

# Fiscal Capacity, Tax Potential, and Regional Revenue Independence in Palangka Raya

*Fiscal Capacity, Tax  
Potential, and  
Regional Revenue*

Lesliana Vinita

Univeritas Palangka Raya; Palangka Raya, Indonesia  
E-Mail: leslianavinita2015@gmail.com

Alexandra Hukom

Univeritas Palangka Raya; Palangka Raya, Indonesia  
E-Mail: alexandrahukom27@gmail.com

Wiwin Zakiah

Univeritas Palangka Raya; Palangka Raya, Indonesia  
E-Mail: wiwinzakiah@feb.upr.ac.id

**1883**

Submitted:  
NOVEMBER 2025

Accepted:  
DECEMBER 2025

## **ABSTRACT**

*Local own-source revenue independence is essential for achieving fiscal autonomy and sustainable local development. This study aims to examine the influence of fiscal capacity, regional tax potential, and financial governance on local own-source revenue independence. A quantitative approach was employed using 40 quarterly data points, and multiple linear regression was applied to measure the direct and simultaneous effects of the three variables. The findings reveal that all independent variables positively and significantly affect local own-source revenue independence, with local tax potential exerting the strongest influence. This highlights the importance of optimizing tax potential through effective administration, digitalization, and taxpayer compliance. In addition, sound financial governance, characterized by transparency, accountability, and efficiency, enhances the utilization of fiscal resources, thereby strengthening fiscal independence. Collectively, these variables explain 81% of the variance in local own-source revenue independence, indicating a robust model. The study concludes that increasing local tax potential, combined with effective governance mechanisms, is critical for reducing reliance on external transfers and promoting fiscal autonomy. Policymakers are encouraged to focus on tax system reform, enhancing fiscal management capacity, and improving governance to support sustainable local economic development.*

**Keywords:** *Fiscal Capacity, Fiscal Independence, Financial Governance, Local Own-Source Revenue, Regional Tax Potential.*

## **ABSTRAK**

*Kemandirian pendapatan asli daerah sangat penting untuk mencapai otonomi fiskal dan pembangunan lokal yang berkelanjutan. Penelitian ini bertujuan untuk menganalisis pengaruh kapasitas fiskal, potensi pajak daerah, dan tata kelola keuangan terhadap kemandirian pendapatan asli daerah. Pendekatan kuantitatif digunakan dengan 40 data kuartalan, dan regresi linier berganda diterapkan untuk mengukur pengaruh langsung dan simultan ketiga variabel tersebut. Hasil penelitian menunjukkan bahwa semua variabel independen berpengaruh positif dan signifikan terhadap kemandirian pendapatan asli daerah, dengan potensi pajak daerah memiliki pengaruh paling kuat. Hal ini menekankan pentingnya optimalisasi potensi pajak melalui administrasi yang efektif, digitalisasi, dan kepatuhan wajib pajak. Selain itu, tata kelola keuangan yang baik, ditandai oleh transparansi, akuntabilitas, dan efisiensi, meningkatkan pemanfaatan sumber daya fiskal sehingga memperkuat kemandirian fiskal. Secara keseluruhan, ketiga variabel tersebut menjelaskan 81% variansi kemandirian pendapatan asli daerah, menunjukkan model yang kuat. Penelitian ini menyimpulkan bahwa peningkatan potensi pajak daerah yang dikombinasikan dengan mekanisme tata kelola yang efektif sangat penting untuk mengurangi ketergantungan pada*

**JIAKES**

Jurnal Ilmiah Akuntansi  
Kesatuan  
Vol. 13 No. 6, 2025  
pp. 1883-1894  
IBI Kesatuan  
ISSN 2337 – 7852  
E-ISSN 2721 – 3048  
DOI: 10.37641/jiakes.v13i6.4523

*transfer eksternal dan mendukung otonomi fiskal. Pembuat kebijakan disarankan untuk memprioritaskan reformasi sistem perpajakan, peningkatan kapasitas pengelolaan fiskal, dan perbaikan tata kelola guna mendukung pembangunan ekonomi lokal yang berkelanjutan.*

**Kata kunci:** *Kapasitas Fiskal, Kemandirian Fiskal, Tata Kelola Keuangan, Pendapatan Asli Daerah, Potensi Pajak Daerah.*

## INTRODUCTION

Local own-source revenue is a crucial aspect in the implementation of local autonomy, which grants local governments the authority to manage financial resources independently and sustainably (Tejaarief & Husni, 2025; Widiastuty, 2025). Indicators of local financial independence are reflected in the local own-source revenue ratio, which is the region's ability to finance government and development without relying heavily on transfer funds from the central government (Hartika & Putri, 2024). Palangka Raya City, as the capital of Central Kalimantan province, boasts significant natural resources and economic potential. However, reality shows that local financial independence remains relatively low and dependence on central transfer funds remains very high. This poses a significant challenge to strengthening independent and sustainable local development.

One of the main factors influencing the independence of Local Own-Source Revenue (*Pendapatan Asli Daerah/PAD*) is local fiscal capacity, namely the region's fiscal ability to collect and manage its financial resources (Digdowiseiso & Saputra, 2022). Studies by Martinez and McNab (2003), Zakaria and Dede (2022), and Alfajrin et al. (2025) demonstrate that stronger fiscal capacity increases the potential for higher local own-source revenue and greater fiscal independence. Strong fiscal capacity supports increased local revenue and strengthens the region's financial position in facing development challenges. Furthermore, the substantial potential of local taxes is a primary source of local own-source revenue, where optimizing local tax collection and management is key to increasing local revenue. Optimization of local taxes has been empirically proven as an effective strategy to strengthen local own-source revenue and local financial independence (Bryant et al., 2008; Bahl & Bird, 2008; Smoke, 2015; Winarto & Hanifah, 2025). Palangka Raya City, with diverse local economic potential such as tourism, trade, and natural resources, actually has a significant opportunity to develop its tax potential more optimally. Another equally important factor is local financial governance, which encompasses the principles of transparency, accountability, and effective financial management. Good governance not only increases public and economic trust in local government but also serves as a vital tool for improving the efficiency and effectiveness of local revenue utilization. Poor governance will hinder resource optimization and negatively impact the local own-source revenue independence ratio.

Empirical data show that despite efforts to increase independence by the Palangka Raya City Government through public awareness campaigns on tax obligations, digitizing tax services, and training human resource competencies, dependence on central government transfers remains high. The relatively low local financial independence ratio indicates the need for an in-depth analysis of the influence of fiscal capacity, local tax potential, and financial governance on the local own-source revenue independence ratio (Ayuningtyas et al., 2025). This analysis is crucial for obtaining a holistic picture of the factors that hinder and encourage local own-source revenue independence, while also offering strategic recommendations for improving the fiscal independence of Palangka Raya City.

The data on fiscal capacity, local tax potential, financial governance, and the local own-source revenue independence ratio in Palangka Raya City from 2020 to 2024 indicate consistent improvements across all indicators. Fiscal capacity, measured as local original income in billions of rupiah, rose steadily from 120 billion in 2020 to 162 billion in 2024. Local tax potential, which reflects the estimated collectible local tax capacity, also increased from 135 billion to 162 billion over the same period, showing expanding

opportunities for revenue mobilization (Benitez et al., 2023). Financial governance, evaluated through a score index based on transparency, accountability, and effectiveness, improved from 75 in 2020 to 82 in 2024, signaling better quality in local financial management. In line with these developments, the local own-source revenue independence ratio, calculated as the percentage of local own-source revenue to total local income, grew from 42% to 53%. These trends, sourced from the local tax and retribution management agency and the Central Statistics Agency of Palangka Raya City for the 2020–2024 period, demonstrate strengthened fiscal management and optimization of fiscal resources, ultimately enhancing local financial independence and supporting sustainable local development.

Based on this foundation, this study aims to comprehensively examine the influence of fiscal capacity, local tax potential, and financial governance on the local own-source revenue independence ratio in Palangka Raya City. The results are expected to serve as a reference for local policymakers in developing more independent financial management strategies and contribute to the academic literature on local fiscal independence, particularly in the urban context of Indonesia.

## **LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT**

### **The Effect of Fiscal Capacity on Local Own-Source Revenue**

Local own-source revenue independence reflects the ability of a local government to finance its governmental functions, development programs, and public services using internally generated revenue, without excessive reliance on central government transfers or external borrowing. This concept is closely linked to fiscal capacity, which represents a local government's ability to generate financial resources, commonly measured through the realization of local own-source revenue. A higher fiscal capacity indicates stronger revenue-generating potential, enabling local governments to reduce fiscal dependence and improve financial autonomy. According to Putri et al. (2013), the primary purpose of assessing local own-source revenue independence is to evaluate the extent to which local governments can perform their functions based on internal revenue rather than external financial support. In this context, fiscal capacity serves as a fundamental determinant of regional financial independence, as it directly influences the availability and sustainability of local revenue sources.

Fiscal capacity refers to a region's ability to generate revenue from sources within its jurisdiction, particularly local taxes and levies, which constitute the main components of local own-source revenue (Litvack et al., 1999; Shah & Boadway, 2006; Halim, 2013). A higher level of fiscal capacity enables regions to strengthen Local Own-Source Revenue and reduce dependence on central government transfer funds. Empirical evidence from Urip and Indahyani (2017) indicates that improved fiscal capacity allows local governments to allocate financial resources more efficiently for investment and the provision of public services. Moreover, effective fiscal management contributes to the optimal utilization of local revenue and enhances public trust in local government performance. Supporting this argument, Qadri et al. (2022) demonstrate that fiscal capacity has a significant positive effect on local own-source revenue independence. Their findings suggest that regions with stronger fiscal capacity are more capable of mobilizing internal resources, thereby reinforcing fiscal autonomy and promoting sustainable local development.

H1: Fiscal capacity has a significant effect on local own-source revenue.

### **The Effect of Regional Tax Potential on Local Own-Source Revenue**

Local own-source revenue represents a critical indicator of regional fiscal autonomy, as it reflects the ability of local governments to finance public services and development activities using internally generated funds. One of the main determinants of this revenue is regional tax potential, which refers to the estimated maximum tax revenue that can be collected when local tax management is implemented optimally (Langford & Ohlenburg,

2015; Ering et al., 2016; Mawejje & Sebudde, 2019; Yossinomita et al., 2025). Regional tax potential serves as the foundation for enhancing local own-source revenue, given that local taxes constitute one of the primary pillars of local government income. The effective utilization of this potential depends on the capacity of local governments to identify taxable objects, expand the tax base, and design tax policies that align with regional economic characteristics.

The realization of regional tax potential is strongly influenced by taxpayer compliance, the effectiveness of tax administration, and the accessibility, transparency, and simplicity of tax services. Recent studies highlight the role of digitalization in tax collection systems as a key mechanism for reducing revenue leakage and improving transparency and monitoring (Kochanova et al., 2020; Bellon et al., 2022; Okunogbe & Pouliquen, 2022; He & Yi, 2023). Well-coordinated and closely monitored tax payment systems enable local governments to optimize tax collection outcomes, thereby increasing local revenue. Empirical evidence supports this relationship, as Nisa and Bahari (2022) find that local taxes have a significant effect on local own-source revenue. These findings suggest that optimizing regional tax potential plays a vital role in strengthening local own-source revenue and enhancing regional fiscal sustainability.

H2: Regional tax potential has a significant effect on local own-source revenue.

### **The Effect of Financial Governance on Local-Own-Source Revenue**

Financial governance plays a central role in determining the effectiveness of local revenue management and the sustainability of local own-source revenue. Local financial governance refers to the mechanisms and processes through which local governments manage public finances in accordance with the principles of transparency, accountability, efficiency, and effectiveness (Said, 2021). Sound financial governance provides a structured framework for planning, implementing, and monitoring fiscal activities, thereby ensuring that locally generated revenues are managed responsibly. By promoting clear rules and oversight, good governance enhances the credibility of local governments and strengthens their ability to mobilize and utilize local own-source revenue in support of public services and development programs.

Empirical and theoretical studies emphasize that high-quality financial governance contributes directly to improved revenue outcomes. Good financial management increases public trust, which in turn encourages taxpayer compliance and supports the optimization of local own-source revenue. Fahriansyah (2022) highlights that effective financial governance can minimize the risk of budget leakage and misuse of funds, thereby maximizing the developmental impact of local revenue. In addition, financial transparency plays a vital role in building trust and confidence among stakeholders by ensuring that financial performance and fiscal positions are clearly communicated (Almaskar et al., 2025). Good governance practices, including timely financial reporting, comprehensive audits, and robust internal control systems, form a critical foundation for the optimal management of local own-source revenue and other fiscal resources. Consequently, strong financial governance reinforces local fiscal capacity and supports sustainable regional development.

H3: Financial governance has a significant effect on local own-source revenue.

### **Simultaneous Effect on Local Own-Source Revenue Independence**

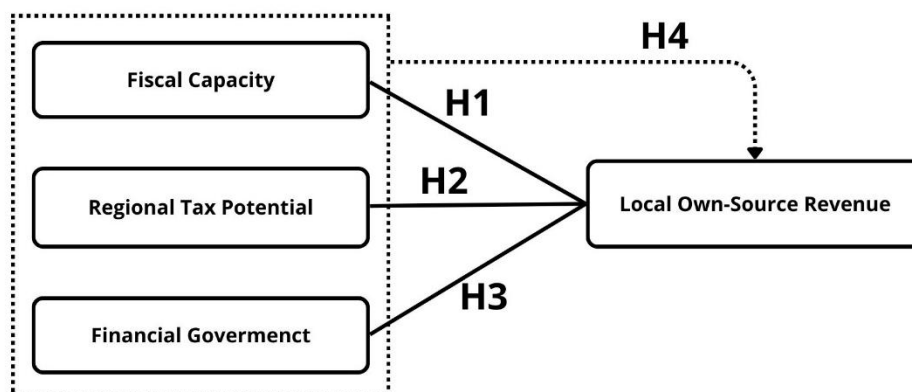
The local own-source revenue independence ratio indicates the percentage of local own-source revenue's contribution to total local revenue and is a key indicator of the region's ability to generate and manage its own fiscal resources (Saputra & Fernando, 2017; Prasetyo & Rahayu, 2019; Said, 2021). Regions with a high ratio demonstrate a greater capacity to finance development and public services without relying on central government transfers. The local own-source revenue independence ratio also reflects the effectiveness of tax management and other original local revenue sources. Regions that

remain highly dependent on central transfer funds tend to face greater fiscal risks and limitations in providing quality public services.

Various empirical studies have shown a positive and significant relationship between fiscal capacity and the local own-source revenue independence ratio. Apriyani (2021) emphasized that a region's ability to maximize its fiscal potential will increase local own-source revenue, which contributes to strengthening the local own-source revenue independence ratio. Optimally managed regional tax potential can boost local revenue, thereby increasing the local own-source revenue independence ratio (Ministry of Finance, 2025).

In addition, good financial governance is highly important to ensure that all potential and resources owned by the region can be managed in a transparent and accountable manner (Ardiyanti & Supriadi, 2018; Mbipi et al., 2020; Fahriansyah, 2022). This not only increases revenue but also enhances public trust in local government, ultimately supporting the improvement of the local own-source revenue independence ratio. Thus, these three variables synergistically serve as the main pillars for strengthening local own-source revenue.

H4: Fiscal capacity, regional tax potential, and financial governance simultaneously has a significant effect on the local own-source revenue.



**Figure 1.** Conceptual Framework

Figure 1 illustrates the conceptual framework of this study, where fiscal capacity (H1), regional tax potential (H2), and financial governance (H3) are proposed to individually influence local own-source revenue. Additionally, these three variables are hypothesized to have a simultaneous effect on local own-source revenue, as represented by H4.

## RESEARCH METHODS

This study employed a quantitative approach using a survey method combined with secondary data analysis to examine the causal relationships among fiscal capacity, regional tax potential, financial governance, and the local own-source revenue independence ratio. The quantitative approach was selected to ensure objective and systematic analysis of variable relationships, while the survey method facilitated data collection from official government documents, financial reports, and structured qualitative instruments related to financial governance. Statistical techniques were applied to empirically assess the influence of the independent variables on local fiscal independence in Palangka Raya City.

The study population comprised financial reports and data on local own-source revenue of Palangka Raya City covering the 2015–2024 period, treated as time-series data. Given the limited and complete availability of data for this ten-year period, total sampling was applied. In addition, officials and staff from the Local Tax and Retribution Management Agency (*Badan Pengelola Pajak dan Retribusi Daerah/BPPKAD*) and the

Local Financial and Asset Management Agency (*Badan Pengelola Keuangan dan Aset Daerah/BPKAD*) were involved as key informants to provide qualitative insights into financial governance practices through interviews and documentation.

The data used in this study consisted of both quantitative and qualitative components. Quantitative data included the realization of Local own-source revenue, regional tax potential, fiscal capacity, and the local own-source revenue independence ratio. These data were obtained from official local financial reports, particularly the Regional Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*) and government financial accountability documents. Qualitative data were derived from information on local financial governance, collected through interviews with relevant officials, policy documents, and audit reports of local financial statements. Primary data sources were government institutions in Palangka Raya City, while secondary data were obtained from officially published documents and government databases.

Data collection employed documentation (secondary data from financial reports, budgets, and publications), semi-structured interviews with officials responsible for local financial governance (to gain practical insights into management and revenue administration), and indirect observation of financial and tax collection processes as supporting evidence. Variables were operationally defined as follows: Fiscal capacity as the Palangka Raya City government's revenue generation ability, measured by realized local own-source revenue (in billions of IDR); regional tax potential as the estimated maximum optimizable tax revenue, based on reports and actual realizations; financial governance as an index of transparency, accountability, efficiency, and effectiveness derived from interviews and audits; and local own-source revenue independence ratio as the proportion of local revenue to total regional income, reflecting fiscal independence (Susanti et al., 2016).

Data analysis was carried out in two stages. Descriptive analysis was used to illustrate the characteristics of all variables, followed by multiple linear regression analysis using IBM SPSS Statistics to test both partial and simultaneous effects. Model reliability was ensured through validity and reliability tests and classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation. To strengthen the quantitative findings, qualitative triangulation from interviews was applied, resulting in a comprehensive and reliable assessment of local fiscal independence in Palangka Raya City.

## RESULTS

Table 1 presents the results of the descriptive analysis for each variable observed in this study. Fiscal capacity and regional tax potential show minimum values of 28.5 and 30.0, respectively, with both reaching a maximum of 56.0. Their average values (42.3 and 42.7) indicate steady growth in local revenue-generating capacity. The financial governance index ranges from 65 to 83, with an average of 73.5, reflecting consistently improving governance quality. Meanwhile, the local own-source revenue ranges from 27.0 to 44.1, with a mean of 35.8. These descriptive results demonstrate that increases in fiscal capacity, regional tax potential, and financial governance quality collectively contribute to the improvement of local own-source revenue.

Table 1. Descriptive Analysis Test

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Fiscal Capacity (X1)	40	28.5	56.0	42.3	7.2
Regional Tax Potential (X2)	40	30.0	56.0	42.7	7.0
Financial Governance (X3)	40	65	83	73.5	5.3
Local Own-Source Revenue (Y)	40	27.0	44.1	35.8	5.1

The classical assumption tests demonstrate that the data used in this study meets the requirements for multiple linear regression analysis. The normality test using the Kolmogorov–Smirnov method shows that the residuals are normally distributed ( $p >$

0.05). The multicollinearity test indicates that all independent variables have VIF values below 5, confirming the absence of multicollinearity. The heteroscedasticity test based on the scatter plot shows no visible pattern of changing variance, meaning heteroscedasticity is not present. Furthermore, the Durbin–Watson value of 1.94, which is close to 2, indicates that there is no autocorrelation in the model. These results confirm that the regression model is valid and reliable for explaining the relationship between fiscal capacity, Regional Tax Potential, financial governance, and the Local Own-Source Revenue independence ratio.

**Table 2.** Results of Regression Coefficient Test

Variable	Coefficient B	Std. Error	T-Statistic	T-table (5%)	Sig.
Contant	2.15	0.85	2.53	2.02	0.015
Fiscal Capacity	0.35	0.08	4.38	2.02	0.000
Regional Tax Potential	0.40	0.10	4.00	2.02	0.000
Financial Governance	0.20	0.07	2.86	2.02	0.007

Based on Table 2, the regression equation used in this study can be expressed as  $Y = 2.15 + 0.35X_1 + 0.40X_2 + 0.20X_3$ . In this model, Y represents the local own-source revenue independence ratio, while  $X_1$  denotes fiscal capacity,  $X_2$  refers to regional tax potential, and  $X_3$  represents financial governance. This equation indicates that fiscal capacity, regional tax potential, and financial governance are all positively associated with the level of local own-source revenue independence.

Positive regression coefficients on the three independent variables indicate that increased fiscal capacity, regional tax potential, and financial governance will enhance the local own-source revenue independence ratio. The partial test results (t-test) show that all independent variables significantly influence the PAD Independence Ratio, with t-count values of  $X_1 = 4.38$ ,  $X_2 = 4.00$ , and  $X_3 = 2.86$  ( $p = 0.000 < 0.05$ ). These findings indicate that fiscal capacity, regional tax potential, and financial governance each have a significant partial effect on local own-source revenue independence.

**Table 3.** R Square and F-Statistic Test

Test	Value
F-Statistic	56.78
P-value	0.000
R Square	0.81

Table 3 shows that the simultaneous test (F-test) further confirms this relationship, where the F-count value of 56.78 exceeds the F-table value of 2.87 with a significance level of  $0.000 < 0.05$ , demonstrating that the independent variables collectively have a significant effect on the local own-source revenue independence ratio. Additionally, the coefficient of determination (R Square = 0.81) indicates that 81% of the variation in local own-source revenue independence can be explained by fiscal capacity, regional tax potential, and financial governance, while the remaining 19% is influenced by other factors outside the model.

The analysis highlights that fiscal capacity plays a crucial role in strengthening local financial resources and reflects a region’s ability to collect its own revenue. Optimizing regional tax potential significantly boosts the local own-source revenue independence ratio through effective tax policy and improved compliance, and strong financial governance enhances transparency, accountability, and efficiency, ultimately increasing the effectiveness of local own-source revenue management.

Data triangulation from interviews with officials from the local tax and retribution management agency and the local financial and asset management agency indicates that the increase in fiscal capacity stems primarily from improvements in the tax administration system and enhanced taxpayer compliance. Officials emphasized that the modernization of tax services, digitalization of payment systems, and stricter monitoring

mechanisms have collectively strengthened the region's ability to optimize revenue collection. Financial governance has also improved significantly with the implementation of e-budgeting, performance-based budgeting, and more transparent financial reporting procedures, which help ensure accountability and reduce the potential for budget misuse. These qualitative insights reinforce the findings of the quantitative analysis, which showed a significant positive relationship between fiscal capacity, regional tax potential, financial governance, and the level of local revenue independence. Together, these results suggest that administrative reforms, technological integration, and stronger governance frameworks play an essential role in increasing the local own-source revenue independence ratio.

## **DISCUSSION**

The analysis results show that fiscal capacity has a positive and significant effect on the independence ratio of local own-source revenue in Palangka Raya City. This aligns with Halim's (2013) theory, which states that fiscal capacity is the ability of a local government to collect local revenue sources to finance governmental and developmental activities. Increased fiscal capacity reflects improvements in the management of local financial resources, including the optimization of taxes, levies, and other sources of revenue. The study by Nurrahmadani et al. (2024) also found that strong fiscal capacity contributes to higher local financial independence, supporting the findings of this research, which indicate that effective fund management plays a crucial role in strengthening the region's independent financial position.

Regional tax potential was found to have a significantly stronger positive effect on the Local own-source revenue independence ratio than the other variables. This finding aligns with the Ministry of Finance's (2025) review, which states that effective tax potential management through improved compliance and the implementation of digital technology can optimally increase local tax revenue. Research by Devita (2022) and Gautama et al. (2022) also shows that well-managed regional tax potential significantly drives the growth of local own-source revenue, ultimately reducing dependence on central transfer funds. This confirms that innovations in exploring tax potential, such as maintaining an up-to-date taxpayer database, applying an effective monitoring system, and strengthening public tax education, are key to achieving local fiscal independence.

Financial governance that encompasses transparency, accountability, and efficiency has also been proven to significantly increase the local own-source revenue independence ratio. Fahriansyah (2022) emphasized that good financial governance helps minimize leakage, misuse, and inefficiency in the management of local financial resources. In the context of Palangka Raya City, the strengthening of governance through the implementation of e-budgeting, timely financial reporting, and routine internal audits has increased public and stakeholder trust in local financial management. The study by Oki et al. (2020), which demonstrated a positive correlation between the quality of financial management and local fiscal independence, further supports the findings of this research. The results indicate that financial governance is not merely a managerial element but a strategic foundation for achieving long-term local fiscal sustainability.

Multiple linear regression results show that fiscal capacity, regional tax potential, and financial governance jointly explain 81% of the variation in the local own-source revenue independence ratio, indicating that these factors mutually strengthen Palangka Raya City's fiscal autonomy. Fiscal capacity and tax potential contribute directly to revenue generation, while financial governance ensures that revenue is managed transparently, efficiently, and effectively (Chugunov et al., 2020). Consistent with Litvack et al. (1999), optimizing fiscal potential supported by strong governance is crucial to reducing dependence on central transfers within the framework of local autonomy.

These findings suggest that the Palangka Raya City Government must enhance fiscal capacity through improved financial and tax management skills, digital tax systems, and policies that promote taxpayer compliance. Maximizing tax potential requires increased public awareness and firm law enforcement, while strengthening financial governance

especially transparency, accountability, and oversight is essential for sustaining public trust and ensuring long-term local financial independence (Kumar, 2024).

The results emphasize that achieving local fiscal independence is a multidimensional process that relies on increasing fiscal resources while ensuring high-quality governance. Through the synergy of these three factors, Palangka Raya City can build a more independent and sustainable financial foundation to support optimal development and public service delivery. The policy implications can be summarized as follows. First, fiscal capacity must be strengthened through improved tax administration, digitalization, and training for financial and tax staff. Second, regional tax potential should be optimized by accelerating taxpayer registration, enhancing tax awareness and compliance, enforcing tax regulations, and expanding digital and transparent tax services. Third, financial governance must be improved through stronger internal controls, consistent transparency and accountability, and effective internal audits. Fourth, policies must be evidence-based, supported by continuous monitoring and evaluation of tax and financial performance. Fifth, multistakeholder collaboration between government, businesses, and the public is essential to support revenue optimization and sustainable financial management. The core implication is that increasing fiscal capacity, optimizing tax potential, and strengthening financial governance are crucial to improving the local own-source revenue independence ratio and achieving sustainable local fiscal autonomy.

## **CONCLUSION**

This study concludes that fiscal capacity, regional tax potential, and financial governance both simultaneously and partially exert a positive and significant influence on the local own-source revenue independence ratio of Palangka Raya City. The strongest influence comes from regional tax potential, demonstrating that tax innovation, optimization, and compliance improvement are more decisive than fiscal capacity and governance alone. The findings also show that modern financial governance supported by digitalization and transparency enhances the effectiveness of local revenue management. Collectively, the three variables explain 81% of the variation in the local own-source revenue independence ratio, indicating that fiscal independence is best achieved through an integrated approach involving resource strengthening, tax optimization, and accountable governance. The results imply that local governments should prioritize strengthening tax potential through digital tax systems, updated taxpayer databases, and stricter compliance enforcement. Improvements in human resource capacity for fiscal management and the expansion of transparent, technology-based financial governance are equally vital to increasing local fiscal independence.

This study is limited by its reliance on quantitative secondary data covering only ten years and a single local scope. The qualitative component, although supportive, is limited in depth because interviews involved only selected officials. External factors such as national fiscal policy, economic shocks, and administrative reforms were not included in the regression model, potentially influencing the unexplained 19% of variation. Future studies could incorporate broader local comparisons, additional variables such as economic growth or investment climate, and longitudinal qualitative assessments to deepen understanding of governance practices. Expanding digital governance indicators and integrating machine-learning forecasting models may also provide more accurate predictions of Local Own-Source Revenue performance.

## **REFERENCES**

- [1] Alfajrin, M. R., Juanda, A., & Febriani, R. (2025). Regional financial performance and fiscal independence strategies in Baubau City. *Electronic Journal of Education, Social Economics and Technology*, 6(2), 10-19.
- [2] Almaskar, T. H., Mohamad, E., Shafee, N. A. Q. M., & Yahaya, S. N. (2025). The role of financial governance on institutional performance: A review study. *Multidisciplinary Reviews*, 8(8), 5238-5238.

- [3] Ardiyanti, A., & Supriadi, Y. N. (2018). Efektivitas pengendalian internal, dan kompetensi sumber daya manusia, terhadap implementasi good governance serta implikasinya pada pencegahan fraud dalam pengelolaan keuangan desa di kabupaten tangerang. *Jurnal Akuntansi Manajerial (Managerial Accounting Journal)*, 3(1), 1-20.
- [4] Ayuningtyas, R., Nuha, G. A., & Zulkarnaeni, A. S. (2025). Determinants of regional financial independence: a study of local taxes, balancing funds and capital expenditure in East Java (2020-2023). *Jurnal Riset Akuntansi Terpadu*, 18(1), 66-82.
- [5] Bahl, R., & Bird, R. (2008). Subnational taxes in developing countries: The way forward. *Public Budgeting & Finance*, 28(4), 1-25.
- [6] Bellon, M., Dabla-Norris, E., Khalid, S., & Lima, F. (2022). Digitalization to improve tax compliance: Evidence from VAT e-Invoicing in Peru. *Journal of Public Economics*, 210(5), 104-106.
- [7] Benitez, J. C., Mansour, M., Pecho, M., & Vellutini, C. (2023). *Building tax capacity in developing countries*. Washington: International Monetary Fund.
- [8] Bryant-Kutcher, L., Eiler, L., & Guenther, D. A. (2008). Taxes and financial assets: Valuing permanently reinvested foreign earnings. *National Tax Journal*, 61(4), 699-720.
- [9] Chugunov, I., Vatulov, A., & Markuts, Y. (2020). General government revenue in the system of fiscal regulation. *Investment Management & Financial Innovations*, 17(1), 134-145.
- [10] Devita, S. (2022). Optimalisasi potensi pajak daerah melalui digitalisasi perpajakan. *Jurnal Pajak dan Keuangan Daerah*, 5(1), 67-81.
- [11] Ering, S., Hakim, D. B., & Juanda, B. (2016). Analisis potensi pajak daerah untuk peningkatan kapasitas fiskal kabupaten dan kota di Sulawesi Utara. *Jurnal Ekonomi dan Pembangunan Indonesia*, 17(1), 6-10.
- [12] Fahriansyah, A. Z. (2022). Akuntabilitas dan efektivitas pengelolaan keuangan daerah. *Jurnal Tata Pamong Manajemen*, 5(1), 45-60.
- [13] Gautama, M. T., Trisiana, A., Apriyani, W. L., Fatmawati, A., Margono, T., Ningsih, E., & Yulia, I. (2022). *Tinjauan efektivitas hukum pada produk hak cipta dalam masa pandemi*. Solo: Unisri Press.
- [14] Halim, A. (2013). *Manajemen keuangan daerah*. Yogyakarta: Penerbit Erlangga.
- [15] Hartika, D., & Putri, M. K. (2024). Analysis of regional financial independence Indragiri Hulu District 2019-2023. *Jurnal Manajemen dan Bisnis*, 13(2), 228-238.
- [16] He, Y., & Yi, Y. (2023). Digitalization of tax administration and corporate performance: Evidence from China. *International Review of Financial Analysis*, 90(1), 102-109.
- [17] Kochanova, A., Hasnain, Z., & Larson, B. (2020). Does e-government improve government capacity? Evidence from tax compliance costs, tax revenue, and public procurement competitiveness. *The World Bank Economic Review*, 34(1), 101-120.
- [18] Kumar, T. A. (2024). Ethical dilemmas in state and local tax planning: balancing profit maximization and social responsibility. *Educational Administration: Theory and Practice*, 30(4), 667-678.
- [19] Langford, B., & Ohlenburg, T. (2015). *Tax revenue potential and effort*. Washington: International Growth Centre Working Paper.
- [20] Litvack, J., Seddon, J., Ahmad, J., Blair, H., Esmail, T., Ford, J., ... & Shah, A. (1999). *Decentralization briefing notes*. Washington: World Bank Institute.
- [21] Martinez-Vazquez, J., & McNab, R. M. (2003). Fiscal decentralization and economic growth. *World development*, 31(9), 1597-1616.
- [22] Mawejje, J., & Sebudde, R. K. (2019). Tax revenue potential and effort: Worldwide estimates using a new dataset. *Economic Analysis and Policy*, 63(2), 119-129.
- [23] Mbipi, S. D., Assih, P., & Sumtaky, M. (2020). Pengelolaan keuangan daerah dan good governance terhadap kinerja satuan kerja perangkat daerah. *AFRE Accounting and Financial Review*, 3(2), 152-158.
- [24] Nurrahmadani, R., Putra, E., & Hidayat, T. (2024). Pengaruh kapasitas fiskal terhadap kemandirian fiskal daerah. *Jurnal Ekonomi Dan Pembangunan*, 12(2), 98-114.
- [25] Oki, S., Fauzi, A., & Wardani, D. (2020). Hubungan tata kelola keuangan dengan kemandirian fiskal daerah. *Jurnal Manajemen dan Akuntansi Publik*, 11(1), 55-72.
- [26] Okunogbe, O., & Poulighen, V. (2022). Technology, taxation, and corruption: evidence from the introduction of electronic tax filing. *American Economic Journal: Economic Policy*, 14(1), 341-372.
- [27] Prasetyo, A., & Rahayu, D. (2019). Pengaruh pendapatan asli daerah (PAD), dana alokasi umum (DAU), dana bagi hasil (DBH), dan fiscal stress terhadap tingkat kemandirian di Provinsi Kalimantan Selatan. *JIEP: Jurnal Ilmu Ekonomi dan Pembangunan*, 2(4), 872-881.
- [28] Putri, A. S., Firdaus, F., & Sulaeman, A. (2013). Kemandirian fiskal daerah dan implikasinya bagi pembangunan berkelanjutan. *Jurnal Keuangan Publik*, 2(1), 23-39.
- [29] Qadri, U. L., & Muda, I. (2022). Analysis of the effect of original local government revenue, central transfers and legitimate other income on financial independence of Regency/City of North Sumatra Province and Central Java Province with implementation expenditure efficiency as a moderating variable. *International Journal of Research and Review*, 9(8), 431-443.
- [30] Said, A. (2021). Transparansi dan akuntabilitas dalam pengelolaan keuangan daerah. *Jurnal Administrasi Publik*, 5(2), 89-106.
- [31] Saputra, B., & Fernando, R. (2017). Kontribusi sumber-sumber PAD dalam mendukung kemandirian keuangan daerah di Kabupaten Sleman. *Jurnal Riset Akuntansi dan Keuangan*, 5(3), 1515-1534.

- [32] Shah, A., & Boadway, R. (2006). *Intergovernmental fiscal transfers: principles and practice*. Washington: World Bank.
- [33] Smoke, P. (2015). Rethinking decentralization: Assessing challenges to a popular public sector reform. *Public Administration and Development*, 35(2), 97-112.
- [34] Susanti, E., Putra, M., & Prasetyo, D. (2016). Pengukuran kemandirian keuangan daerah: Studi kasus Provinsi Jawa Barat. *Jurnal Manajemen Fiskal*, 7(1), 34-49.
- [35] Tejaarief, B., & Husni, M. (2025). A study on how the regional financial independence ratio supports regional autonomy in Serang City. *Journal of Management: Small and Medium Enterprises (SMEs)*, 18(1), 517-525.
- [36] Urip, M., & Indahyani, R. (2017). Kapasitas fiskal dan kemandirian fiskal kabupaten/kota di Indonesia. *Jurnal Ilmu Ekonomi Dan Pembangunan*, 17(1), 12-23.
- [37] Widiastuty, T. (2025). The level of regional financial independence as one of the benchmarks for government performance in Indonesia. *Review of Accounting and Business*, 5(1), 1-12.
- [38] Winarto, J. S., & Hanifah, F. F. (2025). Strategi optimalisasi pajak daerah dalam rangka peningkatan kemandirian keuangan di Kota Pekalongan. *Jurnal Akuntansi, Keuangan dan Perpajakan*, 8(1), 44-58.
- [39] Yossinomita, Y., Effiyaldi, F. A., Mardiana, R., Hassandi, I., Pangestu, M. G., & Fahdillah, Y. (2025). Analysis of optimal tax ratio and efficiency of regional tax revenue: a case study of provinces in Indonesia. *Journal of Tax Reform*, 11(1), 74-99.
- [40] Zakaria, R., & Dede, D. (2022). Optimalisasi pendapatan asli daerah Provinsi Jawa Barat sebagai upaya mewujudkan kemandirian fiskal. *Jurnal Pajak Indonesia (Indonesian Tax Review)*, 6(1), 47-59.

