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Regional Financial Performance After the Establishment of New Autonomous Regions in Papua Province

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Abstract
Purpose: This study analyses the financial performance of Papua Province during 2020 to 2024 and assesses how the establishment of new autonomous regions in 2022 reshaped its fiscal structure.
Research Methodology: A descriptive quantitative design was applied to secondary data drawn from the audited Regional Budget Realisation Reports of Papua Province. Five ratios were computed, namely fiscal decentralisation degree, regional financial independence, local own source revenue effectiveness, financial efficiency, and expenditure harmony. Each result was interpreted against established interval criteria. The ratios were analysed descriptively on a year-by-year basis, and then jointly to understand the interaction among indicators and the structural fiscal implications of regional expansion in 2022.
Results: The decentralisation degree averaged 8.15 percent and independence 9.46 percent, indicating strong reliance on central transfers. Revenue effectiveness reached 106.57 percent, reflecting conservative revenue targets. Efficiency worsened to 103.41 percent after regional splitting, while operating expenditure dominated at 84.94 percent compared to 15.05 percent for capital spending.
Conclusions: Papua remains fiscally dependent, and regional expansion has not significantly improved financial performance.
Limitations: The five-year scope, reliance on secondary data, and exclusion of non-financial variables limit analytical depth.
Contributions: The study provides a diagnostic reference for policymakers in evaluating post-expansion fiscal stress and improving regional financial governance.

Keywords: *Expenditure Harmony, Financial Efficiency, Fiscal Dependency, Special Autonomy Fund, Vertical Fiscal Gap*

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1. Introduction

Regional financial reports function as the central instrument through which a subnational government controls its programmes and reports on the way public money has been raised and spent (Halim, 2004). For a province such as Papua, those reports also reveal a deeper structural question, namely whether more than two decades of regional autonomy and a generous special autonomy transfer have actually moved the province towards genuine fiscal self reliance. Autonomy was meant to bring decision making closer to communities and to let regions mobilise their own resources, yet the architecture of intergovernmental finance still leaves many Indonesian regions tied to the centre

(Dharmawati, Muhardiana, Rini, Parintak, & Sartono, 2024). Papua sits at the extreme end of that spectrum, which makes its budget a useful case for testing whether decentralisation has delivered on its promise.

The first problem that motivates this study is the paradox of special autonomy. Papua has held special autonomy status since 2001 and has received some of the largest discretionary transfers in the country, averaging more than five trillion rupiah per year (Ginting, 2023). Despite this, the contribution of local own source revenue to total revenue has stayed below ten percent over the last five years, a figure far beneath the thirty to fifty percent range typical of provinces in Java. In other words, the affirmative funding designed to accelerate development has not translated into stronger own revenue, and the gap between the spirit of autonomy and the reality on the ground remains wide (Dewantara, 2024).

The second problem is the effect of the 2022 regional expansion. Through Laws Number 14 to 18 of 2022, the central government split the former Papua Province into five provinces, namely Papua, Papua Pegunungan, Papua Selatan, Papua Tengah, and Papua Barat Daya. This policy reshaped the revenue base, the expenditure obligations, and the overall fiscal capacity of the remaining parent province in a fundamental way. Early figures show that the parent province lost roughly three quarters of its total revenue after the split, while service and personnel obligations could not fall at the same pace (Harikedua, 2024). An expansion that was intended to bring services closer to people therefore risks deepening fiscal dependency unless it is matched by serious improvement in financial governance.

The third problem concerns the structural imbalance of regional spending. For several years operating spending, which covers personnel, goods and services, grants, and social assistance, has absorbed more than eighty five percent of the total budget, while capital spending for infrastructure has hovered around fifteen percent. A budget tilted so heavily towards consumption rather than investment weakens the very lever that drives long run growth and welfare, since capital outlays are the component most strongly associated with regional development (Bird, & Smart, 2002; Li, & Li, 2024). The concern is that this imbalance has worsened after the split, because personnel and routine costs are sticky and cannot be cut quickly.

The fourth problem is the misleading signal sent by revenue effectiveness. Budget realisation data for Papua show an effectiveness ratio that often exceeds one hundred percent, which at first glance suggests strong performance. A closer reading tells a different story, because the high ratio arises mainly from targets that are set low and conservatively rather than from a genuine expansion of the revenue base. The province meets or beats an easy target, the absolute contribution of own revenue stays small, and dependency on transfers is left untouched. This pattern points to a form of strategic target setting in the budgeting process that recent Indonesian evidence has begun to document (Muja, & Syamsuddin, 2023; Fitrianti, Zaenal, Fattah, & Hidayah, 2025).

Taken together, these four problems make a focused study of post expansion fiscal performance both timely and necessary. Most existing work on Papua either predates the 2022 split or examines a single ratio in isolation, and very few studies analyse the five core financial ratios simultaneously while reading them against the recent expansion (Mandua, Numberi, & Werimon, 2023; Tamberan, Tawakal, Betaubun, Lamalewa, Kore, & Anwar, 2020). The novelty of this study lies in combining the five ratios into one diagnostic frame for the parent province across the 2020 to 2024 window, and in interpreting their interaction through three complementary theories of fiscal federalism. Accordingly, the objective of this study is to analyse the financial performance of Papua Province through the degree of fiscal decentralisation, regional financial independence, local own source revenue effectiveness, financial efficiency, and the expenditure harmony ratio, and to explain how the establishment of new autonomous regions has altered each of these dimensions and reshaped the integrated post expansion fiscal assessment framework that this study contributes.

The present study differs from this body of work in three concrete respects rather than merely in the number of ratios employed. First, it brackets the 2022 expansion within a single consistent panel of realisation data, which allows a direct before and after comparison using the same indicators and the same data source, something the single ratio or pre expansion studies cannot offer. Second, it reads the five ratios jointly rather than separately, so that the apparent contradiction between high revenue effectiveness and extreme fiscal dependency, a pattern not previously documented for the post expansion parent province of Papua, becomes visible only when the ratios are interpreted together. Third, it grounds this joint reading in three complementary theories of fiscal federalism rather than reporting ratios as standalone descriptive statistics, which gives the empirical pattern a mechanism rather than leaving it as an unexplained anomaly.

Examining the post expansion period carries theoretical and empirical significance beyond the case of Papua itself. Theoretically, the period offers a rare natural experiment in which a single jurisdiction's revenue base, expenditure obligations, and administrative boundaries change abruptly within an otherwise stable institutional and legal framework, making it possible to isolate the effect of boundary change from other confounding factors that typically accompany cross country or cross province comparisons. Empirically, the years immediately following expansion are precisely when transitional fiscal stress is most acute and when policy correction is most feasible, so a diagnostic that captures this window has direct value for the design of revenue targeting and special autonomy fund evaluation while the new fiscal architecture is still being settled.

2. Literature Review and Hypothesis Development

The analytical foundation of this study rests on three theories that together explain why a resource rich region can remain fiscally weak. These theories are the theory of fiscal decentralisation, the theory of the vertical fiscal gap, and the theory of information asymmetry in central and regional relations. Each theory contributes a distinct lens that maps onto a specific empirical indicator used later in this study: the decentralisation theorem anticipates what the decentralisation and independence ratios should show under healthy autonomy, the vertical fiscal gap theory anticipates the dependency pattern that these same ratios reveal when transfers dominate, and information asymmetry theory anticipates why the effectiveness ratio can appear strong even as the underlying capacity remains weak. Read together, the three theories account for the simultaneous presence of high revenue effectiveness and extreme dependency that characterises Papua, rather than treating each ratio as an isolated descriptive statistic.

2.1 Fiscal Decentralisation and the Promise of Local Autonomy

The decentralisation theorem holds that local provision of public goods is at least as efficient as central provision because local governments hold an information advantage about the preferences of the communities they serve Oates, 1972. The normative implication is that regions should be able to finance and decide on their own affairs, and that fiscal autonomy is the mechanism through which efficiency gains are realised, provided that local revenue instruments and administrative capacity are developed in tandem with the transfer of expenditure responsibility Bahl & Bird, 2018. Comparative evidence supports a positive link between the degree of local financial autonomy and the pace of local development, since regions that raise more of their own money tend to invest more responsively in services and infrastructure (Scutariu & Scutariu, 2015; Faguet, 2014), and cross country evidence further shows that higher own revenue autonomy is associated with more efficient local spending once administrative capacity is held constant Boetti et al., 2012.

Recent Indonesian research applies this logic at the subnational level and confirms that fiscal decentralisation strengthens regional independence only when it is accompanied by stronger revenue management capacity (Dharmawati et al., 2024; Hummel & Kusumasari, 2025). The Papua case throws the theorem into sharp relief. A province endowed with mining, forestry, and marine wealth ought to be an ideal testing ground for the efficiency claims of decentralisation, yet it records one of the lowest autonomy levels in the country. The province therefore illustrates a gap between what theory predicts and what the data show, which is precisely the tension this study sets out to examine, and which suggests that resource endowment alone is an insufficient condition for the efficiency gains that decentralisation theory anticipates.

2.2 The Vertical Fiscal Gap and Soft Budget Constraints

The dilemma of fiscal federalism arises when a region depends heavily on intergovernmental transfers and at the same time retains room to incur obligations, because this combination encourages weak fiscal discipline and shifts accountability towards the centre Rodden, 2002. Cross country evidence confirms that a wide vertical fiscal imbalance, in which subnational spending substantially exceeds subnational revenue, is systematically associated with weaker aggregate fiscal performance Eyraud & Lusinyan, 2013. When subnational governments feel protected by a central safety net, their incentive to mobilise own revenue and to control spending erodes, a phenomenon that contemporary reviews describe as a soft budget constraint in transfer dependent systems (Afrizal & Khoirunurrofik, 2022; Goodspeed, 2002). Papua meets the first condition of this dilemma in full, since transfers including the special autonomy fund supply well over ninety percent of its revenue.

Indonesian studies on the flypaper effect reinforce this reading by showing that large central transfers tend to drive spending more than own revenue does, which loosens the discipline that local taxation would otherwise impose (Fitrianti et al., 2025; Hendrik & Alexandra, 2024). If the vertical fiscal gap mechanism is operative in Papua, the prediction is not only that independence stays low, but specifically that the ratio should move with denominator changes, such as a contraction in transfer revenue after the split, rather than with genuine increases in own revenue mobilisation effort. The persistence of dependency in Papua across the study window is consistent with this denominator driven explanation, and it frames the expectation that the regional split would not by itself break the transfer reliance that the theory anticipates.

2.3 Information Asymmetry in Central and Regional Relations

Agency theory treats the central government as a principal and the regional government as an agent, with the agent holding superior information about real revenue potential, real spending needs, and the genuine effort it devotes to revenue collection (Rodden, 2002; Li & Li, 2024). This asymmetry creates space for strategic behaviour, and it offers a direct explanation for the paradox observed in Papua, where effectiveness exceeds one hundred percent while the contribution of own revenue stays under ten percent. The most plausible reading is that targets are deliberately set below true potential, so that an easy target is comfortably met while the underlying fiscal weakness is concealed (Muja & Syamsuddin, 2023).

This behavioural lens connects the empirical ratios to a coherent mechanism. Conservative targeting inflates the effectiveness ratio, leaves the decentralisation and independence ratios depressed, and removes the pressure that ambitious targets would place on revenue administration. The analytical value of reading effectiveness through this lens, rather than reporting it as a standalone positive indicator, is that it converts an apparent contradiction in the data into a single coherent and falsifiable claim: if targets were instead set closer to true revenue potential, the effectiveness ratio would fall even as the decentralisation ratio would more accurately reflect the province's actual fiscal capacity. Read alongside the decentralisation and vertical gap theories, information asymmetry completes the explanation for why generous funding has not produced fiscal maturity in the province.

2.4 Regional Financial Performance, Ratios, and the Indonesian Evidence

Financial ratio analysis remains the standard tool for assessing the performance of Indonesian local governments, because it converts realisation data into comparable indicators of autonomy, independence, effectiveness, efficiency, and expenditure balance (Halim, 2004; Berizky, & Kurniawan, 2024). Province level applications in Java and other regions consistently find that fiscal independence and decentralisation improved modestly after the pandemic, yet large disparities and structural transfer dependency persisted (Hidayah, Imtikhanah, & Habibi, 2021; Herianti, Marundha, & Haryanto, 2024). Studies of efficiency report that spending realisation frequently outpaces revenue, especially where fiscal capacity is thin, which pushes the efficiency ratio into the inefficient range (Hasan, Rahman, Abdullah, & Saprudin, 2025;Vidoli, & De, 2023).

For the eastern frontier and for Papua in particular, the literature documents very low independence, heavy reliance on the special autonomy fund, and persistent questions about the effectiveness of that fund in lifting welfare (Ginting, 2023; Dewantara, 2024; Suriadi, 2024). Comparable analyses of neighbouring regencies in the Papua corridor and of low capacity provinces elsewhere reach similar conclusions about instructive central regional relationships and operating heavy budgets (Mandua, Numberi, & Werimon, 2023; Lale, 2026). This body of work supports a coherent set of expectations for the present study, namely that Papua will display a very low decentralisation degree, an instructive independence pattern, a high but conservatively driven effectiveness ratio, a deteriorating efficiency ratio after the split, and an expenditure structure dominated by operating spending. A broader survey of the decentralisation literature confirms that these outcomes depend less on the formal assignment of fiscal authority than on the revenue raising capacity and institutional quality that accompany it, which is consistent with the gap between decentralisation theory and the Papua evidence developed throughout this study (Martinez & Sacchi, 2017).

3. Research Methodology

This study uses a descriptive quantitative approach, which is the design best suited to converting realisation figures into financial ratios that describe the actual condition of regional finance without manipulating the underlying budget (Berizky & Kurniawan, 2024). Ratio analysis is the most appropriate method for this research question for three reasons. First, the five ratios examined here are the standard diagnostic instruments used throughout Indonesian local government finance research and by the Ministry of Home Affairs itself, so using them ensures that the findings are directly comparable with existing provincial and regency level evidence. Second, the 2022 expansion is a structural break that altered the revenue base, the expenditure obligations, and the administrative boundaries of the province simultaneously; ratios expressed as percentages are scale invariant and therefore allow a meaningful before and after comparison even though the absolute size of the budget fell sharply after the split. Third, the audited realisation reports that anchor this analysis are the authoritative public record of fiscal outcomes, so a method that works directly from this record preserves the verifiability that policy oriented financial diagnostics require. The object of analysis is the parent Papua Province, and the observation period covers the five fiscal years from 2020 to 2024. This window was selected deliberately rather than for convenience: it provides two full fiscal years before the 2022 expansion, the expansion year itself, and two full fiscal years after, which is the minimum span needed to distinguish a one off transitional shock in 2022 from a sustained post expansion pattern in 2023 and 2024. A shorter window anchored only on 2022 to 2024 would risk mistaking transitional adjustment costs for a stable new equilibrium, while a longer window extending well before 2020 would reintroduce other confounding policy changes that would complicate attribution of the fiscal pattern specifically to the 2022 split.

The data are secondary and were obtained through documentary study of the audited Regional Budget Realisation Reports of Papua Province, supported by published regional financial statistics. The decision to rely on official realisation documents follows common practice in Indonesian local government research, where the realisation report is the authoritative record of what was raised and spent in a given year (Hidayah et al., 2021; Mandua et al., 2023). From these documents the study extracted realised local own source revenue, realised transfer revenue, total revenue, operating spending, capital spending, total spending, and the revenue targets set in the budget for each year.

Descriptive ratio analysis of this kind carries acknowledged limitations that should be stated explicitly. Ratios computed from realisation reports describe outcomes but do not by themselves identify the administrative decisions, political negotiations, or capacity constraints that produced those outcomes; they are diagnostic rather than explanatory in the deepest sense, which is why this study pairs each ratio with a theoretical mechanism in Section 2 rather than reporting the figures in isolation. In addition, a five ratio descriptive design cannot establish causality between the 2022 expansion and the fiscal outcomes observed in 2023 and 2024, since other concurrent factors, including national macroeconomic conditions and commodity price movements affecting natural resource revenue sharing, could in principle also have contributed to the pattern. These limitations are addressed methodologically by reading the five ratios jointly against the theoretical framework in Section 2, which constrains the plausible interpretations of the data even though it cannot replace a fully causal research design. Five ratios were then computed and interpreted against established interval criteria. The degree of fiscal decentralisation compares own revenue with total revenue. Financial independence compares own revenue with transfer revenue. Revenue effectiveness compares realised own revenue with its target. Financial efficiency compares realised spending with realised revenue. The harmony ratio compares operating and capital spending with total spending.

Table 1. Financial ratios, formulas, and interpretation criteria

Ratio	Formula	Interpretation Criteria
Fiscal Decentralisation Degree	Local own source revenue / Total revenue x 100%	0.00 to 10.00 very poor; 10.01 to 20.00 poor; 20.01 to 30.00 fair; 30.01 to 40.00 moderate; 40.01 to 50.00 good; above 50.00 very good
Regional Financial Independence	Local own source revenue / Transfer revenue x 100%	0 to 25 instructive; 25 to 50 consultative; 50 to 75 participative; 75 to 100 delegative
Revenue Effectiveness	Realised own revenue / Target own revenue x 100%	above 100% very effective; 100% effective; 90 to 99% fairly effective; 75 to 89% less effective; below 75% ineffective
Financial Efficiency	Realised spending / Realised revenue x 100%	below 60% very efficient; 60 to 80% efficient; 80 to 90% fairly efficient; 90 to 100% less efficient; above 100% inefficient
Expenditure Harmony	Operating or capital spending / Total spending x 100%	operating spending normally 60 to 90%; capital spending normally 5 to 20%; a higher capital share signals a more development oriented budget

The criteria and formulas applied to each ratio are summarised in Table 1 , adapted from Halim (2004)and Herianti et al. (2024), which follows the thresholds developed by the research team of the Faculty of Social and Political Sciences in collaboration with the Ministry of Home Affairs and the framework set out by (Halim, 2004; Herianti et al., 2024). The analysis proceeded in three stages. The study first computed each ratio for every fiscal year, then classified the result using the relevant interval, and finally read the yearly trend against the 2022 expansion to identify structural change. Cross ratio relationships were also examined, since the ratios are not independent and their interaction carries the substantive meaning of the analysis. This procedure is replicable by any reader who applies the same formulas to the same realisation reports, which satisfies the transparency expected of public sector financial research (Vidoli & De, 2023).

4. Results and Discussions

4.1 Results

Using the realisation reports of Papua Province for 2020 to 2024, the five ratios were computed and classified. Table 2 presents a consolidated view of the five indicators and their average classification, after which each ratio is examined in turn. All monetary values are expressed in Indonesian Rupiah and are shown in trillions for readability.

Table 2. Summary of the five financial ratios of Papua Province, 2020 to 2024

Ratio (%)	2020	2021	2022	2023	2024
Fiscal decentralisation degree	5.69	8.10	8.66	9.15	9.15
Regional financial independence	6.33	9.24	9.93	11.21	10.60
Revenue effectiveness	91.20	112.81	112.56	107.76	108.51
Financial efficiency	99.92	99.68	97.28	113.62	106.55
Operating spending share	86.53	85.96	81.02	85.07	86.14
Capital spending share	13.45	14.03	19.01	14.91	13.83

4.1.1 Fiscal Decentralisation Degree
The degree of fiscal decentralisation ranged from 5.69 percent in 2020 to 9.15 percent in 2023 and 2024, with an average of 8.15 percent, which falls in the very poor band. Table 3 sets out the underlying figures. The contribution of own revenue to total revenue stayed below ten percent throughout the period, confirming that the province financed the overwhelming share of its activity from central transfers. A revealing feature appears in 2023, where own revenue fell sharply by about 74 percent yet the ratio still rose, because total revenue contracted by an even larger margin of roughly 75 percent after the split. The expansion therefore lifted the ratio mechanically rather than through any real strengthening of own revenue (Harikedua, 2024).

Table 3. Fiscal decentralisation degree of Papua Province, 2020 to 2024

Year	Own Revenue (Rp tn)	Total Revenue (Rp tn)	Degree (%)	Category
2020	2.71	47.60	5.69	Very poor
2021	4.09	50.50	8.10	Very poor
2022	4.64	53.62	8.66	Very poor
2023	1.20	13.15	9.15	Very poor
2024	1.24	13.58	9.15	Very poor
Average			8.15	Very poor

4.1.2 Regional Financial Independence
Independence ranged from 6.33 percent in 2020 to a peak of 11.21 percent in 2023, with an average of 9.46 percent, which places every year in the instructive band. As Table 4 shows, own revenue financed less than a tenth of what transfers provided, so the central government remained dominant in directing the use of funds. The gradual rise across the period signals some effort to raise own revenue, yet the slight fall to 10.60 percent in 2024 indicates that the absolute scale of revenue shrank after the split even as the proportion edged upward (Lale, 2026).

Table 4. Regional financial independence of Papua Province, 2020 to 2024

Year	Own Revenue (Rp tn)	Transfer Revenue (Rp tn)	Independence (%)	Relationship
2020	2.71	42.80	6.33	Instructive
2021	4.09	44.27	9.24	Instructive
2022	4.64	46.71	9.93	Instructive
2023	1.20	10.72	11.21	Instructive
2024	1.24	11.73	10.60	Instructive
Average			9.46	Instructive

4.1.3 Revenue Effectiveness
Revenue effectiveness averaged 106.57 percent and reached the very effective band in four of the five years, with the highest values in 2021 and 2022. The single year that fell to the effective band was 2020, at 91.20 percent. The pattern persisted even after the split, since 2023 and 2024 recorded 107.76 percent and 108.51 percent. The important qualification is that this strong showing reflects targets that were lowered to match the reduced post expansion base rather than a true expansion of capacity, which is why a province can clear its target while its absolute own revenue remains modest (Muja & Syamsuddin, 2023).

Table 5. Revenue effectiveness of Papua Province, 2020 to 2024

Year	Realised Own Revenue (Rp tn)	Target Own Revenue (Rp tn)	Effectiveness (%)	Category
2020	2.71	2.97	91.20	Effective
2021	4.09	3.63	112.81	Very effective
2022	4.64	4.12	112.56	Very effective

Year	Realised Own Revenue (Rp tn)	Target Own Revenue (Rp tn)	Effectiveness (%)	Category
2023	1.20	1.12	107.76	Very effective
2024	1.24	1.15	108.51	Very effective
Average			106.57	Very effective

4.1.4 Financial Efficiency

Efficiency deteriorated over the period and averaged 103.41 percent, which lies in the inefficient band. Between 2020 and 2022 the ratio stayed just under one hundred percent and was classified as less efficient, but after the split it jumped to 113.62 percent in 2023 and 106.55 percent in 2024. The deterioration reflects a structural mismatch, since spending obligations such as personnel costs did not contract as quickly as revenue when the revenue base was divided among the new provinces (Hasan, Rahman, Abdullah, & Saprudin, 2025). Table 6 records the figures.

Table 6. Financial efficiency of Papua Province, 2020 to 2024

Year	Realised Spending (Rp tn)	Realised Revenue (Rp tn)	Efficiency (%)	Category
2020	47.56	47.60	99.92	Less efficient
2021	50.33	50.50	99.68	Less efficient
2022	52.17	53.62	97.28	Less efficient
2023	14.94	13.15	113.62	Inefficient
2024	14.47	13.58	106.55	Inefficient
Average			103.41	Inefficient

4.1.5 Expenditure Harmony

The harmony ratio shows a budget heavily skewed towards consumption, with operating spending averaging 84.94 percent and capital spending only 15.05 percent. As Table 7 indicates, the capital share peaked at 19.01 percent in 2022 and then declined to 14.91 percent in 2023 and 13.83 percent in 2024, while the operating share climbed back above eighty five percent after the split. The post expansion period thus channelled an even larger portion of the budget into routine administration of the new structure and left less room for the infrastructure investment that the province needs (Li & Li, 2024).

Table 7. Expenditure harmony of Papua Province, 2020 to 2024

Year	Operating (Rp tn)	Capital (Rp tn)	Total Spending (Rp tn)	Operating (%)	Capital (%)
2020	41.16	6.40	47.56	86.53	13.45
2021	43.27	7.06	50.33	85.96	14.03
2022	42.25	9.92	52.17	81.02	19.01
2023	12.71	2.23	14.94	85.07	14.91
2024	12.47	2.00	14.47	86.14	13.83
Average				84.94	15.05

4.2 Discussion

The decentralisation result confirms that the efficiency promise of local autonomy has not been realised in Papua. Theory expects autonomy to raise allocative efficiency because local governments understand local preferences Oates (1972), yet a degree of decentralisation that sits below ten percent means the province cannot finance its own affairs and that allocation decisions are still shaped by a centre that is distant from local conditions. The very low ratio produces a fiscal mismatch in which large spending needs meet a thin revenue base, so the deficit is closed by transfers and the autonomy gain that theory predicts fails to materialise (Scutariu, & Scutariu, 2015; Dharmawati, Muhardiana, Rini, Parintak, & Sartono, 2024). This aligns with national evidence that most Indonesian regions remain reliant on balancing funds despite two decades of decentralisation (Hummel & Kusumasari, 2025).

The independence result fits the vertical fiscal gap dilemma closely. With transfers supplying more than ninety percent of revenue, Papua satisfies the dependency condition under which a region has little incentive to mobilise own revenue or to economise on spending (Rodden, 2002). The instructive relationship that holds across all five years is the empirical signature of this dilemma, and it mirrors flypaper evidence from other Indonesian provinces in which central transfers drive spending more strongly than own revenue (Fitrianti, Zaenal, Fattah, & Hidayah, 2025; Afrizal, & Khoirunurrofik, 2022), a configuration that comparative federalism research links directly to the expectation of central bailout that high transfer dependency creates among subnational governments (Wibbels, 2003). The modest rise in the ratio is therefore better understood as a contraction of the denominator after the split than as a genuine move towards self reliance. The effectiveness result is where the analysis becomes most instructive, because a ratio above one hundred percent coexists with a contribution below ten percent. Information asymmetry explains the contradiction directly, since the agent that sets the target holds private knowledge of true potential and has an incentive to choose a target that is easy to meet (Rodden, 2002;Muja, & Syamsuddin, 2023). The province reports an impressive collection performance against a conservative benchmark, but the benchmark itself understates real capacity, so the headline number conceals rather than resolves the underlying weakness. Reading effectiveness next to decentralisation, as this study does, exposes the gap that a single ratio in isolation would hide.

The efficiency result shows how the split converted a manageable imbalance into outright inefficiency. Before 2022 spending tracked revenue closely, but the division of the revenue base left the parent province with sticky personnel and operating commitments that could not fall in step with the shrunken revenue, which pushed the ratio above one hundred percent (Hasan, Rahman, Abdullah, & Saprudin, 2025; (Vidoli & De, 2023)). The deterioration is not a sign of profligacy alone but of a structural transition in which obligations outlast the resources that financed them, a pattern that the budget resilience literature observed during earlier fiscal shocks as well (Desdiani, Sabrina, Husna, Budiman, Afifi, & Halimatussadiah, 2022).

The harmony result ties the analysis back to long run development. A budget in which operating spending exceeds eighty five percent leaves a narrow space for the capital investment that drives growth, and the further compression of capital spending after the split worsens this constraint at the very moment the province needs infrastructure to integrate its territory (Bird, & Smart, 2002; Li, & Li, 2024). Comparable Indonesian studies report operating heavy budgets in low capacity regions, but the gap between operating and capital spending in Papua is unusually wide, which signals a structural rather than a cyclical imbalance (Mandua, Numberi, & Werimon, 2023; Berizky, & Kurniawan, 2024). This pattern parallels evidence from other decentralising economies, where regions with thinner own revenue bases systematically allocate a larger share of spending to current consumption rather than capital formation (Jia, Guo, & Zhang, 2014).

Placing these findings against studies conducted in other Indonesian provinces sharpens what is distinctive about the Papua case. In Central Java and Banten, fiscal independence and decentralisation improved modestly over comparable periods and efficiency stayed mostly within the efficient or fairly efficient bands even through the pandemic years, a pattern attributed to more diversified urban tax bases and steadier administrative capacity (Hidayah, Imtikhanah, & Habibi, 2021; Herianti, Marundha, & Haryanto, 2024). West Nusa Tenggara likewise shows a low but slowly rising independence ratio without the sharp efficiency deterioration documented here (Lale, 2026). Against this comparative backdrop, Papua's trajectory after 2022 represents an acute deterioration concentrated specifically in the two years immediately following the regional split, with efficiency crossing from the less efficient into the inefficient band only after 2022, which suggests that the administrative division itself, rather than a slow moving secular trend common to under resourced provinces generally, is the proximate driver of the post 2022 deterioration. The policy implications of this deteriorating efficiency and persistent dependency are substantial.

For provincial planners, an efficiency ratio above one hundred percent combined with an operating spending share above eighty five percent signals that the personnel and routine administrative structure inherited from the pre split province is no longer matched to the post split revenue base, which makes a deliberate review of organisational structure and staffing levels a more urgent priority than incremental budget trimming. For the central government, the persistence of an instructive independence relationship even five years into the special autonomy period, and unchanged by the regional split, suggests that the transfer formula itself may need to incorporate explicit incentives for own revenue mobilisation rather than relying on the assumption that administrative proximity alone will generate fiscal capacity, since discretion over local revenue instruments tends to translate into accountability only when it is paired with credible performance monitoring (Yilmaz, Beris, & Serrano, 2010). For special autonomy fund evaluation specifically, a fund that has not altered the decentralisation or independence ratios over five years and across a major administrative reorganisation raises a direct question about whether the fund's disbursement and oversight mechanism rewards revenue effort or simply finances routine operating costs, a question that several recent evaluations of the fund have begun to raise on different grounds (Ginting, 2023; Dewantara, 2024; Suriadi, 2024).

Reading the five ratios together reveals a systemic condition rather than five separate problems. Low decentralisation and low independence both express the same dependence on transfers, high effectiveness against soft targets masks that dependence, deteriorating efficiency reflects obligations that outpace revenue, and operating heavy spending starves the investment that could break the cycle. The province presents what may be termed a paradox of independence inside dependence, in which administrative success in meeting targets sits alongside substantive reliance on the centre. The special autonomy fund, generous as it is, has not altered this configuration, which echoes recent evaluations questioning whether the fund has improved welfare and self reliance in proportion to its size (Ginting, 2023; Dewantara, 2024; Suriadi, 2024).

5. Conclusions

5.1 Conclusion

The financial performance of Papua Province during 2020 to 2024 is best described as administratively capable yet substantively dependent. The degree of fiscal decentralisation averaged 8.15 percent and the independence ratio averaged 9.46 percent, both of which place the province in the weakest bands and confirm that more than ninety percent of its revenue came from central transfers including the special autonomy fund. Revenue effectiveness averaged 106.57 percent, which looks strong but rests on conservative targets rather than on a wider revenue base, so the province met easy benchmarks while its own revenue stayed small in absolute terms. Financial efficiency deteriorated to an average of 103.41 percent and moved firmly into the inefficient band after the 2022 expansion, while the harmony ratio confirmed a consumption oriented budget, with operating spending at 84.94 percent against only 15.05 percent for capital outlays. The central conclusion is that regional expansion has not improved financial performance in any meaningful sense and has in several respects intensified the fiscal stress of the parent province.

Beyond this province specific diagnosis, the findings carry a broader implication for fiscal sustainability and regional autonomy in resource rich frontier regions undergoing administrative reorganisation. Administrative division of a province is frequently justified on the grounds that smaller jurisdictions bring government closer to citizens and improve service delivery, yet the Papua evidence shows that division can simultaneously strip away the very revenue base needed to sustain that closer government, leaving behind sticky obligations that a shrunken fiscal capacity cannot support. This tension between the political and administrative rationale for regional expansion and its fiscal consequences suggests that expansion policy more generally should be evaluated jointly with a transition financing mechanism rather than treated as a purely administrative decision. For regional autonomy as a broader project, the persistence of an instructive central regional relationship even after such structural change indicates that genuine fiscal self reliance requires deliberate capacity building and incentive compatible transfer design, not simply the passage of time or the redrawing of administrative boundaries. Theoretically, these findings extend the fiscal decentralisation and regional finance literature by showing that the three mechanisms reviewed in Section 2, namely the decentralisation theorem, the vertical fiscal gap, and information asymmetry, can operate simultaneously and reinforce one another in a resource rich autonomous region, a configuration that the literature has so far examined mainly in isolation rather than as an interacting system.

5.2 Research Limitations

Three limitations qualify these findings. The observation period spans only five years, which may be too short to capture the long run dynamics of regional finance and the full settling of the 2022 expansion, since the split itself took effect within the window. The study also relies entirely on secondary realisation documents without field verification, so it captures recorded outcomes rather than the administrative processes behind them. Finally, the analysis is confined to financial ratios and does not model non financial drivers such as human resource capacity, the design of special autonomy governance, and local political dynamics, all of which plausibly shape the results reported here.

5.3 Directions for Future Research

Future work can extend the analysis in several directions. A longer panel that follows the parent province and the new provinces side by side would allow a cleaner test of how expansion reshapes fiscal capacity over time. Adding outcome variables such as economic growth, poverty, the human development index, and the quality of capital spending would link financial performance to welfare more directly. A mixed design that combines ratio analysis with interviews of regional finance officials would also help to uncover the behavioural roots of conservative targeting and operating heavy budgets, which the present study can infer but not observe. These extensions would deepen understanding of fiscal dependency in resource rich frontier regions and inform the reform of revenue targeting, expenditure composition, and special autonomy fund evaluation.

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Author Contributions

FF led the conceptualisation, data collection, ratio computation, and drafting of the manuscript. MI supervised the study design and the theoretical framing and reviewed the analysis. HBU contributed to the methodology, the interpretation of results, and manuscript revision. TPU supported the data validation, the discussion of policy implications, and the final approval of the manuscript. All authors read and approved the final version.

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