase in Danais, although its distribution varies across districts/cities.

Yogyakarta City and Sleman Regency were more effective in absorbing Danais, resulting in a more significant increase in financial independence compared to other regions. However, some districts, such as Gunung Kidul, showed an insignificant increase in Danais in increasing financial independence, likely due to limited administrative capacity and project planning. From a policy perspective, fund management should be directed towards more productive activities so as to strengthen PAD or public services, and it is necessary to increase the capacity for project planning and supervision in areas where it is still limited.

Regional Revenue (PA) also has a significant positive effect on regional financial independence, with a probability value (0.0123 < 0.05) and a regression coefficient of 0.003119 for the regional revenue variable. A 1% increase in regional revenue will increase financial independence by 0.0031%. According to Suharjo & Suhendro (2025), low PAD results in a low level of independence, reflecting a direct relationship between the level of fiscal independence and a region's ability to optimize local resources. Low PAD tends to face difficulties in financing development and meeting regional needs without assistance from the central government.

Indra Tama & Pujihastuti (2022) state that when a region's PAD is greater than the central government's transfer funds, the region can be considered financially independent and able to minimize its dependence on the central government. The research findings demonstrating a positive effect of regional revenue on regional financial independence align with previous research conducted by Wijaya & Tuah (2025) and Misbahuddin et al. (2021), Wasil (2020), Tajuddin & Kessi (2025), Indra Tama & Pujihastuti (2022), Hasanah et al. (2025).

Therefore, regional revenue has a positive impact on regional financial independence. On the other hand, the theory of fiscal federalism (Oates, 1972), which emphasizes that optimizing regional revenue sources is the key to the success of fiscal decentralization. In addition, this theory highlights the increased effectiveness of public service provision at the regional level so that regional governments can plan development without relying on the central government.

The greater the contribution of regional revenue to total regional revenue, the greater the fiscal independence that region can achieve. Therefore, regions that are able to improve their regional revenue management have the freedom to plan and implement development without relying on fiscal policies from the central government.

The Original Regional Revenue (PAD) of Yogyakarta City and Sleman Regency is significantly higher than other regencies, indicating a strong tax base and more intensive economic activity. In contrast, Bantul, Kulon Progo, and Gunung Kidul Regencies have low PAD, thus remaining dependent on transfer funds, as seen in certain years. For example, the decline in Kulon Progo's PAD in 2017-2018 was due to fluctuations in regional economic activity. Therefore, PAD optimization is necessary through the tax base, increased tax compliance, and strategic investments to strengthen regional economic sectors that can generate PAD.

The General Allocation Fund (DAU) has a negative but insignificant effect on regional financial independence with a probability of (0.7093 > 0.05), with a regression coefficient of -0.002159 for the general allocation fund variable. This value indicates that if all independent variables in the study remain constant, a 1% increase in the general allocation fund variable will reduce regional financial independence by -0.002, assuming other factors remain constant. According to Muliadi D & Setyawan J (2023), general allocation funds function to reduce inequality and disparities in funding sources between the central government and regional governments in managing capital expenditures.

This research is in accordance with research conducted by Riyadi (2022), Yulia et al. (2024), Puspitasari (2017), Fadhilah & Widiastuty (2024). The results of this study are in line with the theory of fiscal federalism (Oates, 1972), which states that general allocation funds can have a disincentive effect, where regions tend to reduce efforts to increase PAD when receiving large allocation funds. The dominant use of general allocation funds for routine and mandatory expenditures means that DAU does not directly increase PAD.

General allocation funds are used by regional governments to close the fiscal gap, namely the difference between fiscal capacity with basic needs, one of which is employee expenses (M. Firza Alpi, 2023). This can be seen from data showing that the majority of the General Allocation Fund (APBN) is used for routine expenses and employee salaries, leaving little funds for development implementation.

Yogyakarta City, despite receiving a large APBN, remains dependent on fund transfers despite having high Regional Original Revenue (VAT).

Meanwhile, Gunung Kidul Regency has not shown increased independence despite receiving a large APBN due to limited spending capacity. This demonstrates the importance of utilizing a portion of allocated funds for productive activities that can increase Regional Original Revenue (VAT), as well as strict monitoring to ensure that allocated funds are not entirely used for routine expenses.

Meanwhile, the Special Allocation Fund (DAK) has a significant positive effect on regional financial independence, with a probability value (0.0001 < 0.05) and a regression coefficient of 0.002899 for the Special Allocation Fund variable. A 1% increase in the Special Allocation Fund variable will increase regional financial independence by 0.002%, assuming ceteris paribus, in regencies/cities in the Special Region of Yogyakarta Province.

This research aligns with research conducted by Fariyanda et al. (2025), Andriani (2020), and Andrianda & Rosada (2024). The Special Allocation Fund is allocated to assist regions in financing the physical needs of facilities and infrastructure that are national priorities in the fields of health, education, infrastructure, fisheries, agriculture, maritime affairs, and the environment. These results align with Oates' (1972) theory of fiscal federalism, which states that conditional transfers such as DAK can increase the ability of regional governments to provide public goods without reducing incentives to optimize VAT.

The Special Allocation Fund (DAK) fluctuates across districts/cities, but regions that efficiently absorb DAK, such as Sleman Regency and Yogyakarta City, have demonstrated increased fiscal independence, as the special allocation funds are used to support productive projects that strengthen the regional revenue base (PPPN).

Some DAK activities do not have a significant impact because they are directed at routine needs or existing projects. Therefore, DAK allocations need to support more productive projects that can increase fiscal capacity, along with more rigorous evaluation to align with local needs. The combination of DAK and Danais can maximize their impact on regional financial independence.

## CONCLUSION

Based on the results of research that has been conducted through the stages of data collection, data processing, and analysis of the results regarding the influence of special funds, regional income, general allocation funds, and special allocation funds on regional financial independence.

This study focuses on 5 districts/cities in the Special Region of Yogyakarta Province with a time period of 2014 to 2024. The data used in this study is secondary data sourced from the Central Statistics Agency with the aim of determining what factors influence regional financial independence. The regression analysis used in this study is panel data regression analysis which is used as a method in research with estimation results that reveal the influence of all variables used.

The estimation results show that special funds, regional income, and special allocation funds have a significant positive influence on regional financial independence, while general allocation funds have a negative and insignificant influence. This indicates that regional financial independence is more determined by the region's ability to manage revenue sources and utilize fiscal transfers productively than the amount of transfers received. Special funds as a fiscal transfer instrument have been proven to contribute significantly to increasing financial independence, especially in regions with strong economic and planning capacity.

Meanwhile, regional income (PAD) remains the main determinant in strengthening regional fiscal autonomy. In contrast, the General Allocation Fund (DAU) tends to function as a fiscal balancing instrument and is unable to directly promote financial independence, while the Special Allocation Fund (DAK) has positive potential if directed to productive sectors.

Therefore, the Regional Development Planning Agency (Bappeda) needs to direct strategies to increase regional revenue (PAD) based on regional economic potential and ensure that the use of special funds and special allocation funds is focused on programs that have an economic impact and support increased regional fiscal capacity.

Furthermore, the management of general allocation funds must remain focused on efficient service delivery to reduce fiscal dependence. Therefore, the results of this study provide an empirical contribution to the formulation of more integrated, performance-oriented, and sustainable regional fiscal policies.

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