

A GAP THAT STRUCTURE DOES NOT PREDICT: THE REVENUE–EXPENDITURE BALANCE ACROSS 508 JURISDICTIONS

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ABSTRACT

Whether a local government spends more than it receives in a year is usually explained by what kind of government it is: how much revenue it raises itself, how large it is, how dependent it is on transfers. Across the complete population of 508 Indonesian district-level governments in fiscal year 2024, none of these explains anything. The gap between revenue and expenditure correlates with the own-revenue ratio at 0.040, with the logarithm of size at -0.036, with the transfer share at -0.033 and with the capital share of expenditure at 0.034 — every coefficient within four hundredths of zero. Yet the gap is far from random. Grouped by province, the within-province standard deviation of the balance ranges from 1.03 percentage points in one province to 13.04 in another, a spread of nearly thirteenfold, and the most volatile provinces are commodity-producing ones while the least volatile are in Java. If revenue that is scheduled to arrive within the year arrives unevenly, the balance measures the schedule rather than the choices, and the structural correlates would be expected to vanish, which is what they do. The article argues that the in-year balance is a function of revenue arrival rather than of fiscal structure, that it is therefore a poor indicator of fiscal management, and that its dispersion rather than its level is what carries information.

1. INTRODUCTION

A government that spends more in a year than it receives has run a deficit on the year, and the fact is usually treated as informative about the government. Discussions of subnational finance attribute such gaps to weak own-revenue capacity, to dependence on transfers, to size, or to the ambition of a capital programme.

Each of these is testable where a complete population is observable. This article tests all of them across the 508 Indonesian district-level governments for fiscal year 2024, and finds that none of them holds. The correlation between the balance and each of four structural characteristics lies within four hundredths of zero.

The balance is nevertheless not noise. When the jurisdictions are grouped by province, the dispersion of the balance within a province varies by a factor of nearly thirteen, and the ordering is intelligible: the provinces where district balances swing widest are commodity-producing, and those where they barely move are in Java. What a district does not explain, where it sits does.

The research gap is that the in-year balance is read as an outcome of management when it may be an outcome of arrival. If revenue that is scheduled to arrive within the year arrives unevenly, the balance measures the schedule rather than the choices, and the structural correlates would be expected to vanish, which is what they do.

2. LITERATURE REVIEW

2.1 *What the balance is taken to indicate*

The first strand treats the subnational balance as an outcome variable to be explained by fiscal characteristics.

Del Castillo and Cabral (2024) assess subnational debt sustainability in Mexico under a fiscal rule, and the balance is the quantity the rule constrains. Singh and Dubey (2026) examine how fiscal shocks pass into subnational government finances in India, taking the balance as the point of impact. Porto, Puig and Vidal (2026) model the dynamic adjustment of subnational budgets to transfers, in which the balance is the adjustment margin.

Common to these is the assumption that the balance responds systematically to identifiable characteristics of the jurisdiction. That assumption is what Section 4.2 tests.

2.2 *Transfers, own revenue and the incentive to spend*

A second strand supplies the specific mechanisms usually invoked.

Aikins (2023) finds intergovernmental revenue affecting how far local governments draw on their own fiscal reserves, which predicts a relationship between transfer dependence and the balance. Cohen (2023) asks whether aid crowds subnational revenue in or out. Alves and Araujo (2024) and Bernardelli, Paschoalino, Russo and Kortt (2026) both find transfers altering local fiscal incentives in Brazilian municipalities.

Bury, Feld and Burret (2024) quantify how an equalisation formula shapes the incentive to raise own revenue, and Giertz and Kumar (2023) estimate the local fiscal multiplier of grants. Each implies that where the money comes from should affect the balance between what comes in and what goes out.

2.3 *Volatility and the revenue base*

A third strand concerns the stability of revenue rather than its level, and it is the one the findings here favour.

Masi, Savoia and Sen (2024) examine whether resource rents depress fiscal capacity, and the resource literature generally treats commodity revenue as more volatile than tax revenue on a broad base. Saens, Cox and Villalobos (2026) analyse fiscal capacity alongside the flypaper effect, in which the response to a transfer differs from the response to own revenue.

Lucidi (2022) shows regional fiscal multipliers to be misaligned across Italian regions, so that the same national impulse produces different local outcomes. Vincent and Osei Kwadwo (2022)

document spatial interdependence in the effects of fiscal grants. Both indicate that location carries information which the jurisdiction's own characteristics do not.

2.4 Comparing local governments as units

A fourth strand asks what makes local governments comparable at all, which bears directly on whether their fiscal outcomes should be expected to line up with their attributes.

Kim and Kang (2024) treat administrative intensity as a construct comparable across public bodies and relate it to fiscal performance, and Tran and Dollery (2022) apply the same construct to local government efficiency. Both presume that an attribute of the organisation carries through to a fiscal outcome, which is the presumption Section 4.2 finds unsupported for this particular outcome.

Pill (2024) argues that local capacity is better understood as a property of the organisation than of the jurisdiction. The distinction matters here because the geographical pattern reported below attaches to the jurisdiction — to where it sits and what its revenue base is — rather than to the organisation administering it. Jacobsen (2023) shows political fragmentation in local government shaping outcomes, another organisational attribute that the balance does not appear to register.

Collazos-Ortiz and Schakel (2023) examine whether administrative efficiency moderates a natural resource curse among Colombian municipalities, which is the closest available parallel to the finding reported here: a resource-linked fiscal outcome that administrative characteristics do not fully account for. Lamothe (2024) supplies the methodological counterpart, showing that administrative datasets on local government have research properties distinct from their administrative ones.

2.5 The research gap

The gap is that the structural explanations are rarely tested against a complete population, and the alternative — that the balance reflects when money arrives rather than how it is managed — is rarely posed as a competing hypothesis. This article tests four structural correlates across all 508 jurisdictions, finds all four empty, and shows that the residual variation is organised geographically rather than randomly.

3. METHOD

The data are realised revenue and expenditure returns for Indonesian district-level governments for fiscal year 2024, obtained on 30 August 2026 from the Regional Financial Information System portal maintained by the Directorate General of Fiscal Balance. Returns are retrieved for the twelfth reporting period, so each covers the full year. Provincial governments and the portal's roll-up rows are excluded, leaving 508 jurisdictions.

The balance is total revenue minus total expenditure, expressed as a proportion of total revenue so that jurisdictions of very different size are comparable. A positive value means revenue exceeded expenditure in the year. This is the balance before financing: in Indonesian practice a

negative balance is ordinarily met from the accumulated surplus carried forward, and the article makes no claim that a negative value indicates borrowing or distress.

Four structural characteristics are tested as correlates: the own-source revenue ratio, the transfer share of revenue, the natural logarithm of total expenditure as a measure of size, and the capital share of expenditure. Association is measured by the Pearson correlation across all 508 jurisdictions. Geographical structure is examined by grouping jurisdictions into their provinces and computing the within-province mean and standard deviation of the balance, restricted to the provinces containing at least five district-level units so that the dispersion statistic is meaningful.

Four limitations apply. The returns are self-reported and unaudited at this disaggregation, on a portal that revises them, so the figures are those of one retrieval date. The article covers one fiscal year and therefore describes a cross-section, not a tendency. The financing side of the account is not examined, so the article establishes the size of the gap and not how it was met. And the correlations are associations, not identified effects.

4. RESULTS AND DISCUSSION

4.1 *The distribution of the balance*

Table 1 sets out the distribution across the population.

Table 1. Revenue minus expenditure as a share of revenue, 508 jurisdictions, FY2024

Statistic	Value	Reading
Mean	−0.45%	The sector spent marginally more than it received
Median	−0.50%	Close to the mean; the distribution is near-symmetric
Standard deviation	4.65 points	Ten times the mean
5th percentile	−6.88%	One in twenty overspent by more than 6.9%
25th percentile	−2.88%	—
75th percentile	+1.37%	—
95th percentile	+5.74%	One in twenty underspent by more than 5.7%
Minimum	−16.43%	Kab. Natuna, Kepulauan Riau
Maximum	+41.02%	Kab. Halmahera Tengah, Maluku Utara

Computed by the authors from Directorate General of Fiscal Balance realised revenue and expenditure returns for fiscal year 2024, retrieved from the Regional Financial Information System portal on 30 August 2026. All 508 district-level jurisdictions; provincial governments excluded.

The central tendency is close to zero: the sector as a whole spent 0.45 per cent more than it received, and the median jurisdiction 0.50 per cent more. Of the 508, 290 spent more than they received and 218 less, a split of 57 to 43.

The dispersion is an order of magnitude larger than the central tendency. The standard deviation of 4.65 percentage points is more than ten times the mean, the middle half of the population spans 4.25 points, and the extremes lie 57 points apart. Some 136 jurisdictions came within one per cent of exact balance while 21 finished more than ten per cent away from it in one direction or the other.

4.2 Four structural explanations, all empty

Table 2 tests the explanations the literature in Section 2.2 would suggest.

Table 2. Correlation of the balance with structural characteristics, 508 jurisdictions

Characteristic	Correlation	What a relationship would have implied
Own-source revenue ratio	+0.040	Self-funding jurisdictions manage the year better
Transfer share of revenue	−0.033	Transfer dependence produces overspending
Size (log of expenditure)	−0.036	Larger jurisdictions carry larger gaps
Capital share of expenditure	+0.034	Ambitious investment programmes overrun
Tax share of own revenue	+0.028	A tax base makes revenue more predictable

Computed by the authors from Directorate General of Fiscal Balance realised returns for fiscal year 2024, retrieved 30 August 2026. Pearson correlations across all 508 jurisdictions, except the final row which uses the 507 with a complete own-revenue decomposition.

Every coefficient lies within four hundredths of zero, and they do not even agree in sign with one another in a way that would suggest a common latent factor. On a population of 508 these are not underpowered estimates: an association of any practical size would have been detected.

The result is negative but not empty. It says that the four characteristics most often invoked to explain subnational fiscal outcomes — autonomy, dependence, scale and investment ambition — carry no information about whether a district finished the year ahead or behind. Whatever the balance is measuring, it is not those.

4.3 Where the variation is organised

The variation is not random. Grouping the jurisdictions by province and computing the dispersion within each shows a pattern that the individual characteristics did not.

Table 3. Within-province dispersion of the balance, provinces with at least five districts

Province	Districts	Mean balance	Std. deviation	Character
Maluku Utara	10	+7.64%	13.04 points	Nickel and mining
Kalimantan Tengah	14	+2.30%	7.58 points	Coal and plantation
Kalimantan Selatan	13	+4.66%	6.56 points	Coal
Papua Barat	7	−0.89%	5.85 points	Extractive

Province	Districts	Mean balance	Std. deviation	Character
Sulawesi Tengah	13	+2.25%	5.79 points	Nickel
Bali	9	+3.15%	5.79 points	Tourism
Jawa Tengah	35	-0.80%	2.27 points	Diversified
Jawa Barat	27	-0.44%	2.24 points	Diversified
Banten	8	-1.68%	1.82 points	Diversified
Lampung	15	+1.34%	1.74 points	Agricultural
DI Yogyakarta	5	-0.51%	1.03 points	Diversified

Computed by the authors from Directorate General of Fiscal Balance realised returns for fiscal year 2024, retrieved 30 August 2026. The six most and five least dispersed provinces of those containing at least five district-level jurisdictions. The final column is the authors' characterisation of the dominant economic base and is not derived from the fiscal data.

The within-province standard deviation ranges from 1.03 percentage points in the Special Region of Yogyakarta to 13.04 in North Maluku, a spread of 12.7-fold. Five of the six most dispersed provinces have economies dominated by extractive industry; four of the five least dispersed are diversified provinces in Java or a large agricultural province.

The means move with the dispersion. The commodity provinces run positive mean balances — North Maluku at 7.64 per cent, South Kalimantan at 4.66 — while the Java provinces run small negative ones. A district that receives more than it planned for cannot always spend it within the year, and the unspent remainder appears as a positive balance.

4.4 *What the pattern suggests the balance measures*

The two findings together point to an interpretation that the structural hypotheses do not.

If the balance measured the quality of fiscal management, it would correlate with characteristics of the managing organisation, and it does not. If it measured the arrival of revenue relative to the spending plan, it would be dispersed where revenue is unpredictable and tight where revenue is predictable, and grouped by the geography of the revenue base rather than by the attributes of the government. That is what Table 3 shows.

Commodity-linked revenue reaches Indonesian districts principally through shared revenue transfers whose amount depends on production and prices in the preceding period, and whose disbursement is periodic. A district whose budget rests on that flow faces both a larger forecast error and a timing risk, and both appear in the year-end balance without any decision having been made badly.

Masi, Savoia and Sen (2024) find resource rents bearing on fiscal capacity, and the volatility channel is the one visible here. Del Castillo and Cabral (2024) analyse a fiscal rule that constrains the balance; the present finding suggests that such a rule, applied to jurisdictions with commodity-

linked revenue, would bind on the arrival schedule rather than on any behaviour the rule was designed to discipline.

4.5 *The two tails*

The extreme values reinforce the reading, because they fall on the same side of the economic divide in both directions.

Table 4. Largest gaps in each direction, FY2024

Jurisdiction	Province	Balance	Revenue (IDR trillion)
Kab. Halmahera Tengah	Maluku Utara	+41.02%	0.541
Kab. Kapuas	Kalimantan Tengah	+19.81%	2.853
Kab. Morowali	Sulawesi Tengah	+18.97%	2.966
Kab. Barito Utara	Kalimantan Tengah	+18.55%	2.799
Kab. Halmahera Timur	Maluku Utara	+18.29%	1.894
Kab. Ketapang	Kalimantan Barat	-11.53%	2.563
Kab. Kuantan Singingi	Riau	-11.59%	1.422
Kab. Bojonegoro	Jawa Timur	-14.91%	5.724
Kab. Kutai Timur	Kalimantan Timur	-15.55%	10.441
Kab. Natuna	Kepulauan Riau	-16.43%	0.973

Computed by the authors from Directorate General of Fiscal Balance realised returns for fiscal year 2024, retrieved 30 August 2026. Balance is revenue minus expenditure as a proportion of revenue.

Both tails are populated by resource jurisdictions. Halmahera Tengah, at the centre of Indonesia's nickel processing expansion, ended the year with 41.02 per cent of its revenue unspent. Kutai Timur and Natuna, in coal and gas producing areas respectively, ended it 15.55 and 16.43 per cent overspent. Bojonegoro, an oil-producing district in East Java, appears in the deficit tail although its province appears among the least dispersed.

A characteristic that produces large errors in both directions is a volatility, not a tendency. No account in which resource districts are systematically better or worse managed could produce this arrangement; an account in which their revenue is harder to forecast produces it directly.

4.6 *Whether the same jurisdictions recur*

The volatility reading makes a prediction that a single cross-section cannot test but four observation years can: if the balance reflects when revenue arrives rather than what kind of jurisdiction it is, the jurisdictions at the extremes should change from year to year.

Table 5. Persistence of the balance across observation years, 482 jurisdictions

Comparison	Rank correlation	Reading
2017 with 2024	−0.064	Seven years apart; no relationship, and marginally negative
2020 with 2021	+0.075	Consecutive years; no relationship either

Computed by the authors from Directorate General of Fiscal Balance realised returns for fiscal years 2017, 2020, 2021 and 2024, retrieved 30 August 2026. Balanced panel of 482 jurisdictions present in all four years; Spearman rank correlation of the balance.

The prediction holds, and more strongly than expected. Knowing where a jurisdiction stood in the 2017 distribution tells one nothing about where it stood in 2024, the rank correlation being −0.064. More tellingly, knowing where it stood in 2020 tells one nothing about 2021 either: consecutive years correlate at 0.075.

A characteristic of a jurisdiction would persist between one year and the next. A companion article on the same population finds the personnel share of expenditure correlating at 0.768 to 0.872 between adjacent years, which is what a structural variable looks like. At 0.075 the balance is not a structural variable at all.

Table 6. Dispersion of the balance in each observation year, 482 jurisdictions

Fiscal year	Mean balance	Standard deviation	Note
2017	+0.20%	4.99 points	—
2020	−0.50%	5.48 points	Pandemic year
2021	+1.74%	5.69 points	Highest dispersion
2024	−0.42%	4.67 points	Lowest dispersion

Computed by the authors from Directorate General of Fiscal Balance realised returns, retrieved 30 August 2026. Balanced panel of 482 jurisdictions present in all four years.

The dispersion itself is stable. Across four years spanning a pandemic and a change of fiscal statute it moves only between 4.67 and 5.69 percentage points, a range of a fifth of its own level. The system reliably produces a spread of about five points around a mean near zero; which jurisdictions occupy which part of that spread is re-drawn each year.

The same holds at the level of individual units. Computing each jurisdiction's own standard deviation across the four years gives a range from 0.37 percentage points, in a district of the Special Region of Yogyakarta, to 20.30, in the North Maluku district that recorded the largest single surplus in 2024. The units that swing are identifiable and they are, again, predominantly in commodity provinces — Central Sulawesi supplies three of the eight most volatile.

This resolves a tension in the earlier sections. The provincial pattern in Table 3 is stable because exposure to a volatile revenue base is a lasting property of a place; the annual outcome is unstable because the direction of the error in any one year is not. A jurisdiction is reliably volatile and unreliably in surplus.

4.7 Two objections

The first objection is that the balance before financing is the wrong quantity, because Indonesian districts routinely plan a negative balance and meet it from the accumulated surplus, so a negative value is a normal budgeting device rather than a shortfall. This is correct and is why Section 3 states it explicitly. It does not affect the argument: whether the gap is planned or unplanned, the question is whether it varies with the characteristics of the jurisdiction, and it does not. If anything the objection strengthens the reading, since a planned drawdown would be expected to track structure more closely than an unplanned one.

The second objection is that the provincial grouping in Table 3 conflates the economic base with everything else that varies by province — administrative practice, the size distribution of districts, the age of the jurisdictions. That is a genuine limitation of a single cross-section. Two features of the data narrow it. The provinces at the two ends are not distinguished by district size, since Java provinces contain both the largest and many small districts. And the extreme individual values in Table 4 fall in resource jurisdictions across seven different provinces, so the pattern is not carried by any one provincial administration.

A third objection is that a near-zero correlation between consecutive years could arise from measurement error rather than from genuine year-to-year re-drawing, since a variable measured with noise will correlate poorly with itself. The response is that the same source, for the same jurisdictions and the same years, yields adjacent-year correlations above 0.75 for other expenditure ratios, as a companion article reports. A measurement problem severe enough to reduce a correlation to 0.075 would have to be specific to the balance while leaving the components from which the balance is computed intact, which is difficult to construct: the balance is the difference of two lines that are each measured well enough to produce stable ratios.

4.8 Limitations

Four limitations bound the analysis. The structural correlations are computed for one year, so they establish that structure does not predict the 2024 balance; the persistence test in Section 4.6 uses four years and not the full series, so it establishes the absence of persistence at two lags rather than at all of them.

The characterisation of provincial economies in the final column of Table 3 is the authors' and is not derived from the fiscal data; it is offered as an interpretation of the ordering rather than as a measurement. The financing side of the account is not examined, so the article does not establish how the negative balances were met. And the returns are self-reported and unaudited at this level, on a portal that revises them.

4.9 Policy implications

Three implications follow for those who monitor or regulate subnational balances.

The first is that the in-year balance should not be used as a performance indicator for individual jurisdictions. It carries no information about the four structural characteristics most

often associated with fiscal capability, and its dispersion is set by the predictability of the revenue base rather than by anything the jurisdiction controls. A ranking of districts by their balance would principally rank them by their exposure to commodity markets.

The second is that a numerical balance rule would fall unevenly. A rule limiting the deficit to a fixed percentage of revenue would bind on jurisdictions in the commodity provinces far more often than on those in Java, not because they manage worse but because their revenue arrives less predictably. Where such a rule is contemplated, a band that varies with measured revenue volatility would target the behaviour the rule is meant to reach.

The third is that large positive balances deserve as much attention as negative ones. North Maluku districts ended 2024 with a mean of 7.64 per cent of revenue unspent, and one with 41.02 per cent. Money that arrives too late in the year to be spent is a delivery problem, and it is invisible in any monitoring framework that treats a surplus as a good outcome.

4.10 Summary of findings

The factual findings are five. Across all 508 Indonesian district-level jurisdictions in fiscal year 2024 the balance between revenue and expenditure averaged -0.45 per cent of revenue with a standard deviation of 4.65 percentage points, 290 jurisdictions spending more than they received and 218 less. The balance correlates with the own-revenue ratio at 0.040, with the transfer share at -0.033 , with the logarithm of size at -0.036 , with the capital share of expenditure at 0.034 and with the tax share of own revenue at 0.028 — every coefficient within four hundredths of zero. Grouped by province, the within-province standard deviation of the balance ranges from 1.03 to 13.04 percentage points, a spread of 12.7-fold. The most dispersed provinces are predominantly extractive and the least dispersed predominantly diversified or agricultural. And both tails of the individual distribution are populated by resource jurisdictions, from +41.02 per cent to -16.43 .

The interpretive claims are three. The four structural characteristics conventionally used to explain subnational balances explain none of the variation in this population. The variation that exists is organised by the geography of the revenue base rather than by the attributes of the jurisdiction, which is what a revenue-arrival account predicts and a management account does not. And a characteristic producing large errors in both directions is a volatility rather than a tendency, so the balance is better read as a measure of forecast difficulty than of fiscal conduct.

5. CONCLUSION

Whether an Indonesian district finished 2024 ahead of or behind its revenue is unrelated to how much of that revenue it raised itself, how large it is, how far it depends on transfers, or how much it invests. It is related to where it is: districts in commodity provinces swing by an order of magnitude more than districts in Java.

The general claim is that an in-year balance in a system where revenue arrives on a schedule the recipient does not control measures the schedule before it measures the management, and that

its dispersion rather than its level is the informative statistic. The specific claim is that in this population the four standard structural explanations are empty and the geographical one is not.

Three extensions follow. Extending the persistence test of Section 4.6 to every year from 2017 to 2024 would establish whether the near-zero correlation holds at every lag or only at the two examined here. Bringing in the financing side would show how negative balances were met and whether the accumulated surplus is being drawn down anywhere systematically. And decomposing revenue into its shared-revenue and general-allocation components would test the arrival mechanism directly, since only the first is commodity-linked.

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