

WHEN THE RESIDUAL IS THE LARGEST ITEM: OWN-SOURCE REVENUE COMPOSITION ACROSS 507 JURISDICTIONS

Hendrawan Toni Taruno^{1*}, Sarbullah²

¹Universitas Diponegoro

²Universitas Sains Teknologi Ekonomi Digital Indonesia

*Corresponding author: tonitaruno@gmail.com

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ABSTRACT

Own-source revenue is reported as a single line in Indonesian local government accounts and analysed as though its contents were known. They are not. Using realised revenue returns for Indonesian district-level governments in the fiscal years 2017 and 2024, this article decomposes that line into its four prescribed components: local taxes, user charges, the return on separated assets, and a residual category of other lawful own-source revenue. In 2017 the residual was the largest component in the typical jurisdiction, averaging 64.24 per cent of own-source revenue against 27.48 per cent for local taxes, and exceeding half of the total in 366 of the 481 jurisdictions reporting. By 2024 the residual had fallen to 39.66 per cent, still the largest single component, while user charges rose from 8.28 to 23.99 per cent over the same interval. Measured on national totals rather than jurisdiction averages, the residual fell from 49.96 to 21.31 per cent. The article argues that a movement of this size across seven years is more consistent with reclassification under a new fiscal statute than with behavioural change on the part of local governments, that the dispersion of the residual across jurisdictions rose sharply as its level fell, and that any indicator constructed on own-source revenue inherits whatever the residual happens to contain.

1. INTRODUCTION

Own-source revenue is the aggregate on which fiscal autonomy is judged. It is reported as one figure, entered into ratios as one figure, and compared across jurisdictions and across years as though its internal composition were either stable or unimportant.

The aggregate is in fact a sum of four things, one of which is defined by exclusion. Local taxes and user charges are specified instruments with statutory bases. The return on separated local assets is a defined income stream. The fourth category — other lawful own revenue — is whatever else the law permits, and it is what remains when the first three have been counted.

This article decomposes the aggregate across Indonesian district-level governments in two fiscal years, 2017 and 2024. In the earlier year the residual was the largest component in the typical jurisdiction, averaging 64.24 per cent of own-source revenue; taxes averaged 27.48. By 2024 the residual had fallen to 39.66 per cent and charges had risen almost threefold. It remains the largest single component.

The research gap is that studies using own-source revenue as an autonomy measure do not ask what the measure is made of. Where its largest component is a residual, the measure inherits the residual's definition, and a change in that definition moves the measure without anything happening in any jurisdiction.

2. LITERATURE REVIEW

2.1 *What own-source revenue is taken to represent*

The first strand treats the aggregate as an indicator of local discretion and rarely looks inside it.

Saens, Cox and Villalobos (2026) use fiscal capacity, of which own revenue is the operational counterpart, in analysing the flypaper effect. Masi, Savoia and Sen (2024) test whether resource rents depress fiscal capacity across subnational units. Alves and Araujo (2024) and Bernardelli, Paschoalino, Russo and Kortt (2026) both examine how transfers affect local fiscal effort in Brazilian municipalities, effort being measured by own revenue.

In each case the aggregate is the variable of interest and its composition is not examined. That is reasonable where the composition is stable. A companion article establishes that the aggregate itself is extremely dispersed across this population, ranging 287-fold; the present article asks what the aggregate contains.

2.2 *Instruments with a statutory base*

A second strand analyses particular revenue instruments, and it presumes that the instrument carries meaningful weight.

Baskaran (2021) measures the revenue and base effects of local tax increases in a quasi-experiment. Sen and Wallace (2022) estimate the revenue productivity of a subnational value-added tax. Agrawal and Shybalkina (2024) trace how a change in remittance rules redistributes local tax revenue between jurisdictions. Apeti and Edoh (2023) examine tax revenue mobilisation through mobile money in developing countries.

All four analyse a named tax. Where the named taxes supply a minority of own revenue, as Section 4 shows they did across this population in 2017, the instruments these studies analyse are not the ones carrying the aggregate.

2.3 *Categories, reclassification and the statistical series*

The third strand concerns what happens to a series when the categories beneath it are redefined.

Lamothe (2024) shows that a widely used administrative dataset on local government has research properties distinct from its administrative ones. Zhu, Xiao and Wu (2022) trace how an administrative information system shapes what its users can subsequently see, so that the system's categories become the analyst's. Rajala and Jalonen (2025) identify contradictions arising when a record built for one purpose is read for another.

A companion article documents a consolidation on the local tax side of the same accounts, in which a large number of separately reported taxes were collapsed into a single reported line, breaking the series. The present article examines the categories one level up, where the aggregate is composed, and finds a movement of comparable size across the same period.

2.4 Indicators and what they are made of

A fourth strand, drawn from public administration rather than public finance, concerns what happens when an indicator is used without regard to its construction.

Cepiku, Mastrodascio and Wang (2024) find that managers engage with performance information selectively, according to what the reporting system makes salient. Nitzl, Sicilia and Steccolini (2024) reach a compatible conclusion from the direction of individual disposition. Mizrahi and Minchuk (2021) formalise how the structure of a measure sets the scope for responses aimed at the measure rather than at the state it represents.

Lebec and Dudau (2023) argue that measurement systems built for external accountability drift toward what can be reported. A residual category is the limiting case of that drift: it is the part of the aggregate that no reporting requirement has yet reached, and it grows or shrinks as the requirements move rather than as the underlying activity does.

Pill (2024) argues that local capacity should be understood as a property of the organisation rather than of the jurisdiction, and Kim and Kang (2024) and Tran and Dollery (2022) treat administrative intensity as a comparable construct across local governments. Each requires the measured quantity to mean the same thing in every unit, which is precisely what a residual cannot guarantee.

2.5 The research gap

The gap is that the residual category is never the object of study. It appears in every published decomposition of Indonesian local revenue and is never analysed, because it has no theory attached to it: there is nothing to say about a category defined as what is left. This article treats its size and its movement as the finding, and asks what follows for indicators built on the aggregate that contains it.

3. METHOD

The data are realised revenue returns for Indonesian district-level governments for fiscal years 2017 and 2024, obtained on 30 August 2026 from the Regional Financial Information System portal maintained by the Directorate General of Fiscal Balance. Each return is retrieved for the twelfth reporting period, so it covers the full year. Provincial governments and the portal's own roll-up rows are excluded.

Own-source revenue is the PAD line as the portal reports it. It is decomposed into the local tax line, the user charge line and a remainder, the remainder combining the return on separated local

assets with other lawful own revenue. The two are grouped because the first is small in most jurisdictions and because the analytical point concerns what is not a named instrument.

Two years are used rather than a panel, because the question is whether the composition changed and by how much rather than the path it followed. The 2017 population is 481 jurisdictions and the 2024 population 507; the difference arises because the portal indexes districts by their present province and 26 districts were reassigned to four provinces created in 2022, and because one jurisdiction reports no user charge line in 2024. Both years are complete for the jurisdictions they contain.

Statistics are reported two ways throughout, as an unweighted mean across jurisdictions and as a ratio of national totals, because a companion article establishes that the two differ materially in this population. Four limitations apply: the returns are self-reported and unaudited at this disaggregation; the portal revises its contents, so the figures are those of one retrieval date; the two populations are not identical, which Section 4.7 addresses; and the article observes reported categories, not the transactions behind them.

4. RESULTS AND DISCUSSION

4.1 *The composition in two years*

Table 1 decomposes own-source revenue in each year, averaging across jurisdictions.

Table 1. Composition of own-source revenue, unweighted mean across jurisdictions

Component	FY2017	FY2020	FY2024	2017–20	2020–24
Local taxes	27.48%	31.24%	36.35%	+3.76	+5.11
User charges	8.28%	8.93%	23.99%	+0.65	+15.06
Residual (assets and other)	64.24%	59.83%	39.66%	–4.41	–20.17
Jurisdictions	481	482	507	—	—

Computed by the authors from Directorate General of Fiscal Balance realised revenue returns for fiscal years 2017, 2020 and 2024, retrieved from the Regional Financial Information System portal on 30 August 2026. Shares are of own-source revenue; each jurisdiction counts once. Changes are in percentage points.

In 2017 the residual was more than twice the size of local taxes in the typical jurisdiction and nearly eight times the size of user charges. It was the largest single component of own-source revenue by a wide margin.

By 2024 it had fallen by 24.58 percentage points and both named instruments had grown, charges nearly threefold. The residual nevertheless remains the largest single component at 39.66 per cent, ahead of taxes at 36.35 and charges at 23.99.

The middle year locates when the movement occurred, and it did not occur evenly. Between 2017 and 2020 the residual fell 4.41 points and user charges rose 0.65; between 2020 and 2024 the residual fell 20.17 points and charges rose 15.06. Four-fifths of the seven-year movement in the

residual, and 96 per cent of the movement in charges, falls in the later interval. Section 4.5 takes up what that timing implies.

4.2 *The same movement on national totals*

The unweighted figures describe the typical jurisdiction. Table 2 describes the sector.

Table 2. Composition of own-source revenue, ratio of national totals

Component	FY2017	FY2024	Change	Note
Local taxes	43.70%	54.22%	+10.52 points	Majority share by 2024
User charges	6.33%	24.46%	+18.13 points	Nearly fourfold
Residual (assets and other)	49.96%	21.31%	–28.65 points	Halved and halved again

Computed by the authors from Directorate General of Fiscal Balance realised revenue returns for fiscal years 2017 and 2024, retrieved 30 August 2026. Each component is the sum across all jurisdictions divided by the sum of own-source revenue.

On national totals the residual accounted for very nearly half of all district own-source revenue in 2017 and for a fifth in 2024. Local taxes moved from a minority to a clear majority of the aggregate over the same period.

The direction is the same on both measures and the magnitude is larger on the weighted one, which follows from the pattern a companion article documents: larger jurisdictions raise more of their own revenue and raise more of it through named instruments. The residual is disproportionately a feature of smaller jurisdictions.

4.3 *How many jurisdictions the residual dominated*

Averages understate the position, because a component can average below half and still be the majority of revenue in most places.

In 2017 the residual exceeded half of own-source revenue in 366 of 481 jurisdictions — 76.1 per cent of the population. In 2024 it exceeded half in 204 of 507, or 40.2 per cent. Two-fifths of Indonesian district governments still raise the majority of their own revenue through a category that is defined as what remains after the named instruments have been counted.

The comparison with the named instruments is the point. In 2024 user charges exceed local taxes in 160 of the 507 jurisdictions, and 122 raise less than a fifth of their own revenue through taxation. Combined with the residual figure, a picture emerges in which the local tax instrument — the subject of most of the literature reviewed in Section 2.2 — is the dominant own-revenue source in a minority of Indonesian districts.

4.4 *The dispersion moved the other way*

While the residual's level fell, its variability across jurisdictions rose sharply, and the two movements together are more informative than either alone.

The coefficient of variation of the residual share was 0.308 in 2017 and 0.711 in 2024, an increase of 131 per cent. In 2017 the residual was large nearly everywhere; in 2024 it is large in some jurisdictions and small in others. Its interquartile range in 2024 runs from 12.06 to 65.23 per cent of own-source revenue — a spread of more than five to one across the middle half of the population.

That pattern is what a partial reclassification would produce. If a change in reporting categories moved certain revenue streams out of the residual and into named lines, jurisdictions with those streams would show a large fall and jurisdictions without them little or none, and the dispersion would rise as the mean fell. A behavioural change — jurisdictions actually shifting toward taxation — would more plausibly have moved the distribution as a body.

Zhu, Xiao and Wu (2022) show that an administrative information system determines what its users can see, and the residual is the clearest instance: it is not a revenue source but the shadow cast by the categories placed in front of it. When those categories are redrawn, the shadow changes shape without anything having moved.

4.5 *Reclassification or behaviour*

The article cannot settle which of the two explanations is correct, and this section states what would be needed and what the evidence presently favours.

The discriminating test is the shape of the movement over time. A reclassification produces a step at the date the new categories take effect; a behavioural shift — jurisdictions genuinely moving toward named instruments — produces a gradient across the period. The third observation year permits a first version of that test.

Table 3. Where the movement falls in time, unweighted means

Component	2017 to 2020	2020 to 2024	Share of movement in the later interval
Residual	−4.41 points	−20.17 points	82.1%
User charges	+0.65 points	+15.06 points	95.9%
Local taxes	+3.76 points	+5.11 points	57.6%

Computed by the authors from Directorate General of Fiscal Balance realised revenue returns for fiscal years 2017, 2020 and 2024, retrieved 30 August 2026. The final column is the later interval's movement as a proportion of the total absolute movement across the two intervals.

The movement is heavily concentrated in the second interval, and unequally so between components. Local taxes grew at a broadly similar pace in both — 3.76 points across three years and 5.11 across four — which is the profile of a trend. User charges did not: they were flat to 2020, rising 0.65 points in three years, and then rose 15.06 points in four. Almost the entire change in the charge line falls after 2020.

That is the profile of a step rather than a gradient, and its position matters. The new statute on central–local financial relations was enacted in 2022 and its implementing regulation on the general provisions of local taxes and charges in 2023, both within the later interval and neither within the

earlier one. A charge line that is flat for the three years before a statutory redefinition and rises by more than two and a half times in the four years spanning it is difficult to read as a change in what jurisdictions were doing.

Three further features point the same way. The seven-year movement is large — 24.58 percentage points unweighted and 28.65 weighted — for a period in which no jurisdiction acquired a materially new revenue instrument. It is accompanied by rising rather than falling dispersion, as Section 4.4 sets out. And the residual and the charge line move by almost mirrored amounts in the later interval, -20.17 and $+15.06$ points, which is what a transfer between two categories looks like.

The article stops short of asserting reclassification, for two reasons. Three observation years locate the movement in a four-year window but cannot place it at a particular year, and the statutory instruments took effect on staggered dates within that window. And a genuine behavioural response to a new statute would also be concentrated after it, so timing alone does not separate the two. Distinguishing them requires the full annual series, which Section 5 proposes and which the same source supports.

4.6 Where the residual is still large

The residual has not fallen evenly, and the jurisdictions where it remains dominant are identifiable.

Table 4. Jurisdictions with the largest residual share of own-source revenue, FY2024

Jurisdiction	Province	Residual share	Own revenue ratio
Kab. Sorong Selatan	Papua Barat Daya	97.76%	4.07%
Kab. Pegunungan Arfak	Papua Barat	96.50%	0.88%
Kab. Puncak	Papua Tengah	95.27%	0.64%
Kab. Pegunungan Bintang	Papua Pegunungan	94.54%	0.77%
Kab. Mamberamo Raya	Papua	93.12%	0.76%
Kab. Maybrat	Papua Barat Daya	92.41%	1.06%
Kab. Nias	Sumatera Utara	91.95%	12.41%
Kab. Aceh Barat Daya	Aceh	91.28%	12.82%

Computed by the authors from Directorate General of Fiscal Balance realised revenue returns for fiscal year 2024, retrieved 30 August 2026. Residual share is own-source revenue less the local tax and user charge lines, expressed as a proportion of own-source revenue.

Eight jurisdictions raise more than nine-tenths of their own revenue through the residual, and 73 raise more than three-quarters of it that way. Six of the eight are in Papua, and their own-revenue ratios are among the lowest in the country — under 1.1 per cent in five cases. For these jurisdictions the aggregate is small and almost entirely unspecified.

The pattern is systematic rather than idiosyncratic. The residual share correlates with the own-revenue ratio at -0.485 and with the logarithm of expenditure at -0.294 : the less a jurisdiction

raises for itself, and the smaller it is, the more of what it does raise falls outside the named instruments. Regencies average 42.32 per cent residual against 27.82 for cities.

This inverts the usual reading of the autonomy indicator. The jurisdictions with the weakest measured autonomy are also those whose measured own revenue is least attributable to any identifiable instrument, so the indicator is least informative exactly where it is lowest. Lebec and Dudau (2023) observe measurement systems drifting toward the reportable; here the unreportable residue is concentrated in the units the system reaches least.

4.7 Whether the changing population explains it

The two years contain different numbers of jurisdictions, 481 and 507, and that difference must be excluded before the movement can be attributed to anything else.

The 26 additional jurisdictions are districts reassigned in 2022 to four provinces created that year; the portal indexes districts under their present province and therefore does not return them for years before 2023. A companion research note documents that mechanism and quantifies its effect on other aggregates.

It cannot account for the movement here. The 26 units are 5.1 per cent of the 2024 population, and for them to have produced a 24.58-point fall in an unweighted mean they would have to differ from the rest by an implausible margin — arithmetically, by roughly 480 percentage points on a variable bounded at 100. The movement is a property of the jurisdictions present in both years.

The residual definition is stable in one respect that supports comparison: in both years it is formed the same way, as own-source revenue minus the tax and charge lines. What changed is what those two lines capture, which is the substance of Section 4.5 rather than an artefact of the population.

4.8 What follows for indicators built on the aggregate

The consequence for applied work is direct and is the reason the decomposition matters.

Any indicator whose numerator is own-source revenue inherits the residual. Between 2017 and 2024 the composition of that numerator changed more than most such indicators move in a decade, while the numerator itself did not change on account of the recomposition at all — the components were rearranged inside it. An autonomy ratio computed for both years is comparable; a statement about what the autonomy consists of is not.

The risk is greater for disaggregated work. A study that regresses local tax revenue on a covariate, using 2017 and 2024 observations, is using a dependent variable whose definition moved between the two. Baskaran (2021) and Sen and Wallace (2022) both work with tax lines whose stability they are entitled to assume in their own settings; the same assumption does not hold across this boundary in this one.

The practical remedy is to compute own-source revenue as a single aggregate wherever the series crosses the boundary, and to decompose only within periods where the categories are stable. That is a restriction on what can be asked, not merely a caution about interpretation.

4.9 Two objections

The first objection is that a residual category is normal in any classification and that its size in 2017 simply reflects a young reporting system rather than anything of interest. The response is that its size was not marginal but dominant: it was the majority of own-source revenue in 366 of 481 jurisdictions, and remains so in 204 of 507. A residual that carries the majority of the variable it is residual to is no longer a rounding category, and the indicators built on that variable rest on it whether or not anyone intended them to.

The second objection is that the article does not identify what the residual contains, so it establishes a problem without diagnosing it. That is correct and is a limitation rather than an oversight: the portal reports the aggregate and its named components, and does not itemise the remainder. Diagnosing it requires the underlying accounts of individual jurisdictions, which are published separately in audited financial statements and are outside the scope of a comparison across the whole population. Section 5 proposes that route.

4.10 Limitations

Four limitations bound the analysis. It uses two years rather than the full series, so it establishes that the composition changed and cannot yet distinguish a step from a gradient; that distinction is what would settle Section 4.5 and is the first extension proposed.

The residual is not itemised, so the article characterises it by its size and behaviour rather than by its contents. The populations differ between the two years for the reason given in Section 4.7, which is quantified but not eliminated. And the returns are self-reported and unaudited at this level, on a portal that revises them, so the figures are those of one retrieval date.

4.11 Policy implications

Three implications follow for those who compile or rely on local revenue statistics.

The first is that the residual should be published as a named line with its own definition, or itemised. A category that carries two-fifths of the typical jurisdiction's own revenue is not a remainder in any practical sense, and reporting it as one prevents anyone from asking what it is. The reporting change required is small and the analytical gain is large.

The second is that reforms aimed at local taxation should be assessed against the share of own revenue that taxation actually carries. In 122 of 507 jurisdictions local taxes supply less than a fifth of own revenue, and in 160 user charges exceed taxes. A tax reform will not reach those jurisdictions in proportion to its national effect, and a national evaluation weighted by revenue will understate how many are unaffected.

The third is that any series spanning the statutory change should carry a break marker. Users of these statistics cannot see from the published figures that the composition shifted by more than a quarter of the aggregate, and a note in the metadata would prevent comparisons that the data do not support.

4.12 Summary of findings

The factual findings are six. Across Indonesian district-level governments the residual category of own-source revenue averaged 64.24 per cent of that revenue in 2017 and 39.66 per cent in 2024, remaining the largest single component in both years. Local taxes rose from 27.48 to 36.35 per cent and user charges from 8.28 to 23.99 on the same unweighted basis. Measured on national totals the residual fell from 49.96 to 21.31 per cent while taxes rose from 43.70 to 54.22 and charges from 6.33 to 24.46. The residual exceeded half of own-source revenue in 366 of 481 jurisdictions in 2017 and in 204 of 507 in 2024. Its coefficient of variation rose from 0.308 to 0.711 as its level fell. And in 2024 user charges exceed local taxes in 160 jurisdictions while 122 raise less than a fifth of own revenue through taxation.

The interpretive claims are three. A movement of this size over seven years, coinciding with a new fiscal statute and accompanied by rising dispersion, is more consistent with reclassification than with behavioural change, though two observations cannot settle it. The changing size of the population between the two years cannot account for the movement, being arithmetically far too small. And any indicator built on own-source revenue inherits the residual, so statements about the composition of local fiscal autonomy do not carry across the boundary even where statements about its level do.

5. CONCLUSION

The largest component of Indonesian district own-source revenue is the one defined as what is left over. It supplied nearly two-thirds of that revenue in the typical jurisdiction in 2017 and two-fifths in 2024, and in both years it exceeded every named instrument.

The general claim is that where a residual carries the majority of an aggregate, the aggregate's meaning is set by the categories placed in front of the residual rather than by any positive definition, and a change in those categories moves the composition without anything having happened. The specific claim is that such a change appears to have occurred in this population between 2017 and 2024, on evidence of magnitude, timing and rising dispersion, and that indicators built on the aggregate should be read accordingly.

Three extensions follow. Computing the decomposition for every year from 2017 to 2024 would distinguish a step at the statutory boundary from a gradient across the period, which is the test Section 4.5 identifies and cannot perform. Reading the audited financial statements of a sample of jurisdictions with large residuals would establish what the category actually contains. And repeating the decomposition on the provincial tier, where the instruments differ and the units are fewer, would show whether the residual is a district-level phenomenon or a general feature of the reporting framework.

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