

ABSTRACT

This study aims to analyze the influence of Local Own-Source Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH) on the level of regional financial independence in regency and city governments in Banten Province during the 2019-2024 period. This study offers novelty by focusing on the research object in Banten Province with the Level of Regional Financial Independence as the specific dependent variable, complementing previous studies in the same region that utilized different variables. The method used in this study is multiple linear regression analysis with panel data covering 4 regencies and 4 cities in Banten Province over a 6-year period (2019-2024), resulting in a total of 48 observations.

The results show that PAD has a positive influence on the level of regional financial independence. In-depth analysis reveals that this positive influence is strongly driven by the performance of Local Tax Revenue, which functions as the main contributor to regional revenue, where there is a sharp disparity in contribution between city and regency areas. Conversely, all transfer revenue components (DAU, DAK, and DBH) show a negative influence on regional financial independence. These findings indicate that high fund flows from the central government actually reduce regional incentives to optimize their independent fiscal potential.

Based on these findings, local governments are advised to reduce dependence on transfer revenue by focusing on optimizing Local Taxes through policies that support the strengthening of the local tax base, which is crucial for achieving a sustainable level of financial independence in Banten Province.

Keywords: Local Own-Source Revenue (PAD), Transfer Revenue, General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), Regional Financial Independence, Banten Province.