

The Effect of Tax Revenue Sharing Funds in Encouraging Fiscal Independence and Local Own-Source Revenue Growth

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ABSTRACT

Effective regional fiscal management is crucial for sustainable development, yet many regions rely heavily on central transfers, limiting their financial autonomy. This study investigates the role of the tax revenue sharing fund in enhancing fiscal independence and promoting the growth of regional own-source revenue. The study aims to analyze both the direct effect of the fund on regional own-source revenue and its indirect effect through fiscal independence. A quantitative approach using path analysis with panel data was employed, and classical assumption tests confirmed no violations in normality, multicollinearity, heteroscedasticity, autocorrelation, or linearity. The model explains 59% of the variance in regional own-source revenue growth. Findings show that the tax revenue sharing fund significantly influences fiscal independence and directly affects regional own-source revenue growth. Fiscal independence also mediates the relationship between the fund and revenue growth, with a total effect of 0.646. The study concludes that the fund plays a strategic role as both a fiscal transfer and a catalyst for strengthening local revenue structures, supporting sustainable regional autonomy.

Keywords: Fiscal Independence, Local Governance Finance, PAD Growth, Path Analysis, Regional Tax Revenue Sharing.

ABSTRAK

Manajemen fiskal daerah yang efektif sangat penting untuk pembangunan berkelanjutan, namun banyak daerah sangat bergantung pada transfer pusat, yang membatasi otonomi keuangan mereka. Studi ini menyelidiki peran dana bagi hasil pajak dalam meningkatkan kemandirian fiskal dan mendorong pertumbuhan pendapatan asli daerah. Studi ini bertujuan untuk menganalisis efek langsung dana tersebut terhadap pendapatan asli daerah dan efek tidak langsungnya melalui kemandirian fiskal. Pendekatan kuantitatif menggunakan analisis jalur dengan data panel digunakan, dan uji asumsi klasik mengonfirmasi tidak ada pelanggaran dalam normalitas, multikolinearitas, heteroskedastisitas, autokorelasi, atau linearitas. Model tersebut menjelaskan 59% varians dalam pertumbuhan pendapatan asli daerah. Temuan menunjukkan bahwa dana bagi hasil pajak secara signifikan memengaruhi kemandirian fiskal dan secara langsung memengaruhi pertumbuhan pendapatan asli daerah. Kemandirian fiskal juga memediasi hubungan antara dana dan pertumbuhan pendapatan, dengan efek total sebesar 0.646. Studi ini menyimpulkan bahwa

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dana tersebut memainkan peran strategis, baik sebagai transfer fiskal maupun katalisator untuk memperkuat struktur pendapatan daerah, yang mendukung otonomi daerah yang berkelanjutan.

Kata kunci: Kemandirian Fiskal, Keuangan Pemerintahan Daerah, Pertumbuhan PAD, Analisis Jalur, Pembagian Pendapatan Pajak Daerah.

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INTRODUCTION

Fiscal decentralization is a key strategy to strengthen regional autonomy and enhance local government fiscal capacity in Indonesia (Litvack et al., 1998; Lewis & Smoke, 2017; Siregar & Badrudin, 2019). Within this system, the Tax Revenue Sharing Fund (*Dana Bagi Hasil/DBH*) plays a strategic role in supporting fiscal stability, regional independence, and the strengthening of Local Own-Source Revenue (*Pendapatan Asli Daerah/PAD*). As a fiscal distribution mechanism, DBH represents tax revenues managed by the provincial government and transferred to districts/cities, making its effective utilization crucial for regional development and governance (Harefa, 2019; Nur et al., 2022).

In Central Kalimantan, the tax revenue sharing fund forms an essential component of regional financing. According to Governor Regulation Number 8 of 2020 on the allocation of regional tax revenue sharing, the tax revenue sharing fund is intended to promote fiscal equity and support sustainable fiscal independence. However, recent fluctuations in the tax revenue sharing fund, particularly due to declining revenues in key sectors such as oil palm, have affected regional capacity to optimize local own-source revenue, creating challenges for economic growth and infrastructure development.

Regional fiscal independence reflects the ability of local governments to fund development from their own revenue sources, especially PAD, without excessive reliance on central transfers. Strong fiscal independence enhances accountability, financial management capacity, and long-term regional economic sustainability (Nurhadianto & Sugiri, 2022; Amin et al., 2023). Thus, examining the relationship between DBH, fiscal independence, and PAD growth is highly relevant for providing empirical insights and informing fiscal policy in Central Kalimantan.

Based on complete government data on the tax revenue sharing fund fiscal independence, and PAD growth in Central Kalimantan for 2020–2024, sourced from the Ministry of Finance (2023), the Central Kalimantan Provincial Government, and the Ministry of Home Affairs' (2024) Regional Financial Information System (*Sistem Informasi Keuangan Daerah/SIKD*) the following conditions can be identified. The development of the tax revenue sharing fund, fiscal independence, and local own-source revenue growth from 2020 to 2024. The tax revenue sharing fund experienced a gradual decline from IDR 275.92 billion in 2020 to IDR 256.18 billion in 2024. Fiscal independence, measured by the ratio of local own-source revenue to total regional revenue, also decreased from 38.5% to 36.8% over the same period. Although local's own-source revenue increased from IDR 3.52 trillion in 2020 to IDR 3.83 trillion in 2024, its annual growth rate consistently weakened, dropping from 5.2% in 2020 to only 0.7% in 2024. These trends indicate a simultaneous reduction in fiscal transfer support, declining fiscal autonomy, and slowing regional revenue performance.

The tax revenue sharing fund is a key component of central government transfers to regions, influenced by revenues from natural resource taxes and other regional taxes. In 2020–2024, Central Kalimantan's tax revenue sharing fund showed a fluctuating pattern, with a significant decline beginning in 2023 due to falling prices and lower production in the mineral and palm oil sectors the two largest contributors. This reduction has had a direct impact on the region's financing capacity. Fiscal independence, measured by the ratio of local own-source revenue to total regional revenue, also remained relatively low and continued to decline in 2023–2024 as a result of weakening local revenue performance and persistent dependency on central transfers. In 2024, local own-source revenue reached

only about 64.9% of the target, highlighting ongoing challenges in optimizing local revenue generation. Local own-source revenue growth remained sluggish throughout 2020–2024, consistently below 5% and dropping to just 0.7% in 2024. With central transfers still accounting for around 85% of total regional revenue, local own-source revenue has yet to play a significant role in strengthening fiscal independence.

Table 1. Tax Revenue Sharing Funds, Fiscal Independence, and PAD Growth in Central Kalimantan

Year	Regional Tax Revenue Sharing Fund (IDR Billion)	Ratio of Fiscal Independence (%)	Regional Original Revenue (PAD) (IDR Billion)	PAD Growth (%)
2020	275,920	38.5	3,520	5.2
2021	287,300	39.2	3,695	5.0
2022	280,450	39.0	3,760	1.8
2023	265,870	37.5	3,800	1.1
2024	256,177	36.8	3,825	0.7

Table 1 indicates that the tax revenue sharing fund remains a critical component of regional financing but has declined in recent years, contributing to reduced fiscal independence and slower local own-source revenue growth. High dependency on central transfers underscores the need for improved management of the tax revenue sharing fund and strengthened local revenue potential to support sustainable fiscal autonomy (Boadway & Shah, 2007). These patterns reveal a structural mismatch between declining tax revenue sharing funds and the region’s limited capacity to transform transfers into sustainable PAD growth, indicating unresolved fiscal dependency. However, empirical studies that explicitly examine the mediating role of fiscal independence in linking tax revenue sharing funds to PAD growth at the provincial level, particularly in resource-dependent regions such as Central Kalimantan, remain limited.

This study applies path analysis to examine the direct and indirect effects of the tax revenue sharing fund on fiscal independence and local own-source revenue growth. This method enables clearer mapping of how the tax revenue sharing fund influences local revenue performance through fiscal independence as a mediating variable, offering a comprehensive view of regional fiscal dynamics. This study aims to examine the influence of the tax revenue sharing fund on fiscal independence, assess the mediating role of fiscal independence in shaping local own-source revenue growth.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Tax Revenue Sharing Fund and Fiscal Independence

The tax revenue sharing fund is a fiscal transfer from the central government allocated to local governments with the aim of reducing fiscal disparities between regions and increasing regional financial capacity in development (Bird & Smart, 2002; Simanjuntak, 2006; Busch et al., 2021). According to Law Number 28 of 2009 concerning Regional Taxes and Regional Levies, the tax revenue sharing fund comes from certain tax revenues collected by the central or provincial government and distributed to the regions as part of the fiscal decentralization system. Simanjuntak (2006) stated that the tax revenue sharing fund must be managed effectively through performance-based formula design in order to support fiscal capacity and equitable development between regions. Harefa (2021) stated that the tax revenue sharing fund has the potential to be a significant source of financing, but suboptimal management can reduce its effectiveness in encouraging regional fiscal independence.

The research by Setiawan et al. (2021) found that the tax revenue sharing fund has a significant influence on regional development, particularly on capital expenditure in local governments. According to Rahayu and Prasetyo (2020), fiscal independence is highly dependent on the contribution of local own-source revenue, which makes local own-source revenue the main indicator for evaluating regional fiscal autonomy. However, some studies by Pohan and Yuliana (2021), Hutapea (2022), Rahmasari et al. (2024), Fitrianti et al. (2025), Siregar et al. (2025) have also found that the tax revenue sharing

fund has a complex relationship with fiscal independence, although the tax revenue sharing fund increases regional financial resources, over-reliance on it without strengthening local own-source revenue can create fiscal dependence.

H1: Tax revenue sharing fund has a significant effect on fiscal independence.

Tax Revenue Sharing Fund and Local Own-Source Revenue

Local own-source revenue is a source of revenue generated by the region from its own authority through regional taxes, regional levies, regional wealth management results, and others. The increase in PAD shows the growth of regional fiscal capacity that is independent and sustainable (Fahry et al, 2021; Rudin & Bakarbessy, 2025). According to Digdowiseiso et al. (2023), a strong local own-source revenue can strengthen regional fiscal capacity and increase fiscal independence, thereby reducing dependence on central transfer funds. Fiscal innovation and strengthening the tax management system and levies encourage stable local own-source revenue growth.

The relationship between the tax revenue sharing fund and local own-source revenue is complex and multidimensional. On one hand, the tax revenue sharing fund can stimulate local own-source revenue growth by providing additional fiscal resources that enable infrastructure investment and improved public services, which subsequently enhance the regional tax base. Setiawan et al. (2021) found that revenue-sharing funds, including the tax revenue sharing fund, have a significant positive effect on local government capital expenditure, which can indirectly support economic activities generating local own-source revenue. Liyana et al. (2023) further emphasized that tax revenue-sharing funds play an important role in regional development in Indonesia by providing financial resources for infrastructure and public service improvements.

H2: Tax revenue sharing fund has a significant effect on local own-source revenue.

Fiscal Independence as Mediating Variable

Fiscal independence refers to the capacity of regional governments to finance development and routine expenditures through their own revenue sources, commonly measured by the ratio of local own-source revenue to total regional revenue (Halim, 2004; Sawitri et al., 2020). Beyond the magnitude of revenue, fiscal independence reflects the quality of fiscal governance, including proactive revenue policies, efficient financial management, and the ability to mobilize regional economic potential (Maharani, 2013). Regions with higher fiscal independence tend to rely less on central government transfers and demonstrate greater accountability and sustainability in financing public services (Fahri et al., 2021; Maulidya & Yuliansyah, 2022). Strong fiscal independence is associated with effective tax administration, diversified revenue bases, and sound budget management, enabling regions to respond more strategically to fiscal incentives (Oates, 1999; Kurniawan et al., 2024).

Within the framework of fiscal decentralization, tax revenue sharing funds are designed to enhance regional fiscal capacity by reallocating nationally collected taxes to subnational governments. However, the extent to which these transfers contribute to local own-source revenue growth is not uniform across regions and depends critically on their level of fiscal independence. Bahl and Bird (2018) argue that regions with low fiscal independence are more prone to transfer dependency, resulting in a “flypaper effect,” where shared revenues increase expenditure without strengthening local revenue mobilization. In contrast, fiscally independent regions are better positioned to utilize tax revenue sharing funds to improve administrative capacity, expand the tax base, and enhance compliance, thereby fostering PAD growth (Baxi & Shah, 2017). Accordingly, fiscal independence functions as a mediating variable that conditions the effectiveness of tax revenue sharing funds in stimulating local own-source revenue, linking intergovernmental transfers to sustainable regional revenue performance.

H3: Fiscal independence has a mediating effect between tax revenue sharing funds and local own-source revenue.

Simultaneous Effect on Local Own-Source Revenue

This research is based on the theory of fiscal decentralization associated with Oates (1999), which states that fiscal decentralization aims to increase the efficiency and responsiveness of local governments through more appropriate resource allocation. The theory of fiscal capacity by Bird and Smart (2002) emphasizes the importance of developing one's own revenue base to realize fiscal independence. Path analysis in accordance with this theoretical framework approach allows testing the cause-and-effect relationship of tax revenue sharing funds to fiscal independence and local own-source revenue growth simultaneously and systemically.

Several empirical studies use econometric methods and path analysis to test the relationship between tax revenue sharing funds, fiscal independence, and local own-source revenue. Rahayu (2024) said that tax revenue sharing funds directly improve regional fiscal capacity, but its indirect influence through increasing local own-source revenue is still limited if the region has not been able to optimise the potential of local own-source revenue. Maharani (2013) revealed that increasing local own-source revenue as a mediating variable is very important to strengthen fiscal independence so that the tax revenue sharing funds play an optimal role. Nurrahmadani et al. (2024) emphasized that fiscal independence is the fruit of sustainable local own-source revenue growth, where tax revenue sharing funds is only one of the triggers if accompanied by the right fiscal policy.

H4: Tax revenue sharing funds and fiscal independence have a significant effect simultaneously on local own-source revenue.

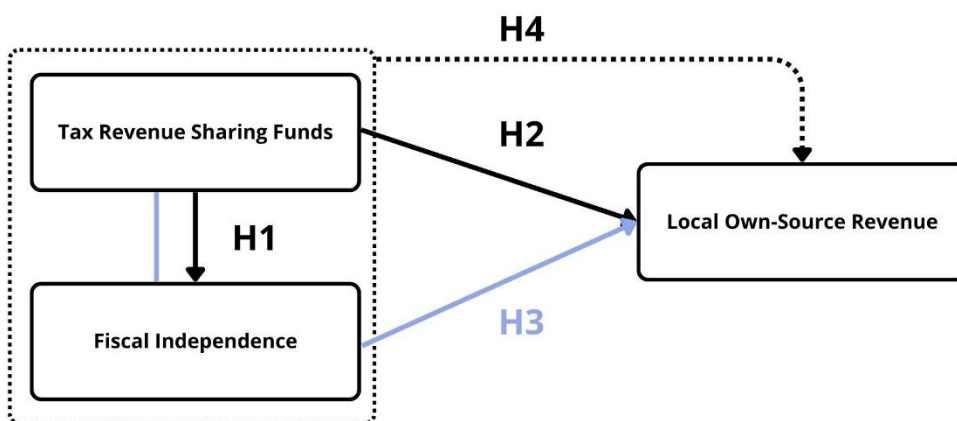


Figure 1. Conceptual Framework

Figure 1 illustrates the conceptual framework of this study, showing the relationships among tax revenue sharing funds, fiscal independence, and local own-source revenue. H1 tests the effect of tax revenue sharing funds on fiscal independence. H2 examines the direct influence of tax revenue sharing funds on local own-source revenue, while H3 assesses the mediating effect of fiscal independence in. Lastly, H4 evaluates the total effect of tax revenue sharing funds on local own-source revenue through both direct and indirect pathways.

RESEARCH METHODS

This study employs a quantitative explanatory design to analyze the causal relationship between the Tax Revenue Sharing Fund (*Dana Bagi Hasil/DBH*), fiscal independence, and the growth of Local Own-Source Revenue (*Pendapatan Asli Daerah/PAD*) in Central Kalimantan Province. The research uses secondary data from

all districts and cities during 2020–2024, applying total sampling based on data completeness. The variables include the independent variable DBH (X), measured as the percentage of DBH to total transfers; the mediating variable fiscal independence (Z), measured by the ratio of PAD to total regional revenue; and the dependent variable PAD growth (Y), represented by the annual percentage increase in PAD. All data are sourced from Regional Government Financial Statements, SIKD, and official publications of the Ministry of Finance and the Provincial Government of Central Kalimantan. Data were collected through documentation and downloads of official fiscal data.

The classical assumption tests in this study ensure the regression model meets statistical requirements. Normality is assessed through Kolmogorov–Smirnov, Shapiro–Wilk, or visual plots to confirm normally distributed residuals. Multicollinearity is checked using the Variance Inflation Factor (VIF), with values below 10 indicating no correlation issues between independent variables. Homoskedasticity is evaluated through scatterplots or the Glejser test to confirm consistent residual variance. Autocorrelation is tested using the Durbin–Watson statistic, where values near 2 indicate no sequential correlation. Finally, linearity is verified through scatterplots or the Ramsey RESET test to ensure that relationships between variables follow a linear pattern, supporting the validity of path analysis.

The effect of tax DBH on fiscal independence: $Z = \beta_1 X + \varepsilon_1$

Direct influence of Tax DBH on PAD Growth as well as indirect influence through fiscal independence: $Y = \beta_2 X + \beta_3 Z + \varepsilon_2$

Where:

X = Regional Tax Revenue Sharing Fund

Z = Fiscal Independence (ratio of PAD to total regional revenue)

Y = Regional Original Revenue (PAD) Growth

β_1 = Coefficient of the influence of DBH on Fiscal Independence

β_2 = Coefficient of direct influence of DBH to PAD Growth

β_3 = Coefficient of the influence of Fiscal Independence on PAD Growth

$\varepsilon_1, \varepsilon_2$ = Error term

The direct effect of the tax revenue sharing fund on local own-source revenue growth is represented by coefficient β_2 , while the direct effect of X on fiscal independence is measured by β_1 . The influence of fiscal independence on revenue growth is captured by β_3 . The indirect effect of X on Y through Z is calculated as $\beta_1 \times \beta_3$, reflecting the mediating role of fiscal independence. Accordingly, the total effect of the tax revenue sharing fund on local own-source revenue growth is obtained from $\beta_2 + (\beta_1 \times \beta_3)$. This model structure aligns with path analysis procedures and can be tested in SPSS through regression-based mediation analysis to estimate coefficients and their significance.

The regression coefficient test includes three main components. The t-test evaluates whether each regression coefficient, such as the effect of the tax revenue sharing fund on fiscal independence, is statistically significant, with $p < 0.05$ indicating significance. The F-test examines whether the overall regression model is valid, also requiring $p < 0.05$ for acceptance. Meanwhile, the coefficient of determination (R^2) measures how much the independent variables explain the variation in the dependent variable, reflecting the model's explanatory strength.

RESULTS

Before conducting hypothesis testing, it is necessary to ensure that the dataset used in this study meets the classical assumption requirements so that the regression-based path analysis produces valid and reliable estimates. Therefore, several diagnostic tests were

performed, including normality, multicollinearity, homoscedasticity, autocorrelation, and linearity. The results of these tests are presented in Table 1.

Table 1. Classical Assumption Test

Test Type	Methods & Results	Interpretation
Normality	Kolmogorov-Smirnov test: $p = 0.200 > 0.05$	Normal distributed residuals, valid models for statistical inference
Multicollinearity	LIFE $X = 1.82$, LIFE $Z = 1.76$ (LIFE < 10)	There is no multicollinearity, independent variables can be used together
Homoscedasticity	Glejser test: $p > 0.05$ for all predictors	Constant residual variance, no heteroscedasticity
Autocorrelation	Durbin-Watson = 2.03	No autocorrelation occurs, suitable for time-series panel data
Linearity	Ramsey Test RESET: $p = 0.312 > 0.05$	The relationship between X, Z, and Y is linear

Table 1 shows that all classical assumption criteria have been satisfactorily met. The Kolmogorov–Smirnov test indicates that the residuals are normally distributed ($p > 0.05$), confirming the model’s statistical validity. The multicollinearity test reveals VIF values below 10, meaning the independent variables do not correlate excessively and can be analyzed together. Furthermore, the Glejser test shows $p > 0.05$, indicating homoscedastic residuals with no heteroscedasticity. The Durbin–Watson value of 2.03 confirms the absence of autocorrelation, which is essential in time-series or panel-type data. Lastly, the Ramsey RESET test demonstrates that the model has a linear relationship between DBH (X), fiscal independence (Z), and local own-source revenue growth (Y). These results confirm that the data meet all classical assumption requirements, allowing the regression and path analysis to proceed appropriately.

Table 2. Hypothesis Analysis

Influence Path	Coefficient	T-Statistic	Significance (p)	Information
Tax Revenue Sharing Fund (X) → Fiscal Independence (Z)	0.58		0.001	Significant direct influence
Tax Revenue Sharing Fund (X) → local own-source revenue (Y)	0.42	3.12	0.004	Significant direct influence
Tax Revenue Sharing Fund (X) → Fiscal Independence (Z) → Local Own-Source Revenue (Y)	0.39	2.89	0.006	Significant influence of mediation

Table 2 presents the results of the path analysis used to examine the direct and indirect effects among the variables. The findings show that the tax revenue sharing fund (X) has a strong and significant direct effect on fiscal independence (Z), with a coefficient of 0.58 and a significance level of $p = 0.001$. Likewise, the direct effect of the tax revenue sharing fund on local own-source revenue (Y) is also significant ($\beta = 0.42$; $p = 0.004$), indicating that increases in DBH contribute directly to PAD performance.

The mediation pathway also demonstrates statistical significance, where fiscal independence (Z) mediates the relationship between DBH (X) and local own-source revenue (Y) with a coefficient of 0.39 ($p = 0.006$). These results confirm that fiscal independence not only strengthens regional autonomy but also acts as an important channel through which DBH enhances PAD growth.

The indirect effect of the tax revenue sharing fund on local own-source revenue through fiscal independence is 0.226, resulting from the multiplication of the path coefficients (0.58×0.39). When combined with the direct effect of 0.42, the total influence becomes 0.646. This indicates that tax DBH exerts a strong impact on PAD growth, with fiscal independence contributing approximately 35% of the total effect, demonstrating its important mediating role in strengthening regional revenue performance.

Table 3. F Test and Coefficient Determination

Test	Results	Interpretation
F-test (Simultaneous)	F = 17.85; p < 0.001	The regression model simultaneously significantly explains the Y variable
Coefficient of Determination (R ²)	R ² = 0.59	As much as 59% variation in PAD Growth can be explained by the Tax and Fiscal Independence DBH. The rest is influenced by other factors.

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Table 3 presents the feasibility of the regression model used in this study. The F Test shows that the model is statistically significant (F = 17.85; p < 0.001), indicating that tax revenue sharing funds and fiscal independence jointly influence local own-source revenue growth. Furthermore, the R² value of 0.59 demonstrates that 59% of the variation in local own-source revenue growth is explained by the model, while the remaining 41% is determined by factors outside the variables analyzed. Thus, Table 3 confirms that the model has strong explanatory power in capturing the determinants of local own-source revenue growth in Central Kalimantan. Tax revenue sharing funds have a significant effect on the growth of PAD both directly and indirectly through fiscal independence. The regression model fulfils all classical assumptions and shows high statistical validity. These results support the strengthening of fiscal policy based on decentralization and the efficiency of tax revenue sharing funds allocation.

DISCUSSION

The results of this study demonstrate that the tax revenue sharing fund exerts a significant direct influence on fiscal independence, as evidenced by a coefficient of 0.58 (p = 0.001). This confirms that higher tax revenue sharing allocations strengthen regional fiscal capacity, a finding that aligns with Musgrave's (1959) fiscal federalism theory and Oates (1972), who argued that decentralization enhances allocative efficiency when regions possess adequate fiscal incentives. The results also support prior studies by Pohan and Yuliana (2021) and Siburian et al. (2021), both of which found that transfers from the central government positively affect fiscal independence and revenue stability, although the magnitude differs across regions. The present findings further highlight that tax revenue sharing functions not only as a compensatory transfer but also as a catalyst for developing regional financial autonomy, particularly when regions are able to allocate funds toward productive activities. In the context of Central Kalimantan, districts and cities with a larger share of these transfers exhibit higher ratios of local own-source revenue to total income, indicating reduced reliance on central funds.

In addition to its direct impact, the tax revenue sharing fund also influences local own-source revenue growth both directly and indirectly through fiscal independence. The direct effect reaches 0.42 (p = 0.004), while the indirect effect through fiscal independence is 0.226, resulting in a total effect of 0.646. This mechanism is consistent with the views of Bird and Vaillancourt (1998) and Mardiasmo (2016), who emphasized that fiscal capacity and revenue management capabilities determine how effectively transfers translate into local development benefits. Previous research by Rahayu and Prasetyo (2020) and Hutapea (2022) similarly concluded that fiscal independence serves as an essential mediating factor that strengthens the effectiveness of intergovernmental transfers. The findings of this study extend those conclusions by providing panel-based empirical evidence from Central Kalimantan, showing that regions with higher fiscal independence can convert tax-sharing transfers into sustained revenue growth through innovations in local taxation, levies, and other revenue-generating initiatives. Thus, the mediation role observed in this study reaffirms the systemic importance of fiscal independence as a structural bridge between transfers and revenue outcomes.

The comparison with earlier studies further reveals that while many regions across Indonesia depend heavily on central transfers, not all successfully convert these transfers

into increased local revenues. The current study contributes new insight by demonstrating that the effectiveness of tax revenue sharing is highly dependent on the region's administrative capacity, innovation, and fiscal management practices. This aligns with findings from Simanjuntak (2006), who argued that performance-based transfer mechanisms produce more effective fiscal behavior, and with Bappenas (2023), which underscored the need for integrated financial information systems such as Regional Government Information System (*Sistem Informasi Pemerintahan Daerah/SIPD*) and SIKD for evidence-based fiscal planning.

Based on theoretical integration and empirical results, this study provides several fiscal policy recommendations. First, tax revenue sharing should be treated not merely as a transfer instrument but as a form of fiscal investment, with performance-based allocation formulas incorporating indicators such as fiscal independence and local revenue growth. Second, strengthening regional capacity through improved tax administration, digitalization of revenue services, and human resource development can significantly enhance the effectiveness of transfers. Third, the integration of SIPD and SIKD data systems will improve fiscal planning, monitoring, and cross-regional benchmarking. Fourth, regional governments should diversify their sources of local revenue by leveraging the creative economy, modernizing levies, and expanding digital public services. The findings imply that to enhance the effectiveness of tax revenue sharing funds, both central and regional governments must shift toward performance-based, capacity-strengthening, and data-driven fiscal policies. Strengthening fiscal independence is essential for ensuring that tax revenue sharing contributes not only to short-term financing but also to long-term regional self-reliance and sustainable revenue growth.

CONCLUSION

This study concludes that the tax revenue sharing fund has a significant direct and indirect influence on regional fiscal outcomes, where fiscal independence acts as an important mediating mechanism that enhances local own-source revenue growth. Regions that can transform tax revenue sharing fund into productive fiscal capacity demonstrate stronger PAD performance and reduced dependence on central transfers. The new finding of this study is the integration of fiscal mediation models in cross-temporal and cross-regional panel data-driven path analysis, which has not been widely applied in regional fiscal studies in Kalimantan. This research also proposes a fiscal policy approach based on regional performance and fiscal capacity. The implications of these findings indicate that policymakers must improve the strategic use of tax revenue sharing fund by treating it not merely as a financial transfer but as a fiscal investment aimed at strengthening regional capacity. This includes the need to implement performance-based transfer formulas, enhance regional tax administration, and integrate financial information systems such as the regional development information system and regional financial information system to support evidence-based fiscal planning, transparency, and accountability.

Despite offering important insights, this study has limitations that should be acknowledged. The dataset is limited to a single province and a relatively short time frame, reducing the generalizability of the findings across broader regional contexts in Indonesia. Additionally, quantitative analysis alone may not capture institutional, governance, and political factors that could influence tax revenue sharing fund effectiveness. Therefore, future research should expand to multi-provincial or national datasets, extend the observation period, and incorporate mixed-method approaches to better understand how administrative quality, fiscal digitalization, or regional economic structures moderate the relationship between tax revenue sharing fund and PAD. Further exploration of these dimensions will enable a more comprehensive assessment of how fiscal transfers can be optimized to support sustainable regional fiscal independence and long-term revenue growth.

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