JOURNAL OF LAW, PUBLIC POLICY AND PUBLIC FINANCE

e-ISSN 3165-4444 · Research Center Progresif · jlpf@researchcenterprogresif.org

Volume 2, Number 4 (2026) · November 2026

A RATIO THAT DID NOT MOVE: FISCAL AUTONOMY MEASURES AND A 37 TRILLION RUPIAH LOSS

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Article History

Received: 09-09-2026

Accepted: 29-10-2026

Keywords:

fiscal autonomy; ratio measures; own-source revenue; intergovernmental transfers; fiscal indicators

ABSTRACT

Fiscal autonomy is almost universally measured as own-source revenue divided by total revenue. This article shows that the measure has a structural blind spot and documents an instance in which the blind spot obscured a shock of national magnitude. Across all 38 Indonesian provinces, own-source revenue fell from IDR 212.06 trillion in fiscal year 2024 to IDR 174.60 trillion in 2025, a loss of IDR 37.46 trillion or 17.67 per cent, following a statutory reassignment of vehicle taxation. Over the same period intergovernmental transfers fell 10.09 per cent and total revenue 13.77 per cent. Because numerator and denominator moved together, the autonomy ratio fell only from 54.80 to 52.32 per cent in aggregate, and the unweighted mean across provinces from 40.75 to 39.58 — a movement of 1.17 percentage points. Fifteen of the 38 provinces record an increase in their autonomy ratio during the year in which provincial own-source revenue contracted by more than a sixth. The article argues that ratio measures are unreliable indicators of fiscal position whenever the two quantities they compare respond to a common disturbance, that this condition is not exceptional in intergovernmental finance, and that assessment frameworks should report level and composition alongside the ratio. It sets out three diagnostic conditions under which a ratio measure should be distrusted and shows that the present case satisfies all three.

1. INTRODUCTION

An indicator earns its place by moving when the thing it measures moves. A fiscal indicator that remains stable through a large disturbance is not merely uninformative on that occasion; it is evidence that the indicator does not measure what it is taken to measure.

This article documents such an occasion. In a single fiscal year, Indonesian provinces collectively lost IDR 37.46 trillion of own-source revenue — 17.67 per cent of the total — as a direct consequence of a statutory reassignment of two tax instruments. The standard measure of provincial fiscal autonomy fell by 2.48 percentage points in aggregate and by 1.17 points on an unweighted basis. Fifteen provinces recorded improvement.

The explanation is arithmetic rather than mysterious, and it generalizes. Because the measure is a ratio and because both of its components responded to conditions prevailing in the same year, the movement in each largely offset the other. The article sets out when this occurs, why intergovernmental finance is unusually prone to it, and what should be reported instead.

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2. LITERATURE REVIEW

2.1 What the autonomy ratio is taken to mean

Own-source revenue as a proportion of total revenue is the standard measure of subnational fiscal autonomy in Indonesian practice and in the comparative literature. Its normative basis is that revenue a government raises itself carries an accountability relationship to local taxpayers that revenue received from above does not. Gadenne (2017) demonstrates the mechanism directly, showing that the source of public finance affects government accountability to citizens. Rodden (2002) documents the converse across a large sample: governments financed predominantly from transfers exhibit weaker fiscal discipline.

The measure has been used as a diagnostic of fiscal health as well as of accountability, and this is where difficulties begin. Whether greater fiscal autonomy dependably improves local financial health is tested across countries by Iacuzzi, Padovani and Canestrini (2025), who report a relationship that is contingent rather than automatic. Their result is usually read as saying that autonomy is not always beneficial. It admits a second reading, which this article develops: that the measure may not reliably capture the property it names.

2.2 When a ratio measure fails

A ratio of two quantities is informative about the numerator only when the denominator is either stable or moves independently. Where both respond to a common disturbance, the ratio measures the difference in their responses rather than the disturbance itself, and a large common movement can produce a small ratio movement.

Three conditions make this failure likely, and they can be stated as diagnostics. The first is common exposure: numerator and denominator respond to the same underlying event. The second is comparable elasticity: their responses are of similar magnitude, so the offset is substantial. The third is that the quantity of interest is the numerator in levels rather than the ratio itself — that is, the analyst cares how much own-source revenue a government has, not merely what proportion of its budget it represents.

Where all three hold, the ratio is systematically uninformative in the direction that matters most, because the events producing the largest movements in the numerator are precisely those most likely to move the denominator as well. This is not a small-sample or measurement-error problem; it is a property of the construction.

2.3 Why intergovernmental finance satisfies the conditions

Subnational finance is unusually prone to this failure because transfers and own revenue are not independent. Transfer formulas commonly incorporate national revenue performance, so a fiscal event affecting subnational taxation frequently affects the transfer pool as well. Beyond the formula, both respond to the same macroeconomic conditions.

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The empirical literature supports treating the two as jointly determined. Cohen (2023) finds subnational fiscal responses to external revenue running in both directions depending on setting, indicating that the components interact rather than sum. Alves and Araujo (2024), Bernardelli, Paschoalino, Russo and Kortt (2026) and Bury, Feld and Burret (2024) each show that transfer and equalization arrangements alter local revenue incentives, so that the relationship between the two is behavioural as well as arithmetic. Saens, Cox and Villalobos (2026) find the flypaper effect conditioned by fiscal capacity, and Porto, Puig and Vidal (2026) show subnational budgets adjusting dynamically to transfer changes. Singh and Dubey (2026) find shock transmission depending on the composition of the affected revenue rather than on its level — which is the present article's claim expressed from the other direction.

Aikins (2023) and Yu, Kim and Sim (2022) add the stress dimension: under fiscal pressure, governments draw on reserves and adjust in ways conditioned by their intergovernmental position, so the components move together during exactly the episodes when a fiscal indicator most needs to be informative. Del Castillo and Cabral (2024) show fiscal rules constraining the borrowing margin, which further couples the components by forcing adjustment through the same channels.

3. METHOD

The analysis uses reported budget realization for all 38 Indonesian provinces for fiscal years 2024 and 2025, from the Regional Financial Information System maintained by the Directorate General of Fiscal Balance at the December cumulative reporting period. Coverage is complete: 76 province-year observations with no missing values. Three variables are used: realized own-source revenue, realized intergovernmental transfers, and realized total revenue.

Two limitations apply. The figures are reported by provincial governments and are not audited; the portal records the database state as of 28 August 2026 and 2025 values remain subject to revision. And four provinces created by the 2022 territorial division of Papua were still establishing revenue administration during the observation window; they are retained in the aggregate and their effect on the unweighted mean is noted where relevant.

4. RESULTS AND DISCUSSION

4.1 The aggregate position

Table 1 sets out the three quantities.

Table 1. Provincial revenue aggregates, all 38 provinces (IDR trillion)

Item	2024	2025	Change
Own-source revenue	212.06	174.60	−17.67%
Intergovernmental transfers	172.38	154.99	−10.09%
Total revenue	387.00	333.72	−13.77%

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Item	2024	2025	Change
Own-source revenue lost	—	37.46	—
Autonomy ratio, aggregate	54.80%	52.32%	−2.48 pp
Autonomy ratio, unweighted mean	40.75%	39.58%	−1.17 pp

Source: Directorate General of Fiscal Balance, Regional Financial Information System, December cumulative period, fiscal years 2024 and 2025 (retrieved 2026). Figures are reported by provincial governments and are unaudited.

The disproportion is the finding. Own-source revenue fell by IDR 37.46 trillion, a sum equivalent to roughly a sixth of the 2024 total. The measure conventionally used to report the fiscal position of these governments moved 2.48 percentage points in aggregate and 1.17 points on an unweighted basis.

4.2 Fifteen provinces improved

The distributional detail sharpens the point. Of the 38 provinces, 23 record a fall in the autonomy ratio and 15 record a rise. Table 2 shows the extremes.

Table 2. Largest movements in the autonomy ratio (per cent of total revenue)

Province	2024	2025	Change
Banten	72.8	63.0	−9.8
DI Yogyakarta	41.2	32.7	−8.5
North Sumatra	55.7	47.3	−8.4
West Java	69.0	61.5	−7.5
West Nusa Tenggara	49.7	42.7	−7.1
Riau	57.2	51.2	−6.0
Southeast Sulawesi	33.4	37.4	+4.0
North Maluku	27.6	33.4	+5.8
South Sulawesi	53.8	60.6	+6.8

Own-source revenue as a percentage of total revenue, fiscal years 2024 and 2025. Source: Directorate General of Fiscal Balance, Regional Financial Information System, December cumulative period (retrieved 2026), as for Table 1.

A province recording an increase in its autonomy ratio did not necessarily raise more revenue. It may have lost own-source revenue and lost transfers faster. On the conventional measure such a province appears to have strengthened its fiscal position in a year when both of its revenue sources contracted.

The provinces recording the largest falls are those in which the reassignment bit hardest — Banten, Yogyakarta and West Java are among the most vehicle-dense jurisdictions — so the measure is not uninformative everywhere. What it fails to do is register the aggregate magnitude, because the

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falls in one group are offset by rises in another that reflect denominator movement rather than performance.

4.3 The three conditions are satisfied

Applying the diagnostics set out in Section 2.2: numerator and denominator were commonly exposed, since both own-source revenue and transfers fell in the same year; their elasticities were comparable, at −17.67 and −10.09 per cent, sufficient for substantial offset; and the quantity of interest is plainly the level, since IDR 37.46 trillion of foregone own-source revenue is the fact a fiscal assessment needs to convey.

This is therefore not an anomalous case in which a generally sound measure happened to mislead. It is a case in which the measure behaved exactly as its construction predicts under conditions that are common in intergovernmental finance.

4.4 Discussion

Three implications follow.

The first is for reporting practice and is straightforward to act on. Where a ratio is used, the levels of both components should be reported alongside it. The additional disclosure costs nothing — both quantities are already collected — and it would have made the IDR 37.46 trillion visible in the same table as the 2.48-point movement. The performance-measurement literature supports the general principle: Lebec and Dudau (2023) argue that measurement systems omit what they were not built to capture, and Lamothe (2024) shows administrative data misrepresenting delivery unless disaggregated. Barbieri, Micacchi, Vidè and Valotti (2021) state the design condition, that a measure connect to the outcome it stands for.

The reporting recommendation is modest but the literature suggests it will not be adopted automatically. Cepiku, Mastrodascio and Wang (2024) and Nitzl, Sicilia and Steccolini (2024) find that managerial engagement with performance information is selective and shaped by what the information already makes salient, so an additional column is used only if it answers a question someone is asking. Mizrahi and Minchuk (2021) show that the structure of a measure determines the responses it invites, which implies that a headline ratio will continue to anchor interpretation even where levels are disclosed beside it. Pill (2024) and Collazos-Ortiz and Schakel (2023) locate fiscal capacity in administrative apparatus rather than in reported ratios, which is a further reason to treat the ratio as one input among several rather than as a summary of position.

The second is for how autonomy is theorized. If the ratio is unreliable during large disturbances, findings about the relationship between autonomy and other outcomes may partly reflect measurement behaviour rather than the underlying relationship. Iacuzzi and colleagues (2025) find the autonomy–financial health relationship contingent; one candidate explanation, which their design does not exclude, is that the measure captures the property inconsistently across the range of conditions studied. Testing this would require re-estimating with levels alongside ratios, which is feasible with data already assembled in that literature.

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The third concerns what the ratio still does well. It remains the appropriate measure of the accountability relationship Gadenne (2017) and Rodden (2002) identify, because that relationship genuinely depends on proportion: a government funded 30 per cent from local taxation faces different incentives from one funded 70 per cent, whatever the absolute sums. The argument here is not that the ratio should be abandoned but that it answers a question about structure and is regularly used to answer a question about magnitude, which it cannot.

Two limitations bound the conclusions. The data are unaudited and cover two years, so the movements reported may be revised. And the article does not establish why transfers fell 10.09 per cent; that decline is treated as given, and if it were itself a consequence of the same reform the interpretation would need revisiting — though the direction of the argument, that co-movement suppresses the ratio, would be unaffected.

4.5 Where levels are already used, and where they are not

The proposal to report levels alongside ratios is not novel in the research literature, which routinely works in levels; it is novel in assessment practice, which does not. Baskaran (2021) and Giertz and Kumar (2023) both estimate effects in absolute terms and would have detected a shock of this magnitude immediately. Apeti and Edoh (2023) likewise measure revenue in levels when relating it to payment infrastructure. The divergence is therefore between research convention and reporting convention rather than between two research traditions.

Two findings indicate what a level-based reading would have shown here. Lucidi (2022) demonstrates that fiscal effects vary across regions within a country, so a national aggregate of IDR 37.46 trillion conceals unequal incidence that the ratio conceals a second time. Vincent and Osei Kwadwo (2022) show that fiscal flows spill across jurisdictional boundaries, so the incidence is not even confined to the units recording the loss. Neither observation is available from a ratio, and both follow directly from reporting the amounts.

4.6 The arithmetic of the offset

It is worth setting out why the ratio moved so little, because the arithmetic makes clear that the outcome was not a coincidence of magnitudes but a near-inevitability given the two elasticities.

Let A denote own-source revenue and T transfers, so that the ratio is A/(A+T). If A falls by a proportion a and T by a proportion t, the new ratio is A(1−a) divided by A(1−a)+T(1−t). Where a equals t the ratio is exactly unchanged, whatever the size of the fall: a proportional contraction in both components leaves their proportion intact. Where a exceeds t the ratio falls, but only by an amount governed by the difference between the two elasticities, not by their level.

Here a is 0.1767 and t is 0.1009, a difference of 0.0758. The aggregate ratio accordingly fell from 54.80 to 52.32 per cent — a movement of 2.48 points produced by a loss of IDR 37.46 trillion. Had transfers fallen by the same 17.67 per cent, the ratio would have been unchanged and the same loss would have registered as nothing at all. This is the precise sense in which the measure is insensitive to

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magnitude: its movement is a function of the difference between two rates of change and carries no information about the quantity to which those rates were applied.

The same arithmetic explains the fifteen provinces recording an increase. For those units a was smaller than t — their own-source revenue fell less than their transfers did — so the ratio rose. Nothing about their fiscal position improved; their own revenue fell in absolute terms in most cases. What improved was the proportion, because the other component fell faster. A reader taking the ratio at face value would record fifteen provinces as having become more fiscally autonomous in the year their revenue base was reduced by statute.

4.7 Two objections

The first objection is that no competent analyst reads a ratio without also looking at the levels, so the defect identified here is one of naive reading rather than of the measure. The objection would be stronger if the levels appeared alongside the ratio in the documents where the ratio is presented. They frequently do not: fiscal capacity assessments, regional financial health scorings and comparative autonomy tables commonly report the ratio as the summary statistic, precisely because a ratio permits comparison across units of different size while a level does not. The convenience that makes the ratio attractive is the same property that removes the magnitude information, and an analyst working from such a table has no way to recover it.

The second objection is that the article criticizes the ratio for failing to do something it was never intended to do. This is accepted, and Section 4.4 says so explicitly: the ratio answers a question about structure and answers it well. The criticism is directed at its use rather than at its construction. That use is not hypothetical — the ratio is embedded in assessment frameworks that draw conclusions about fiscal condition, which is a magnitude question, from a structural measure. Identifying the conditions under which the substitution fails is the article's contribution, and doing so does not require holding that the measure is badly built.

4.8 Limitations

Four limitations bound the analysis. The revenue data for fiscal year 2025 are drawn from the national fiscal information system and are unaudited; the audited statements may revise them, though a revision large enough to alter the conclusions would be unusual. The comparison spans two years, which is sufficient to demonstrate the measurement behaviour but not to establish how the ratio performs across a longer sequence in which the two components move independently.

The article does not establish why intergovernmental transfers fell 10.09 per cent, and treats that decline as given. If it were itself a consequence of the same statute — for instance through a formula responding to subnational revenue capacity — then the co-movement would be endogenous to the reform rather than coincidental, which would strengthen the general argument while complicating this particular case. And the analysis is conducted at provincial level; the same statutory event moved regency and city finances in the opposite direction, and nothing here bears on how the ratio performed for those units.

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4.9 A general diagnostic for ratio measures

The three conditions applied in Section 4.3 were stated for fiscal autonomy, but nothing in them is specific to that measure, and setting them out generally shows how wide the exposure is. Any ratio of two quantities is at risk of the behaviour documented here when three things hold: the numerator and denominator share exposure to the same disturbance; their elasticities to that disturbance are of comparable size; and the question the ratio is being used to answer is about magnitude rather than proportion.

The conditions are easy to check and rarely checked. Several widely used public finance ratios satisfy them under identifiable circumstances. Debt to revenue is insensitive to a shock that reduces both — a government that loses revenue and simultaneously has debt written down or refinanced will show an unchanged ratio despite a materially altered position. Capital expenditure as a share of total expenditure is insensitive to an across-the-board contraction, which is precisely why the companion analysis of expenditure adjustment reports levels. Personnel cost as a share of operating expenditure behaves the same way under a uniform budget reduction. In each case the ratio remains a valid statement about composition and ceases to be a usable statement about position.

The practical form of the diagnostic is a single question put before a ratio is used to characterize a change: could the disturbance under examination have moved both components in the same direction? Where the answer is yes, the ratio should be read as describing structure and the levels consulted for magnitude. Where the answer is no — because the disturbance acts on one component only — the ratio retains its usual interpretation. Applying that question to the present case would have taken a moment and would have prevented a IDR 37.46 trillion loss from being reported as a 2.48-point movement.

4.10 Summary of findings

The factual findings are four. Provincial own-source revenue across all 38 Indonesian provinces fell from IDR 212.06 trillion in fiscal year 2024 to IDR 174.60 trillion in 2025, a loss of IDR 37.46 trillion or 17.67 per cent. Intergovernmental transfers fell 10.09 per cent and total revenue 13.77 per cent over the same period. The aggregate autonomy ratio fell from 54.80 to 52.32 per cent and the unweighted mean across provinces from 40.75 to 39.58. And fifteen of the 38 provinces record an increase in their autonomy ratio in that year.

The interpretive claims are three. A ratio measure carries no information about magnitude whenever its components respond to a common disturbance with comparable elasticity, for the reason set out arithmetically in Section 4.6. This condition is routine rather than exceptional in intergovernmental finance, since transfers and own-source revenue are both sensitive to the same statutory and macroeconomic shocks. And the remedy is disclosure rather than replacement: reporting the levels of both components alongside the ratio costs nothing and restores the information the ratio removes.

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One further point deserves emphasis because it bears on how this article should be received. The finding is not that Indonesian provincial finances were misreported. Every figure used here comes from the national fiscal information system, and the loss of IDR 37.46 trillion is recorded in it accurately and in full. What the analysis identifies is a gap between what the data contain and what the summary measure conveys, which is a problem of presentation rather than of accounting. That distinction matters practically: a reporting problem is corrected by adding a column, whereas an accounting problem would require something far more substantial. It also matters interpretively, because a reader encountering the 2.48-point movement and the IDR 37.46 trillion loss side by side is not encountering a discrepancy to be reconciled but two true statements answering different questions.

Finally, the scale of the case is worth dwelling on, because it is what makes the measurement behaviour hard to dismiss. This was not a marginal disturbance detectable only by a sensitive instrument. Provincial own-source revenue across an entire country fell by more than a sixth in twelve months as a direct consequence of a single statute, and the measure conventionally used to characterize provincial fiscal position moved by an amount that would be unremarkable in an ordinary year. If a measure cannot register a shock of this magnitude, the question is not whether it is precise enough for smaller ones but whether it was ever measuring the quantity it is read as measuring. The answer offered here is that it measures something real and important, and that the something is not magnitude.

4.11 Policy implications

The recommendation this article makes is small and its implications for practice are correspondingly specific.

For fiscal assessment frameworks, the change is to report the levels of own-source revenue and of transfers alongside the autonomy ratio, in the same table. Both quantities are already collected by the Regional Financial Information System and both are already published; what is absent is their presentation next to the ratio that is read as summarising them. Had that presentation been in place, the IDR 37.46 trillion loss and the 2.48-point ratio movement would have appeared together, and no reader would have taken the second for a description of the first.

For those who set thresholds on the ratio — and several Indonesian assessment instruments assign scores by band — the implication is stronger. A threshold applied to a measure that can rise while the underlying quantity falls will, in a year like the one examined, reward fifteen provinces for a deterioration. Any scoring rule built on the ratio should therefore be suspended or supplemented in years when both components move together, and the diagnostic set out in Section 4.9 identifies such years in advance rather than after the scores are published.

For central government, the finding bears on how the effect of an assignment reform is judged. A reform whose fiscal consequence is invisible in the standard indicator will appear, on that indicator, to have had no cost. The article does not argue that the reform was wrong; it argues that

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the instrument used to assess it cannot register what it did, and that a decision to extend, modify or compensate for the reform should not rest on a measure with that property.

5. CONCLUSION

Provincial governments in Indonesia lost IDR 37.46 trillion of own-source revenue in a single fiscal year. The measure by which their fiscal autonomy is conventionally assessed fell 2.48 percentage points in aggregate, 1.17 points on an unweighted basis, and rose in 15 of 38 provinces.

The general claim is that a ratio measure is uninformative about magnitude whenever its two components respond to a common disturbance with comparable elasticity, and that intergovernmental finance satisfies this condition routinely rather than exceptionally. Three diagnostics identify when the failure is likely, and all three are satisfied here.

The remedy is not a new indicator but an additional disclosure: report the levels alongside the ratio. Two extensions would establish the finding's reach. Applying the diagnostics retrospectively to other large subnational fiscal events would establish how often the condition binds. And re-estimating published autonomy relationships with levels alongside ratios would establish whether the measurement behaviour identified here has affected substantive findings.

A measure that answers a question about structure should be read as answering that question, and the loss of IDR 37.46 trillion should be read from the figure that records it. Reporting the two together is the whole of the recommendation.

Both extensions use data already assembled, and neither requires a new indicator to be designed, agreed between agencies, or collected from any government that is not already reporting the underlying amounts each year.

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ACKNOWLEDGEMENTS

The authors thank the editorial team of Research Center Progresif for their assistance.

DECLARATIONS

Conflict of interest. The authors declare that they have no competing interests.

Funding. This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Data availability. All data supporting the findings of this study are available within the article and from the publicly accessible sources cited therein.

Author contributions (CRediT). Rodyah Widyarini: conceptualisation; methodology; formal analysis; writing - original draft; writing - review and editing.

Declaration of generative AI and AI-assisted technologies. Claude (Anthropic) was used for language editing and for translation of the manuscript into English. The authors reviewed and verified all content, and take full responsibility for the final text. No generative tool was used for data analysis, for the interpretation of results, or for the generation of scholarly content. AI is not listed as an author.

Ethics statement. Aggregate secondary data from public agencies only. No human participants, no identifiable personal data, no animal subjects; ethics approval not required.

Peer review. Double-anonymous.

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How to cite. *Widyarini, R. (2026). A ratio that did not move: fiscal autonomy measures and a 37 trillion rupiah loss. Journal of Law, Public Policy and Public Finance, 2(4), 1–13.*

Publisher. Research Center Progresif, Indonesia · jlpf@researchcenterprogresif.org