



## Analysis of the Degree of Regional Financial Performance, Tax Effort, and Tax Bouyancy in the Parent Region and City / Regency Expansion in Jambi Province

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### Article Information

History of article:

Received December 2023

Approved January 2024

Published March 2024

### ABSTRACT

*The purpose of this study was to analyze financial performance, tax effort, and elasticity of tax bouyancy in the parent region and the expansion region in Jambi Province. The novelty of this research is that it uses three analytical tools in assessing the autonomy of the parent and expansion regions. The analysis used is financial performance analysis to assess regional financial performance, analysis of regional tax efforts to assess the ability of regions to absorb tax revenue, and analysis of the elasticity of tax revenue to assess the productivity ability of regional tax revenue. The research method is a quantitative method using secondary data obtained from the Central Bureau of Statistics website, Bank Indonesia Reports, and relevant literature.*

*The results of the study state that the financial performance of the expansion regions and the parent Regency / City in Jambi Province is classified as not autonomous. In terms of tax effort, the parent Regency / City in Jambi Province for the 2009-2021 Period is classified as high in terms of tax capacity, as well as efforts to find tax sources. Meanwhile, the Regency / City expansion areas in Jambi Province are classified as high in tax capacity and low in efforts to find tax sources. For the regional elasticity analysis, the level of elasticity of the realization of tax revenue of the parent region and the expansion area to GRDP at constant 2010 prices in the Regency / City of Jambi Province during the study period on average showed an elastic category.*

**Keywords:** Regional Autonomy, Tax Ratio, Tax Capacity, Revenue Elasticity, Regional Financial Performance

**JEL Classification Code:** B22, E62, G38

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DOI: <http://dx.doi.org/10.21107/mediatrend.v19i1.24005>

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## INTRODUCTION

Law No. 32 of 2004 concerning regional government discusses the discretion for local governments in regulating and managing regional finances based on existing potential. In order to realize this, each region is allowed to expand with the provisions imposed by the Law. Karina and Wibowo (2022) in their research stated that with regional expansion efforts, it is very useful in optimizing revenue and regional financial performance. This is because the scope of the area being managed is getting smaller. Pugu (2022) states that a narrower and homogeneous regional coverage will make it easier to implement and manage policies related to financial management.

The purpose of regional autonomy is to increase the ability of regional independence, especially in regional financial management, by increasing the receipt of existing Regional Original Income (PAD), as well as looking for new sources of income that can support regional original income or other terms decentralization (Tolosang, 2018). Decentralization is a delegation of responsibility from the central government to the regions in regulating and managing their government affairs (Hariyanto, 2020). Based on the principle of autonomy, regions are given the freedom to seek and explore their own potential in their regions (Abidin, 2021). Therefore, it has caused many regions to expand themselves as a form of implementing regional autonomy,

one of which is Jambi province. Jambi Province was chosen as the object of research because this province has been implementing regional expansion for more than a decade (10 years). Therefore, it is important to see how financial performance, tax efforts, and elasticity of tax revenues exist in the parent and expansion areas of Jambi Province. Table 1 presents data on PAD of districts/cities in the parent and expansion regions in Jambi province in 2019.

Table 1 shows that the parent region's revenue is greater than the expansion area where the average original revenue of the parent region in Jambi Province is Rp. 100,333,175,722 while the expansion area is only Rp. 68,228,628,316. This shows a mismatch with the objectives of regional autonomy, where the expansion regions should be more freeing in managing their regional finances. Meanwhile, the PAD of the parent and expansion regencies/cities in Jambi Province is dominated by the tax sector. This proves that PAD revenue is highly dependent on the tax sector, thus financial management and optimization of revenue from the tax sector must be improved so that there is an increase in PAD. In addition, other sectors must be improved to reduce financial dependence on the central government so as to create regional financial independence (Kurniasih et al., 2020).

Based on the data in table 1, this study argues that regional autonomy in the form

**Table 1.**  
**Regional Original Revenue of Regency / City of Parent Region and Expansion Region in Jambi Province in 2019**

No.	Parent Region	Regional Original Revenue	Expansion Region	Regional Original Revenue
1	Batang Hari	Rp. 92.535.446.941	Muara Jambi	Rp. 93.794.601.240
2	Merangin	Rp. 106.160.970.000	Sarolangun	Rp. 94.621.365.980
3	Bungo	Rp. 140.327.480.000	Tebo	Rp. 63.400.000.000
4	Tanjung Jabung Barat	Rp. 120.220.481.667	Tanjung Jabung Timur	Rp. 54.370.242.230
5	Kerinci	Rp. 42.421.500.000	Sungai Penuh City	Rp. 34.956.932.130
	Average	Rp. 100.333.175.722	Average	Rp. 68.228.628.316

Source: Processed Data

of regional expansion in real conditions actually causes a fiscal gap between the center and the regions. This is because the transfer funds from the central government to the regions, which were originally only used as a stimulus for local governments, are instead used as a fixed funding requirement that continues to be budgeted and allocated annually. So that there is a financial burden that causes dependence on the central government in financing development carried out by local governments. This has led to the failure of the principle of regional autonomy, which should be able to create independence from the potentials of the region. (Arina et al., 2021).

Regional expansion should not be a problem when the government can see the quality of the regions that will be implemented regional autonomy in the form of regional expansion (Trisakti and Djajasinga, 2021). This study uses several indicators to assess the implementation of regional autonomy in Jambi Regency / City such as Regional Financial Performance, Regional Tax Effort Capability, and Tax Elasticity of a Region. Regional financial performance can be used to measure the performance of local government agencies (Asmawanti et al., 2020). Indicators of regional financial performance can be assessed from how much PAD and the highest contribution of PAD is from the tax sector. Therefore, this study also takes into account how much tax effort a region has in exploring the potential of local taxes and also takes into account how elastic a region's taxes are to estimate the productivity of tax revenue in the Regency / City in Jambi Province.

Tax effort is the ability of a region to seek or explore tax potential, this is intended to increase the development of a region (Asmawanti et al., 2016). This study uses the calculation of tax effort by comparing the ratio of taxes collected to the tax capacity obtained by the local government. In addition, this study uses tax buoyancy as another indicator in measuring the suc-

cessful development of economic growth in a region (Santiago et al., 2020). In this case, the elasticity parameter shows the response of local tax revenue to changes in Gross Regional Domestic Product (GRDP).

The theory of regional autonomy plays an important role in shaping the financial performance of a region. This concept gives local governments the ability to manage resources and policies independently, create local revenue, and allocate budgets according to local needs and priorities (Darwanis & Saputra, 2014). Regional autonomy also encourages community participation, strengthens good governance, and increases responsiveness to local dynamics (Mardiasmo, 2021). By empowering local governments, the theory of regional autonomy becomes the foundation for achieving financial independence, improving the efficiency of budget management, and building responsive and sustainable regional financial sustainability (Ansar, 2021).

Taxation theory states that good tax effort involves determining fair and efficient tax rates, implementing tax policies that support economic growth, and managing effective tax administration (Furqon et al., 2022). Regional autonomy is also an important factor in determining the extent to which regions can manage their fiscal resources independently (Christia & Ispriyarso, 2019). The application of taxation theory to achieve tax buoyancy involves assessing dynamic tax structures and policies that allow flexibility in the face of changing economic conditions (Olandari Mulyadi et al., 2022). Appropriate changes in tax rates and bases, as well as tax policies that support investment and economic sector growth, can ensure that the tax system remains relevant and effective in generating revenue.

Research conducted by Saputri (2016) states that the expansion area in Siak Regency is successful in exploring the

potential of the region. This can be seen from the poverty rate, regional income, and per capita income of the expansion area which is better than the parent region. In addition, Salim (2019) states that there was considerable GRDP growth in Puncak Jaya Regency after the expansion. Syahputra (2017) there is a positive influence between the degree of decentralization on the implementation of regional autonomy where there has been an increase in decentralization over the last 6 years in the expansion area. Research conducted by Santika et al., (2018) states that there is an increase in public service performance and economic equality in North Lombok Regency after regional expansion. This is also in line with research conducted by Umami & Ferizaldi (2022) expansion for North Aceh Regency as a solution in overcoming difficulties in providing access to development and public services to the community, expansion also has an impact on inequality between regions due to the span of control that is too far between regions.

Meanwhile, Akbar (2019) explains that there are negative effects of regional expansion in Indonesia. Where expansion causes additional government structures which have an impact on the increasing burden of financing that must be met by the government, coupled with the low fiscal capacity owned by the regions. Awalia (2022) states that the level of financial performance of the expansion regions of Jambi Province is very low using the Financial Independence Ratio (FIR), Duri & Rahmah, (2020) states that the expansion of the four lawang district area still does not fully provide welfare for the community or in terms of development regional expansion can trigger local selfishness which can hinder regional development, and has the potential to cause conflict between regions. Firman (2013) suggests that regional margerization is a good option to be able to provide more efficient and effective public services in the regions.

Therefore, this study tries to see the success of the financial performance of the parent and expansion regions in the Regency / City in Jambi Province using regional financial performance ratios, then assess how tax efforts in both the expansion area and the parent area, and the elasticity of taxes on GRDP whether it is able to have a good impact on regional tax expansion and the parent area in the Regency / City in Jambi Province. Autonomy aims to make regions independent in financial management so that the dependence of local governments on the central government in terms of financing (Regional Expenditure) can be reduced, but in reality, regional expansion has become a burden on the central government, so it is necessary to study how the government manages its regional revenue sources. This is also a form of comparison of the results of research related to the financial performance of a region where there is still a gap.

## **METHODOLOGY**

This study aims to analyze financial performance, tax effort, and tax bouyancy (Elasticity of Tax Revenue) in the parent region and expansion areas in Jambi Province. This research is qualitative in nature which explains in detail about the description of regional financial performance, tax efforts and tax elasticity in regencies / cities in Jambi Province, as for what is new in this study, namely using three analytical tools in assessing the autonomy of the parent and expansion regions with the analytical tools used are financial performance analysis to assess regional financial performance, analysis of regional tax efforts to assess the ability of regions to absorb tax revenues, and analysis of the elasticity of tax revenues to assess the ability of productivity of regional tax revenue. as for the objects in this study are regencies / cities in Jambi Province that have been expanding for a decade, namely Merangin Regen-

cy, Bungo Regency, West Tanjung Jabung Regency, and Kerinci Regency as the parent region, with Muaro Jambi Regency, Sarolangun, Tebo, East Tanjung Jabung, and Sungai Penuh City which are expansion areas.

As for analyzing measuring regional financial performance analysis, including:

1. Degree of Fiscal Decentralization (DFD)  
This degree of Fiscal Autonomy measures the ability of local governments to increase local revenue to finance development. According to Mahmudi (2016) the regional financial ratio is calculated by comparing the amount of regional own-source revenue with the total regional revenue. The higher the PAD contribution, the higher the local government's ability to implement decentralization.

$$DFD_t = \frac{ROR_t}{TRR_t} \times 100\%$$

where DFD is Fiscal Autonomy Degree Ratio year  $t$ , ROR is Revenue value of local revenue in year  $t$  and TRR is Total value of regional revenue in year  $t$ .

The ratio interval size following Saputra & Mahmudi (2012) is as follows:

Ratio (%)	DFD Criterion
0 – 20	Very Low, Not autonomous
20,1 – 40	Low, Less autonomous
40,1 – 60	High enough, Autonomous enough
60,1 – 80	High, Autonomous
80,1 – 100	Very High, High autonomous

2. Regional Expenditure Performance (REP)

Regional Expenditure Performance Analysis is a comparison between Direct Expenditure and Total Regional Expenditure. The Regional Revenue Budget Utilization Ratio shows the level of a region's ability to spend its finances for government activities, development and services to the community (Priyarsono et al., 2010). This Regional Expenditure Performance Analysis is formulated as follows:

$$REP = \frac{DE}{TRE} \times 100$$

where REP is Regional Expenditure Performance, DE is Direct Expenditure, TRE is Total Regional Expenditure.

The ratio interval size following Tangkilisan (2005) is as follows:

Ratio (%)	Expenditure Performance Criteria
0 – 20	Very Poor
20,1 – 40	Poor
40,1 – 60	Enough
60,1 – 80	Good
80,1 – 100	Very Good

3. Degree of Regional Dependency (DRD)  
According to Mahmudi (2016) the ratio of regional financial dependence is calculated by comparing the amount of transfer revenue (Central Assistance Fund) received by regional revenues with total regional revenues. The higher this ratio, the greater the level of dependence of local governments on the central government and/or provincial governments. This ratio is formulated as follows:

$$DRD_t = \frac{CAF_t}{TRR_t} \times 100$$

where DRD is Regional Financial Dependency Ratio year  $t$ , CAF is Central Assistance Fund in year  $t$ , TRR is Total Regional Revenues in year  $t$ .

The interval size of the Regional Financial Dependency Ratio following Saputra & Mahmudi (2012) is as follows:

Ratio (%)	DRD's Criterion
0 – 20	Very low, Independent
20,1 – 40	Low, Low dependent
40,1 – 60	High enough, quite dependent
60,1 – 80	High, High dependent
80,1 – 100	Very High, Centralized

After that, the second step is to assess the Tax Effort, to assess the tax effort, it must first be analyzed the regional tax ratio by means of the Tax Ratio (T/GRDP)

and Tax Capacity ( $T^i/Y$ ) models:

$$Tax\ Ratio = \frac{TR}{GRDP}$$

To measure the Regional Tax Capacity, the formula proposed by Bhal (1971) is used as follows:

$$\frac{TR}{Y_{it}} = \alpha_1 + \beta_{1i}Y/cap_{it} + \beta_{2i}AG/Y_{it} + \beta_{3i}MN/Y_{it} + \beta_{4i}ID/Y_{it} + \beta_{5i}AC/Y_{it} + e_{it}$$

Where  $TR/Y$  is Tax Ratio,  $Y/cap$  is Per capita Income (GRDP per capita),  $AG/Y$  is Contribution of the agricultural sector,  $MN/Y$  is Mining sector contribution,  $ID/Y$  is Industry sector contribution,  $AC/Y$  is Aid contributions from the central government,  $e$  is error term,  $i$  is Level II area ( $i = 1, 2, 3, \dots, 10$ ),  $t$  is time.

If the function of tax ratio and local tax capacity is obtained, then tax effort can be calculated both in time series and cross section. By using the formula:

$$E = (T/Y)/(T^i/Y) \text{ or } E_i = T_i / T^i$$

where  $E_i$  is Regional Tax Effort Ratio  $i$  (Tax Effort),  $T_i$  is Local tax ratio  $i$ ,  $T^i$  is Local tax capacity  $i$

Decision Making on Regional Tax Efforts based on Research by Chelliah et al. (1975) namely:

$E > 1$ : High Tax Effort

$E < 1$ : Low Tax Effort

After classifying the criteria for local tax efforts, it can be measured the classification of existing tax capacity and efforts in a region with 4 categories of possible capabilities and regional ratings according to tax capacity and regional tax efforts, namely:

1. High Capacity and High Effort;
2. Low Capacity and High Effort;
3. High Capacity and Low Effort;
4. Low Capacity and Low Effort.

Furthermore, looking for the elasticity of regional tax revenue (tax buoyancy)

can be calculated using the elasticity model. The calculation of revenue elasticity (PAD) in this case is local tax is as follows:

$$Elasticity = \frac{\Delta \% Tax}{\Delta \% GRDP}$$

where  $\Delta \% Tax$  is Percentage Change in Local Tax Revenue and  $\Delta \% GRDP$  is Percentage change in GRDP.

This research is a qualitative research with the variables used are: Degree of Fiscal Decentralization is a comparison of PAD to the amount of all regional revenues in the 2009-2021 period, then the variable Regional Expenditure Performance is a comparison of direct expenditure to the total expenditure of districts / cities in Jambi Province in the 2009-2021 period, Regional Dependence Ratio is a comparison between Central Assistance Funds to Total Regional Revenues of Districts / Municipalities in the 2009-2021 period, then the variable of Regional Expenditure Performance is a comparison of direct expenditures to the total expenditure of districts / cities in Jambi Province in the 2009-2021 period, Regional Dependence Ratio is a comparison between Central Assistance Funds to Total Regional Revenues of Districts / Municipalities in Jambi Province in 2009-2021. These three variables are used to measure how regional financial performance in Jambi Province. Then in this study using the Regional Tax variable, namely the total regional tax received by the Regency / City of Jambi Province for the 2009-2021 period, ROR is a source of regional finance originating from the Regency / City area in Jambi Province in the 2009-2016 period, Central Assistance Fund or Balancing Fund is funds from the State Budget allocated to Districts / Municipalities in Jambi Province for the 2009-2021 period, Regional Revenue is the total Regional Cash receipts in the Regency / City of Jambi Province

in the 2009-2021 period, Direct Expenditure is regional expenditure budgeted in the implementation of Regency / City local government programs in Jambi Province in 2009-2016, Total Regional Expenditure of all costs used in financing the activities of the Regency / City government in Jambi Province in 2009-2021.

Then the GRDP Variable (Regional Domestic Product Product) is the Regency / City in Jambi Province from the period 2009-2021 based on the 2010 Constant Price according to the business field, per capita Income Data is a comparison of the amount of GRDP with the population of an area during the 1 year period, Agricultural Sector Data is the income of the agricultural sector for 1 year based on business fields on the basis of constant prices in 2010 in the Regency / City in Jambi Province, Mining Sector Data is the income of the Mining sector for 1 year based on business fields on the basis of constant prices in 2010 in Districts / Municipalities in Jambi Province, Industrial Sector Data namely Industrial sector income for 1 year based on business fields on the basis of constant prices in 2010 in Regencies / Municipalities in Jambi Province, Tax Ratio is a comparison of total regional tax revenue to the GRDP of districts / cities in Jambi Province, Taxable Capacity is the result of estimates from tax revenue sources in the form of leading sectors in a region for 1 year, Tax Effort is a comparison between actual regional tax revenue to regional tax capacity for 1 year and the last is the variable Regional Tax Elasticity, namely comparison of the percentage change in ROR

to the percentage change in GRDP of Districts / Municipalities in Jambi Province.

## RESULTS AND DISCUSSION

Jambi Province was formed based on Law number 61 of 1958 which consisted of 5 regencies and 1 city, namely Kerinci Regency, Sarko Regency, Bungo Tebo Regency, Batang Hari Regency, Tanjung Jabung Regency and Jambi City. In 1999 after the regional autonomy law was passed, Jambi Province expanded several regions through Law Number 54 of 1999 and Law Number 25 of 2008 where the expansion areas were Sarolangun Regency, Tebo Regency, Muaro Jambi Regency, East Tanjung Jabung Regency and Sungai Penuh City. So that the total number of regencies and cities in Jambi Province is 9 regencies and 2 cities.

Jambi Province has carried out regional expansion for more than a decade, meaning that regional autonomy proclaimed by the government can already be assessed whether a regional expansion or parent region has carried out regional autonomy properly or not, this can be assessed from the Financial Performance of the expansion and parent regions in the Regency / City in Jambi Province from 2009 - 2021.

### *Analysis of the Financial Performance of the Parent Region and the Expansion Region in the Regency / City in Jambi Province.*

#### 1. Degree of Fiscal Decentralization

Based on table 3 above, it can be analyzed that the Degree of Fiscal Autonomy

**Table 2.**  
**Regency / City of Parent and Expansion Areas in Jambi Province**

No.	District of Parent Region	District Expansion Areas
1	Batang Hari	Muara Jambi
2	Merangin	Sarolangun
3	Bungo	Tebo
4	Tanjung Jabung Barat	Tanjung Jabung Timur
5	Kerinci	Sungai Penuh City

Source: Processed Data

of the Expansion Region and the parent region are both in the non-autonomous category where the highest presentation for the DFD value is only 8.93%, namely in Bungo Regency as the parent region, while the lowest is East Tanjung Jabung Regency, which is 3.48%, which means that the Regional Original Revenue obtained by the Regency / City government has not been able to finance development both in the expansion area and in the parent region. The low value of the Degree of Fiscal Decentralization means that regional empowerment in terms of the capability to manage regional finances is still very low.

**2. Regional Financial Dependency**

Based on table 4. It can be seen that

the expansion area and the parent region in the Regency / City in Jambi Province are still very dependent on central government assistance where the lowest financial dependency ratio in Merangin Regency is 76.85% while the highest is in West Tanjung Jabung Regency at 90.31%, meaning that most of the Regional Revenue in the Regency / City in Jambi Province is assistance from the central government and the provincial government, this also indicates that local revenue has not been optimal in meeting the needs of regional expenditure in the Regency / City in Jambi Province.

**3. Regional Expenditure Performance**

Based on table 5 above, it can be seen that the performance of regional ex-

**Table 3.**  
**Average Degree of Fiscal Decentralization of Spreading Regions and Parent Regions in Jambi Province 2009-2021**

No.	District of Parent Region	DFD %	District Expansion Areas	DFD %
1	Batang Hari	5,96	Muara Jambi	4,51
2	Merangin	5,43	Sarolangun	4,64
3	Bungo	8,93	Tebo	5,00
4	Tanjung Jabung Barat	4,83	Tanjung Jabung Timur	3,48
5	Kerinci	5,83	Sungai Penuh City	3,60

Source: Processed Data

**Table 4.**  
**Average Expenditure Performance of Regional Expansion and Parent Region in Jambi Province 2009-2021**

No.	District of Parent Region	RFD	District Expansion Areas	RFD
1	Batang Hari	83,05	Muara Jambi	83,60
2	Merangin	79,00	Sarolangun	84,00
3	Bungo	76,85	Tebo	84,05
4	Tanjung Jabung Barat	90,31	Tanjung Jabung Timur	87,75
5	Kerinci	80,63	Sungai Penuh City	85,84

Source: Processed Data

**Table 5.**  
**Average Expenditure Performance of Regional Expansion and Parent Region in Jambi Province 2009-2021**

No.	District of Parent Region	REP	District Expansion Areas	REP
1	Batang Hari	44,55	Muara Jambi	56,66
2	Merangin	54,67	Sarolangun	69,34
3	Bungo	47,07	Tebo	53,07
4	Tanjung Jabung Barat	59,12	Tanjung Jabung Timur	59,17
5	Kerinci	49,05	Sungai Penuh City	58,85

Source: Processed Data



penditure for the parent region and the expansion area is quite good, where the highest performance of regional expenditure is in Sarolangun Regency, which is 69.34%, while the lowest is Batang Hari Regency at 44.55%, this indicates that regional expenditure used for the development process in regencies / cities in the expansion area and the parent area is quite good, where the proportion of expenditure for development is 50% of the total budgeted expenditure.

Based on Table 3, Table 4, and Table 5, it can be seen that the Degree of Fiscal Autonomy (DFA) is said to be good if the DFA value is  $> 40.1\%$  (Karina dan Wibowo, 2022), while for the regional financial dependency ratio (RFDR)  $< 40.1$  then RFDR is said to be good (Mauludin dan Dewi, 2020), and for Regional Expenditure Performance (REP)  $> 40.1\%$  then KBD is said to be Good (Mataris dan Dig-dowiseiso, 2022).

From the table above, it can be analyzed that the DFA of the parent region is higher than the expansion area, although the DFA between the parent and expansion areas is not well implemented because the DFAS value is lower than the reference figure of  $< 40.1\%$ , even so the DOF value for the parent region is greater, namely 6.89% while the expansion area is only 5.09%, meaning that the degree of fiscal autonomy of the parent region is better in finding sources of income towards regional independence compared to the expansion area which is still relatively new and must look for other sources of income. This is in accordance with research conducted by

Putra dan Hidayah (2020) which states that there is a significant impact caused by regional expansion on the degree of fiscal autonomy. To be able to ensure the success of fiscal autonomy, regional readiness is needed from all fields, especially human resources that are able to answer the various challenges of implementing regional autonomy itself and financial readiness to finance various development activities in the region (Syahputra, 2017).

Meanwhile, the Regional Financial Dependency Ratio has a KBD Ratio Value  $> 40.1\%$ , which means that regional dependence on assistance from the central government is very large, this indicates that there is no regional independence in both the expansion area and the parent region, regions that have been divided are still very high in financial dependence in order to run the wheels of government so that the dependence of the expansion area is higher than the parent region. This is in accordance with research conducted by Mengkuningtyas and Adib (2015) which states that most regions in Indonesia are still very dependent on assistance from the central government coupled with regional expansion causing higher financial dependence. To be able to overcome this, it is necessary to disserve regional income by developing the local economic sector, tourism and industry in the region, this can encourage tax revenue and levies so that regional income can be optimized.

For the performance of regional expenditure, it is still classified as quite good, namely  $> 40.1\%$ , which means that the

**Table 6.**  
**Average Pattern of Regency/City Financial Performance of Parent and Expansion Regions in Jambi Province 2009-2021**

Average	DFA	RFDR	REP
Parent Region	6,19 %	81,96 %	50,89 %
Expansion Areas	4,24 %	85,04 %	59,41 %

Source: Processed Data

performance of direct expenditure in the expansion area and the parent region or the performance of regional expenditure is quite good, the expansion area distributes more of its regional expenditure funds compared to the parent region, this is because the expansion area requires a lot of infrastructure development costs to run the wheels of government, this is in accordance with research conducted by Putra dan Hidayah (2020) which states that there are significant changes related to regional expenditure due to regional expansion, the need for public services and facilities and infrastructure will be greater.

In principle, regional expansion is one of the implementations of regional autonomy, its function is so that the implementation of services and regional independence can be carried out properly, but based on the analysis carried out, there are still many expansion areas and parent regions that are very dependent on aid funds from the central government, which is not in accordance with the objectives of autonomy, This dependence is caused by the low receipt of local revenue, and the non-

optimal exploration of the potential of local revenue, thus the need for funds for regional spending for regional development still cannot be separated from assistance or transfers from the central government, this is in line with Viara dan Pujiati (2019) that regional spending needs are still very dependent on the central government.

In overcoming the problem of a low degree of fiscal autonomy and high financial dependence on central government assistance, the government can diversify regional income by developing the local economic sector, by supporting and providing initiatives for MSMEs, optimizing Village-Owned Enterprises as a milestone for village income which will indirectly have an impact on increasing regional income, developing tourism and industrial areas so as to increase local economic growth in the region. Transparency and accountability in financial management and optimizing the use of budgets and improving the quality of human resources through education and training properly and efficiently will be able to help regions towards autonomous regions.

**Table 7.**  
**Tax Effort and Tax Capacity of Regency / City of Main and Expansion Areas in Jambi Province for the period 2009-2021**

Region	City	Tax Effort	Tax Effort's Average	Tax Capacity	Tax Capacity's Average
Parent Region	Tanjabbar	1,00009	1,00000	0,00053775	0,0012514
	Batang Hari	1,00001		0,00115949	
	Merangin	0,99998		0,00143542	
	Kerinci	0,99999		0,00146441	
	Bungo	1,00000		0,00165999	
Expansion Areas	Tanjabt	0,82989	1,02604	0,00053537	0,0010779
	Muaro Jambi	0,96868		0,00119162	
	Sarolangun	1,40938		0,00096247	
	Sungai Penuh	0,94352		0,00141576	
	Tebo	0,96475		0,00128468	

Source: Processed Data

**Tax Effort Analysis of Parent Region and Expansion Region in Regency/City in Jambi Province**

To see how the local government’s efforts to explore the potentials that exist in its area in order to increase Regional Original Revenue, it is necessary to calculate Tax Efforts, this is because taxes are the largest contributing sector in Regional Original Revenue in the Regency / City in Jambi Province.

The criteria assessment or tax effort classification is if the Tax Effort value > 1 means that the region has a high tax effort value, while the Tax Effort value < 1 indicates a low regional tax effort (Chelliah dkk., 1975; Widyaningsih, 2018). As for the calculation of tax capacity using panel data regression test, after testing the selection of the best model using the Chow test with a probability > 0.05 the best model is the Fix Effect Model. After the model specification test is carried out, the value of tax effort and tax capacity for the period 2009 - 2021 is averaged based on the district/ city as listed in the table 7.

From the table above, it can be seen that the tax effort of each district/city

in the parent region and the expansion area varies. According to Karo et al. (2019) A region that has a tax effort index > 1 is classified as high and a tax effort < 1 is classified as low. Meanwhile, tax capacity is measured by measuring the average regional tax capacity. If the average regional tax capacity > tax capacity is classified as high, but if the average regional tax capacity < tax capacity then it is classified as low. While tax capacity is measured by comparing the average regional tax capacity, if the average regional tax capacity > tax capacity it is classified as high, however, if the average regional tax capacity < tax capacity it is classified as low (Widyaningsih, 2018). Mapping the category of regencies / cities of the parent region and the expansion region based on the Capacity and Efforts of Regional Taxes in the Expansion Region in Jambi Province. This mapping is done by classifying districts / cities based on their tax potential and the tax efforts that have been made each year so that a combination of the two parameters will be obtained. Mapping in the form of a quadrant which is a combination of tax effort and tax capacity. With the following combination:

- 1. High Capacity (HC) and High Effort (HE);

**Table 8.**  
**Mapping Criteria for Regency / City of Parent Region and Expansion Region in Jambi Province Based on Tax Capacity and Tax Effort for the Period 2009-2021**

Region	City	Tax Effort	Tax Capacity
Parent Region	Tanjabbar	HE	LC
	Batang Hari	HE	LC
	Merangin	LE	HC
	Kerinci	LE	HC
	Bungo	HE	HC
Expansion Areas	Tanjatim	LE	LC
	Muaro Jambi	LE	HC
	Sarolangun	HE	LC
	Sungai Penuh	LE	HC
	Tebo	LE	HC

Source: Processed Data

2. Low Capacity (LC) and High Effort (HE);
3. High Capacity (HC) and Low Effort (LE);
4. Low Capacity (LC) and Low Effort (LE).

After the assessment is carried out, the results can be mapped, thus the performance of the local government can be measured effectively and efficiently, especially in the management of local taxes whether it is running optimally or not.

The table above explains that there are differences in the level of tax effort and the level of regional tax capacity in each Regency/City in the parent and expansion areas in Jambi Province where, high tax effort also illustrates that the region has innovated and optimized in terms of tax determination and existing tax objects, while high tax capacity illustrates that the tax potential available in the area is relatively large and can be utilized as a tax source to increase revenue.

In the dominant districts of the parent region to high capacity and high effort, although in some areas it is still classified as low tax capacity, but high local tax efforts such as in the areas of West Tanjung Jabung and Batang Hari, where local tax efforts in these two districts are still relatively high, which means that the government has made efforts to find and explore the tax potential in the area but indeed the available tax potential (tax capacity) is still relatively low. Then for Merangin and Kerinci regencies, it is classified as low tax effort but high tax capacity, meaning that these two regions have sufficient tax revenue potential but the efforts made by the government to increase tax revenue are still relatively low, in contrast to Bungo Regency which has been able to make efforts to increase revenue in the tax sector and then supported by its capacity or source of tax revenue which is also relatively high.

In general, the parent region has made efforts to increase the revenue of its local tax sector with innovation in finding new breakthroughs in terms of collecting local taxes, this is in accordance with re-

search conducted by Fathurrahman (2022) which states that regions that already have high local tax sources and potential will try to innovate and continue to look for new sources of income in order to increase revenue in their area.

While the dominant expansion areas are low in tax effort and high in tax capacity, although in some areas there are still classified as low effort and low tax capacity such as in the East Tanjung Jabung area, where this area is an area that has a relatively low tax capacity and the government's efforts in exploring regional revenue sources are also relatively low. In contrast to Muaro Jambi Regency, Sungai Penuh City, and Tebo, where these three regions are classified as low effort and high local tax capacity, meaning that more serious efforts need to be made by the government in managing its local tax revenue with the potential / capacity of local taxes which is quite large in the three districts/cities. Meanwhile, Sarolangun Regency is an area with high tax efforts with low tax capacity, meaning that the government must be more able to find other sources of tax revenue, due to the low tax capacity or tax potential in Sarolangun Regency. In general, the districts/cities of the expansion area are still lacking in seeking local revenue even though the number of available tax bases is quite high.

Research conducted by Asmawanti et al. (2019) in Bengkulu City states that the occurrence of fiscal stress due to regions that do not have adequate revenue sources is required to continue to explore and optimize their regional income, while the potential and sources of regional income have decreased due to regional expansion. In order to increase tax efforts and regional tax capacity, it can be done by intensifying regional revenue sources and setting targets and realizing transparent tax sector revenues (Patra, 2018).

**Analysis of Regional Tax Elasticity of Regency / City of Parent Region and Expansion Region in Jambi Province**

To see how the elasticity of local taxes in an effort to measure the productivity of local tax revenues in districts / cities in Jambi Province, the elasticity parameter shows the response of local tax revenues to changes in GRDP.

Based on the table 9, it shows that the elasticity of tax revenue on GRDP at constant prices in 2009-2021 in the parent region is smaller than that of the expansion area, the elasticity of tax revenue on GRDP at constant prices in 2010 shows that the parent region has an elasticity of 4.30 percent, meaning that changes in GRDP at constant prices in 2010 are accompanied by changes in tax sector revenue in the Regency / City of Jambi Province or sensitive (elastic), meaning that every 1 percent increase in GRDP will increase tax revenue by 4.30 percent. Meanwhile, for the expansion areas, the level of elasticity of local taxes is 5.27 percent.

This also shows that GRDP at constant 2010 prices accompanied by changes in the tax sector in the Regency / City of Jambi Province is sensitive (elastic), meaning that every 1 percent increase in GRDP will increase tax revenue by 5.27 percent. However, the comparison of the elasticity level of the expansion regions is higher than that of the parent regions. This is in accordance with research conducted by Nurhayati (2015) conducted in Rokan Ulu Regency which states that there is an increase in tax revenue of 2.16 percent if there

is an increase in per capita income by 1 percent. In addition, research by Yuriyanto and Akhmad (2021) states that an increase in tax revenue in DKI Jakarta by 1 percent has the potential to increase economic growth by 0.34%.

**CONCLUSIONS**

Based on the results of research conducted on the analysis of the financial performance of the parent region and the expansion area, it is able to explain the regional financial performance in terms of the ratio of the Degree of Fiscal Autonomy where it is illustrated that both the expansion area and the parent region in the city district in Jambi Province are classified as non-autonomous, While in the dependency ratio, both the expansion area and the parent region in the districts and cities in Jambi Province are also classified as highly dependent on assistance or transfer funds from the central government, this shows that in terms of financial performance, both the parent region and the expansion area have not been able to implement good autonomy as expected in regional autonomy, namely regional independence. In terms of regional expenditure, the expansion region has a greater expenditure ratio than the parent region, this is because the parent region requires greater financing in carrying out its government activities and in regional development.

In terms of tax effort (tax effort) the dominant parent region tax capacity (high capacity) and high tax effort means that the parent region has made efforts to increase

**Table 9.**  
**Comparison of Average Regency/City Regional Tax Elasticity in Main Regions and Expansion Regions in Jambi Province 2009-2021**

Regency	Regional Tax	Δ%Tax	GRDP CP 2010 (juta)	Δ%GRDP	Elasticity	Description
Parent Region	11.114.919.127	28,92	10.179.317,54	6,60	4,30	Elas
Expansion Areas	9.705.997.011	35,38	9.150.579,83	8,76	5,27	Elas

Source: Processed Data

tax sector revenue, while the expansion area is dominant to low tax effort and high tax capacity, meaning that the tax effort of the parent region is better than the expansion area, this is because the parent region will try to find alternative or new sources of revenue, high tax effort also illustrates that the region has innovated and optimized in terms of tax determination and existing tax objects, while high tax capacity illustrates the tax potential available in the area is relatively large and can be utilized as a tax source to increase revenue. For the parent region in the district / city in Jambi Province on average has achieved high tax effort and capacity, while the expansion area on average is more likely to be low effort and high tax capacity. Meanwhile, in terms of the elasticity of local tax revenues, both the parent region and the expansion area show that changes in GRDP are accompanied by changes in the local tax sector in the district / city in Jambi Province Sensitive (elastic) means that the productivity of tax sector revenues in the district / city in Jambi province is quite good. However, in real terms, the elasticity of the expansion area is higher than that of the parent region.

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