

TOWARDS FISCAL INDEPENDENCE: STRATEGIES FOR ADDRESSING BUDGET DEFICIT IN JAMBI PROVINCE

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ABSTRACT

This study explores strategic approaches to address the budget deficit in Jambi Province, Indonesia, with a focus on achieving fiscal independence. The province has faced persistent fiscal challenges, including a 7.27% deficit in 2023, largely due to its reliance on central government transfers and limited local revenue generation. Using a qualitative method, this research analyzes secondary data from government reports, regulations, and academic literature through descriptive analysis. The findings highlight three key strategies: optimizing the management of balance funds (Dana Perimbangan), securing and effectively managing assistance task funds (Dana Tugas Pembantuan), and increasing local own-source revenue (PAD). While Dana Perimbangan has shown positive realization rates, the underutilization of DAK remains a concern. The pursuit of Dana Tugas Pembantuan requires strong governance and accountability, while increasing PAD demands innovation in revenue collection and diversification. These strategies, if implemented effectively, can help Jambi overcome its budget deficit and move toward sustainable fiscal autonomy. The study concludes that fiscal independence is not only a financial goal but a governance priority that requires institutional strengthening, strategic planning, and inclusive policy-making to ensure resilient and equitable regional development.

Key words: fiscal independence; budget deficit; Jambi Province; Dana Perimbangan; PAD

INTRODUCTION

This research is a descriptive analysis of strategies for addressing the budget deficit in Jambi Province. A budget deficit occurs when government expenditures exceed revenues within a fiscal year. In the case of Jambi Province, Indonesia, this issue has become increasingly pressing due to rising development needs and limited local revenue generation. In 2023, Jambi recorded a budget deficit of 7.27% of its total regional income, surpassing the maximum threshold set by national regulations. This deficit reflects the province's heavy reliance on central government transfers, which averaged 62.81% of total revenue from 2017 to 2024. The low contribution of Jambi's own-source revenue (PAD), averaging only 38.78%, further exacerbates the fiscal imbalance. Factors such as stagnant regional retribution targets and underutilized revenue potential have hindered financial independence. To address this, the provincial government has implemented short-term measures like budget refocusing cutting ceremonial expenses and reallocating funds to essential services (Afonso & Jalles, 2020; Ejiogu et al., 2020; Solikin & Nizar, 2023).

Long-term strategies include optimizing the management of balanced funds (DBH, DAU, DAK), accessing central assistance programs, and intensifying efforts to increase PAD. These approaches require strong coordination, transparency, and accountability to ensure sustainable fiscal health. Jambi's experience highlights the broader challenges faced by regional governments in achieving fiscal autonomy. Without strategic financial planning and improved revenue generation, budget deficits can threaten public service delivery and economic stability. Therefore, addressing budget deficits is not merely a technical issue but a governance priority that demands innovation, efficiency, and inclusive policy-making (Awwad & Zidan, 2021; Dumas et al., 2021; Tashevskaya et al., 2020).

The persistence of budget deficits in regional governments like Jambi underscores the structural challenges in fiscal decentralization. While decentralization aims to empower local governments, it often exposes disparities in revenue-generating capacity. Jambi's reliance on central transfers limits its financial flexibility, making it vulnerable to national economic shifts and policy changes. Moreover, the slow realization of Special Allocation Funds (DAK) and underperformance in local revenue collection reflect inefficiencies in fiscal management and coordination. Addressing these issues requires not only technical reforms but also institutional strengthening. Enhancing the capacity of local financial agencies, improving data systems, and fostering intergovernmental

collaboration are essential steps. Additionally, public participation in budgeting and transparent reporting can build trust and accountability, encouraging more effective use of resources. Ultimately, reducing budget deficits is not just about balancing numbers, it's about building resilient governance structures that can adapt, innovate, and deliver public services sustainably (Chen et al., 2022; Duodu et al., 2022; Hasibuan et al., 2020; Heald & Hodges, 2020). Based the pervious literature indicate that previous research focused on Deficit spceific on economic side, there still limited focused on Fiscal Independence in governemnt side and plan. This article tries to explore the government side to adress the Fiscal inflation in this case focused on Jambi Province. This article seeks to answer the question:

1. What kind the Governemnt must do to Adress the Budget Deficit in Jambi Province?

METHOD

This research employs a qualitative approach using secondary data obtained from official government reports, regulations, and relevant literature. The study focuses on analyzing fiscal strategies implemented by the Jambi Provincial Government to address the regional budget deficit. A descriptive analysis method is used to interpret and explain the data, highlighting patterns, challenges, and strategic responses related to fiscal management. The qualitative nature of this research allows for a deeper understanding of policy dynamics and institutional practices, particularly in the context of regional autonomy and financial governance. This method is suitable for exploring the complexities of fiscal independence and identifying actionable recommendations for improving budgetary performance in Jambi Province

RESULTS AND DISCUSSION

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1. Managing the of Balance Funds (Dana Perimbangan)

The management of Dana Perimbangan (Balance Funds) in Indonesia plays a pivotal role in supporting fiscal decentralization and ensuring equitable development across regions. In the context of Jambi Province, the 2024 allocation of Rp. 2.42 trillion reflects the central government's commitment to empowering local governments. This fund comprises three main components: Dana Bagi Hasil (DBH) at Rp. 380.3 billion, Dana Alokasi Umum (DAU) at Rp. 1.38 trillion, and Dana Alokasi Khusus (DAK) at Rp. 667.38 billion. Each serves a distinct purpose DBH compensates regions for their contributions to national revenue, DAU ensures basic service delivery and fiscal equality, while DAK targets specific sectoral priorities. The structure of these allocations underscores the strategic intent to balance national interests with regional autonomy.

By mid-2024, Jambi had realized Rp. 1.29 trillion or 53.3% of its total Dana Perimbangan. The realization rates vary significantly: DBH reached 89.37%, DAU 52%, and DAK only 35.5%. This disparity highlights a key challenge in fund disbursement, particularly with DAK, which often requires more complex coordination due to its project-specific nature. The low realization of DAK suggests potential bottlenecks in administrative readiness, proposal approvals, or technical planning. To address this, Jambi's local government must intensify coordination with the central government, especially with line ministries responsible for sectoral programs. Accelerating DAK disbursement is crucial not only for budget absorption but also for achieving targeted development outcomes in health, education, infrastructure, and other vital sectors.

Historical insights offer valuable lessons. In 2010, Jambi successfully secured an additional Rp. 77 billion in Dana Perimbangan due to a "Kurang Salur" (underpayment) adjustment, driven by rising global oil prices. This achievement, led by the then Secretary of the Revenue Office (Dispenda), demonstrates the importance of proactive fiscal monitoring and negotiation. In 2024, a similar opportunity may arise, as the Indonesia Crude Price (ICP) increased to USD 80.09 per barrel in February, up from USD 77.12 in January. This upward trend could potentially lead to higher DBH allocations, especially from oil and gas revenues. Jambi's government should consider revisiting its revenue-sharing calculations and engage with the Ministry of Finance to explore the possibility of additional transfers.

In conclusion, while the overall management of Dana Perimbangan in Jambi is progressing well, there remains room for improvement, particularly in optimizing DAK utilization. Strategic foresight, intergovernmental coordination, and data-driven advocacy are essential to maximize fiscal benefits. Moreover, leveraging macroeconomic trends such as rising oil prices can provide fiscal space for additional funding. As decentralization continues to evolve, provinces like Jambi must strengthen their financial governance to ensure that every rupiah contributes effectively to regional development and poverty reduction. This not only enhances local autonomy but also reinforces national cohesion through shared prosperity (Istiqomah & Mafruhah, 2022; Muhyiddin & Nugroho, 2021; Santosa, 2021).

2. Adjust Assitance Task Fund

The effort by the Jambi Provincial Government to secure Dana Tugas Pembantuan (Assistance Task Funds) reflects a proactive approach to strengthening regional financial stability and supporting local development. By coordinating with the Ministry of Finance and preparing programs in key sectors such as education, health, and

infrastructure, Jambi demonstrates readiness to implement nationally mandated projects at the local level. These funds are crucial because they allow regional governments to execute central government initiatives while tailoring them to local needs. This alignment not only enhances service delivery but also contributes to sustained economic growth and improved public welfare in the province.

However, accessing Dana Tugas Pembantuan is only the first step; the real challenge lies in its management and accountability. These funds come with strict regulations and require transparent, rule-based administration. Mismanagement or failure to comply with reporting standards can lead to serious consequences, including legal sanctions and financial losses. Moreover, it can damage the trust between central and regional governments, which is essential for effective intergovernmental collaboration. Therefore, Jambi must ensure that all implementing agencies are well-trained in financial reporting, procurement procedures, and monitoring mechanisms to safeguard the integrity of fund usage.

To mitigate risks, the provincial government should establish a robust governance framework for Dana Tugas Pembantuan. This includes setting up internal audit systems, enhancing coordination between regional work units (SKPD), and utilizing digital platforms for real-time tracking of fund disbursement and project progress. Public transparency can also be improved through regular publication of fund usage reports and stakeholder engagement. These measures not only ensure compliance but also foster public confidence in government performance. Additionally, lessons from other provinces that have successfully managed these funds can be adopted to strengthen Jambi's implementation strategy.

In this case, Jambi's initiative to pursue Dana Tugas Pembantuan is a commendable step toward enhancing regional development capacity. However, the success of this endeavor hinges on the province's ability to manage the funds with high accountability and transparency. By combining strategic planning with strong governance and inter-agency coordination, Jambi can maximize the impact of these funds while maintaining fiscal discipline. This will not only support the province's development goals but also reinforce its role as a reliable partner in Indonesia's broader decentralization and national development agenda (Hasibuan et al., 2020; Naryono & Sukabumi, 2020; SYAHRINI et al., 2021).

3. Increasing Regional Income

According to Article 285 paragraph (1) of Law No. 23 of 2014 on Regional Government, regional income sources in Indonesia consist of three main components: Local Own-Source Revenue (PAD), Transfer Revenue, and Other Legitimate Revenues. This legal framework grants regional governments the authority to manage their financial resources, including collecting taxes and levies, and receiving a share of revenues from natural resources within their jurisdiction. This autonomy is essential for enabling regions to tailor development strategies to local needs and reduce dependency on central government funding.

In Jambi Province, Regional Regulation No. 1 of 2024 outlines a planned PAD of Rp. 2.2 trillion in the 2024 Regional Budget (APBD). This includes revenue from local taxes, levies, separated regional asset management, and other legitimate sources. PAD plays a critical role in measuring the success of regional development. A higher PAD-to-total revenue ratio indicates greater fiscal independence, allowing the region to execute government functions and development programs more effectively. Therefore, increasing PAD is not just a financial goal but a strategic imperative for regional empowerment and sustainability.

To address the 2024 budget deficit, the Jambi Provincial Financial and Revenue Management Agency (BPKPD) must intensify efforts to explore untapped PAD potential. This includes optimizing existing tax instruments, improving collection efficiency, and identifying new revenue streams such as tourism, digital economy, and environmental services. Strengthening PAD will not only help close the budget gap but also enhance the province's resilience against external fiscal shocks. Moreover, better PAD performance can improve creditworthiness and attract investment, further stimulating regional economic growth.

In the spirit of Indonesia's independence, fiscal independence for Jambi should be a priority. Through effective financial management leveraging balance funds, assistance task funds, and PAD Jambi can overcome its budget deficit and move toward sustainable fiscal autonomy. This independence will empower the province to govern and develop more efficiently, ultimately improving the welfare of its citizens. As decentralization continues to evolve, Jambi's journey toward fiscal self-reliance will serve as a model for other regions striving to balance local aspirations with national development goals (Febriani & Rambe, 2022; Kartikasary et al., 2020).

CONCLUSION

In addressing the budget deficit in Jambi Province, the study emphasizes a multi-dimensional strategy centered on improving fiscal independence through three key approaches: optimizing the management of balance funds (Dana Perimbangan), securing and effectively administering assistance task funds (Dana Tugas Pembantuan), and increasing local own-source revenue (PAD). The province's reliance on central government transfers averaging 62.81% of total revenue from 2017 to 2024 has exposed vulnerabilities in its fiscal structure, especially as PAD contributions remain low. Effective management of Dana Perimbangan, particularly improving the realization of DAK, and leveraging macroeconomic trends such as rising oil prices, can unlock

additional funding. Meanwhile, accessing Dana Tugas Pembantuan requires strong governance and accountability to avoid misuse and maintain trust with the central government. Increasing PAD is vital for long-term fiscal sustainability, requiring innovation in tax collection, exploration of new revenue sources, and improved administrative efficiency. Ultimately, Jambi's journey toward fiscal independence is not just a financial necessity but a governance priority that demands strategic planning, institutional strengthening, and inclusive policy-making to ensure resilient and equitable development.

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