# Tax Effort, Flypaper Dynamics, and Fiscal Stress: An Empirical Study of Regional Financial Independence

**Mutiara Andika Alazhari**[1]
**R. Budi Hendaris**[2]
[1,2]**Faculty of Economics and Business, Universitas Jenderal Achmad Yani, Indonesia**
**Correspondences*: mutiaraandika_21p067@ak.unjani.ac.id

## ABSTRACT

Regional financial independence reflects the success of implementing regional autonomy. However, the disparity in the level of independence between regions is still quite high, and many regions have not been able to implement autonomy effectively. This study aims to obtain clearer empirical evidence regarding the effect of Tax Effort, the Flypaper Effect, and Fiscal Stress on Region's Level of Financial Independence. The data used are secondary data obtained from the APBD Realization Reports and GRDP, sourced from djpk.kemenkeu.go.id and bps.go.id for 2019–2023. The population in this study was determined using a census technique, covering 18 regencies and 9 cities in West Java Province. Data analysis is done using SPSS 27 software and multiple linear regression. This study's results demonstrate that Tax Effort has significantly positive effect on the level of regional financial independence. The Flypaper Effect has a significant negative effect on the Level of Regional Financial Independence. Fiscal Stress does not have significant effect on the level of Regional Financial Independence.

Keywords: Tax Effort; Flypaper Effect; Fiscal Stress; Level of Regional Financial Independence

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## *Pengaruh Tax Effort, Flypaper Effect, dan Fiscal Stress terhadap Tingkat Kemandirian Keuangan Daerah*

## *ABSTRAK*

*Kemandirian keuangan daerah mencerminkan keberhasilan penerapan otonomi daerah. Namun, ketimpangan tingkat kemandirian antardaerah masih cukup tinggi, dan banyak daerah yang belum mampu menjalankan otonomi secara efektif. Tujuan penelitian ini untuk memperoleh bukti empiris yang lebih jelas mengenai pengaruh Tax Effort, Flypaper Effect, dan Fiscal Stress terhadap Tingkat Kemandirian Keuangan Daerah. Data yang digunakan merupakan data sekunder dari Laporan Realisasi APBD dan PDRB yang bersumber dari djpk.kemenkeu.go.id dan bps.go.id tahun 2019-2023. Populasi dalam penelitian ini ditentukan melalui teknik sensus, yang mencakup 18 kabupaten dan 9 kota di Provinsi Jawa Barat. Metode analisis data yang digunakan yaitu regresi linier berganda dengan software IBM SPSS 27. Hasil penelitian menunjukkan bahwa Tax Effort berpengaruh pengaruh positif signifikan terhadap Tingkat Kemandirian Keuangan Daerah. Sedangkan Flypaper Effect berpengaruh negatif signifikan terhadap Tingkat Kemandirian Keuangan Daerah. Dan Fiscal Stress menunjukkan hasil tidak berpengaruh signifikan terhadap Tingkat Kemandirian Keuangan Daerah.*

*Kata Kunci: Tax Effort; Flypaper Effect; Fiscal Stress; Tingkat Kemandirian Keuangan Daerah.*

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## INTRODUCTION

Indonesia's post-reform era, launched in the late 1990s, replaced a highly centralised fiscal architecture with a decentralised framework commonly referred to as regional autonomy (Ulfa Q et al., 2021; Frijunita et al., 2024). Full implementation began on 1 January 2001 with Law No. 22/1999 on Regional Government, later refined by Laws No. 23 and 33/2004, which together redefined the financial relationship between central and local authorities (Huda et al., 2019). Under this regime, the centre delegates broad governing powers to sub-national entities while requiring compliance with national statutes (Tanjung et al., 2021; Siregar, 2020).

Regional financial independence has since become the primary yardstick for evaluating decentralisation's success, as underscored by Law No. 33/2014 on Regional Government and Government Regulation No. 12/2019 on Regional Financial Management (Tasri, 2019; Sawitri et al., 2020). These instruments oblige local governments to identify and cultivate their own fiscal potential, thereby funding development and public services more responsively than a distant central bureaucracy could (Walyoto, 2017; Hendaris & Sastradipraja, 2024).

A region is deemed financially independent when it can mobilise and manage revenue sources largely without recourse to central transfers (Kesuma et al., 2022). Such autonomy not only improves allocative efficiency but also mitigates budget deficits and spurs growth, because local officials are presumed to understand regional needs better than central counterparts (Ishak, 2021). In practice, the critical determinant is locally generated revenue (Pendapatan Asli Daerah, PAD), which both reflects inherent economic potential and signals the government's commitment to exploit that potential (Natalia & Suprapto, 2024; Nur Oktavianti et al., 2023).

Halim (2012) therefore argues that true decentralisation requires a robust local tax base rather than continued reliance on central grants. Echoing this view, (Mukhtaruddin et al., 2023) emphasise that PAD should constitute the principal financing source, a stance reinforced by the commonly used independence ratio—PAD divided by total intergovernmental transfers (Kesuma et al., 2022).

West Java offers a telling example. Empowered by the autonomy laws, the province is expected to create conditions that allow each of its districts and cities to pursue their own fiscal potential (Mukhtaruddin et al., 2023). Nur Oktavianti et al. (2023) contend that a high independence ratio in the provincial budget should translate into greater fiscal self-reliance at the municipal level.

Figure 1 presents the average independence ratios for West Java's districts and cities during 2019–2023, illustrating both progress and persistent disparities across jurisdictions.

Between 2019 and 2023, many districts and cities in West Java continued to post independence ratios well below the 25 per cent threshold that Halim (2012) in Oktavia & Handayani (2024) classifies as "very low". At this level, fiscal relations remain prescriptive: the centre still exerts greater authority than the locality, suggesting that true autonomy has yet to take hold. Limited capacity obliges officials to exploit more fully the economic potential of their jurisdictions if they are to finance service delivery without excessive recourse to Jakarta (Anggraeni & Kiswanto, 2018).

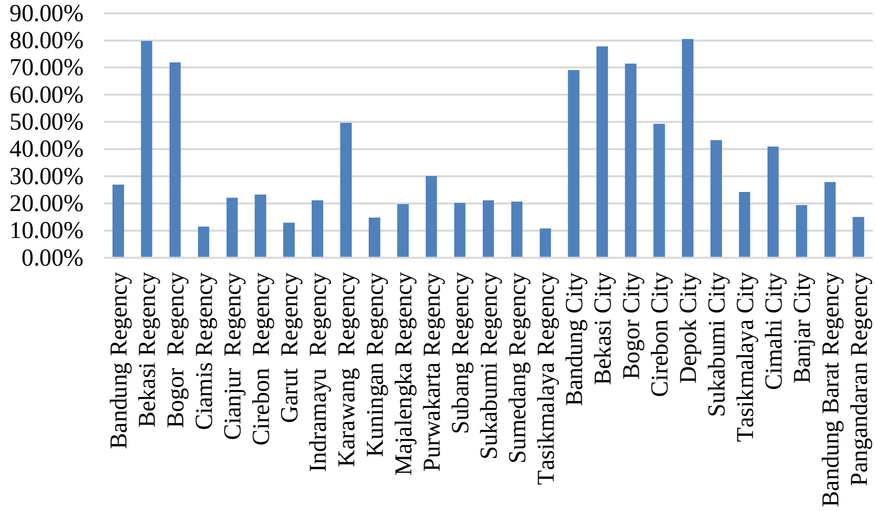


**Figure 1. Average Level of Regional Financial Independence of Regency / City of West Java Province in 2019-2023**

*Source:* Research Data, 2024

Stewardship theory by Donaldson & Davis (1991) frames local governments as agents entrusted with raising and allocating resources for the public good. A principal means of fulfilling that trust is the mobilisation of local taxes. The concept of tax effort—defined as the extent to which a government converts taxable capacity into actual revenue (Amri et al., 2023)—captures this mobilisation. When the ratio is optimised, locally generated income rises, easing dependence on central transfers (Fadhli et al., 2023). Conversely, weak enforcement depresses PAD, hampers day-to-day operations and leaves jurisdictions reliant on intergovernmental grants.

Agency theory (Jensen & Meckling, 1976) offers a complementary perspective, highlighting the conflict of interest that can arise when authorities prefer politically painless external funding over locally contentious taxation. Such behaviour fosters the flypaper effect: incoming transfers "stick" where they land, financing additional outlays instead of prompting a commensurate reduction in local effort (Fitriana et al., 2023). Although the transfers are designed to equalise fiscal capacity (Syahrina & Ermawati, 2020), repeated use without parallel revenue mobilisation signals that genuine autonomy remains elusive (Putri et al., 2020; Mukhtaruddin et al., 2023).

A further constraint is fiscal stress, defined as the budgetary strain that arises when own-source receipts fall short of mandated expenditure (Dewi et al., 2022). Stewardship theory implies that prudent officials respond by expanding the revenue base or reprioritising spending (Donaldson & Davis, 1991). Yet in practice, mounting demands associated with decentralisation can magnify these pressures (Malau et al., 2019). The ability—or failure—to adjust therefore becomes another determinant of independence (Ulfa Q et al., 2021).

Empirical findings are mixed. Several studies report a positive and significant link between tax effort and fiscal autonomy (Riza & Zuripal, 2023; Fadhli et al., 2023; Setiawan, 2024), whereas others detect no discernible association (Nur Oktavianti et al., 2023; Oktavia & Handayani, 2024; Frijunita et al., 2024;

Sholihat & Lubis, 2024). Research on the flypaper effect is similarly divided, with evidence of both enhancing and dampening influences on independence ( Nabilah et al., 2016; Malau et al., 2019; Fintari, 2020; Fadhli et al., 2023; Firda Rahmasari et al., 2024). Studies of fiscal stress yield positive, negative or insignificant results depending on context and measurement (Muryawan & Sukarsa, 2016; Malau et al., 2019; Natalia & Suprapto, 2024; Prasetyo & Rahayu, 2019; Fadhli et al., 2023).

Against this backdrop, the present investigation revisits these relationships for the 27 West Java local governments, using APBD realisation data and GRDP figures for 2019–2023. By focussing on a single province that displays pronounced disparities, the study offers fresh insight into how tax effort, flypaper dynamics and fiscal stress jointly shape fiscal autonomy.

Consistent with stewardship principles and prior evidence, we posit that stronger mobilisation of local tax capacity should enhance financial self-reliance. Accordingly, the subsequent hypothesis is established:

$H_1$: Tax Effort positively influences the degree of Regional Financial Independence.

Agency theory (Jensen & Meckling, 1976) portrays the central government as principal and local governments as agents. In this relationship, Jakarta channels transfers to the regions and delegates broad managerial authority. Conflicts of interest, however, arise when agents prefer politically convenient transfers to the more demanding task of mobilising their own revenue. This preference manifests in the flypaper effect, whereby intergovernmental grants "stick" to local budgets and finance additional spending rather than displacing local resources (Fintari, 2020). Although transfers are intended to improve public services (Baskaran, 2016), persistent reliance on them weakens incentives to exploit local tax capacity, thereby eroding fiscal autonomy (Siagian & Kurnia, 2022). Empirical work confirms the concern: Fintari (2020), Fadhli et al. (2023) and Dewi et al. (2024) all find that a stronger flypaper effect is associated with lower independence ratios. Hence we propose:

$H_2$: The flypaper effect is negatively associated with regional financial independence.

Fiscal stress arises when own-source revenue falls short of expenditure needs, constraining a region's ability to finance operations and pursue autonomy (Muryawan & Sukarsa, 2016). Stewardship theory suggests that such pressure should galvanise officials to broaden the revenue base and curb dependence on transfers (Malau et al., 2019). Local governments are therefore expected to exploit untapped potential to fund services and infrastructure (Hariani & Widyawati, 2020). Consistent with this view,(Malau et al., 2019) and Natalia & Suprapto (2024) document a positive link between fiscal stress and independence ratios, implying that budgetary strain can foster discipline and innovation in revenue mobilisation. Accordingly, we state:

$H_3$: Fiscal stress is positively associated with regional financial independence.

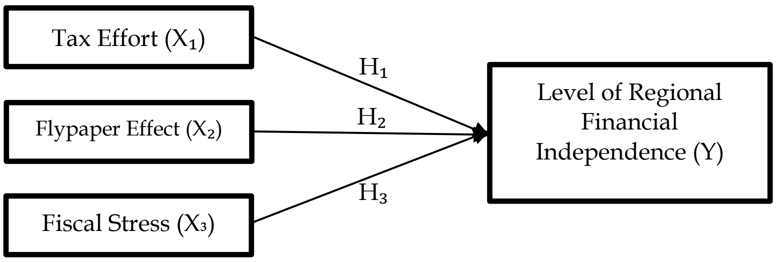


**Figure 2. Conceptual Framework**
*Source*: Research Data, 2024

## RESEARCH METHODS

This study adopts a quantitative, causal-associative design to test the relationships between predictor and outcome variables (Sugiyono, 2023). West Java's 27 regency and city governments provide the empirical setting because their widely divergent independence ratios offer a natural laboratory for examining why autonomous regions within a single province display such uneven fiscal capacity.

The analysis relies exclusively on secondary sources. Data for locally generated revenue, transfers and expenditure are drawn from the annual Regional Revenue and Expenditure Budget realisation reports (APBD), while figures for economic capacity are taken from gross regional domestic product (GRDP) statistics. Both series are publicly available through the Ministry of Finance's Directorate-General of Fiscal Balance (www.djpk.kemenkeu.go.id) and Statistics Indonesia's West Java office (www.jabar.bps.go.id). Employing a census approach, the study includes every regency and city for the five-year period 2019–2023.

Three constructs—tax effort, flypaper effect and fiscal stress—serve as independent variables, and the level of regional financial independence constitutes the dependent variable.

The data were analysed through descriptive statistics and multiple linear regression. Prior to estimating the model, we conducted the full battery of classical assumption tests—normality, multicollinearity, heteroscedasticity and autocorrelation—to ensure that the chosen specification met the requirements of ordinary least squares.

Normality was assessed with the Kolmogorov–Smirnov statistic; the null hypothesis of a normal distribution was accepted whenever the associated p-value exceeded 0.05 (Ghozali, 2021). Multicollinearity was evaluated by inspecting tolerance values (> 0.10) and variance-inflation factors (< 10); observations satisfying both criteria were deemed free of excessive collinearity (Ghozali, 2021). Heteroscedasticity was checked visually with a scatterplot of standardised residuals against fitted values; the absence of a systematic pattern indicated homoscedastic errors (Ghozali, 2021). Because the dataset spans multiple years, serial correlation was tested with the Durbin–Watson statistic, where values close to 2.0 suggest no first-order autocorrelation (Ghozali, 2021).

**Table 1. Operational Parameters**

| Variable | Variable Concept | Indicator | Scale |
|---|---|---|---|
| Tax Effort | Tax effort is the achievement of local tax collection efforts as measured by comparing local tax realization with Gross Regional Domestic Product (GDP) (Fadhli et al., 2023). | PD Realization / PBRD | Ratio |
| Flypaper Effect | The flypaper effect is quantified using the dependence ratio by contrasting the realization of balancing funds with total regional income (Dewi et al., 2024). | DP Realization / TPD Realization | Ratio |
| Fiscal Stress | By contrasting the actual PAD with the anticipated or target PAD, fiscal stress is quantified (Wulandari & Fauzihardani, 2022). | PAD Realization / PAD Potential/Target | Ratio |
| Level of Regional Financial Independence | By contrasting PAD with transfers from the central and province governments, the level of regional financial independence is quantified (Fahriza & Riswati, 2023). | PAD Realization / Transfer Revenue | Ratio |

*Source:* Research Data, 2024

Once these diagnostics confirmed that the Gauss–Markov conditions held, we estimated the following multiple-regression model to gauge the joint effect of tax effort, flypaper dynamics and fiscal stress on regional financial independence:

$Y = a + b_1X_1 + b_2X_2 + b_3X_3$........................................................................................(1)

Where:

Y = Degree of Regional Financial Autonomy (Y)
a = Constant, the value of Y when variable X is 0
$b_1$; $b_2$; $b_3$ = Regression coefficients
$X_1$ = Tax Effort
$X_2$ = Flypaper Effect
$X_3$ = Fiscal Stress

## RESULT AND DISCUSSION

**Table 2. Description Test Result**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Tax Effort | 135 | 0.19 | 2.76 | 0.888 | 0.585 |
| Flypaper Effect | 135 | 28.28 | 77.34 | 53.677 | 10.636 |
| Fiscal Stress | 135 | 62.79 | 119.22 | 98.283 | 11.506 |
| Level of Regional Financial Independence | 135 | 7.55 | 89.76 | 36.054 | 23.646 |
| Valid N (listwise) | 135 | | | | |

*Source:* Research Data, 2024

Descriptive statistics for the 135 panel observations (27 jurisdictions observed over five years) reveal marked contrasts among the study variables. Tax effort averages 0.888 (s.d. 0.585) across the sample, with values ranging from 0.19

to 2.76. Because the standard deviation amounts to roughly two-thirds of the mean, tax mobilisation differs appreciably across West Java's districts and cities, underscoring unequal reliance on locally generated revenue.

By contrast, the flypaper effect clusters more tightly: the mean is 53.68 with a standard deviation of 10.64, and the observed range spans 28.28–77.34. Dispersion therefore represents only about 20 per cent of the mean, suggesting that most jurisdictions exhibit a broadly similar degree of dependence on central transfers.

Fiscal stress is likewise fairly homogeneous. The index registers a mean of 98.28 (s.d. 11.51) within a band of 62.79–119.22; the coefficient of variation is just under 12 per cent, indicating that budgetary pressure differs little across the province.

In sharp contrast, regional financial independence displays the widest spread. Although the mean stands at 36.05, the standard deviation is 23.65—roughly 66 percent of the average—and values range from a low of 7.55 to a high of 89.76. These figures signal pronounced disparities in the ability of West Java's local governments to finance their expenditures without resorting to central-government support.

**Tabel 3. Result of the Normality Test**

| One-Sample Kolmogorov-Smirnov Test | |
|---|---|
| | Unstandardized Residual |
| N | 135 |
| Asymp. Sig. (2-tailed)[c] | 0.200[d] |

*Source:* Research Data, 2024

The Kolmogorov-Smirnov normalcy test yielded a significant value of 0.200. The result indicates that the p-value exceeds 0.05, confirming that this study's regression equation model is usually distributed.

**Table 4. Result of the Multicollinearity Test**

| | Collinearity Statistics | |
|---|---|---|
| Model | Tolerance | VIF |
| (Constant) | | |
| Tax Effort | 0.506 | 1.975 |
| Flypaper Effect | 0.457 | 2.191 |
| Fiscal Stress | 0.840 | 1.190 |

*Source:* Research Data, 2024

Based in the finding if the multicollinearity, the tolerance value for tax effort is 0.506, for the flypaper effect is 0.457, and for fiscal stress is 0.840. The VIF value for the Tax Effort is 1.975; for the Flypaper Effect, it is 2.191; and for Fiscal Stress, it is 1.190. The findings demonstrate that the tolerance value for the three (3) variables is exceeds 0.1, but the VIF value for the three (3) variables is fewer than 10. It may be inferred that the three (3) independent variables in this research exhibit no multicollinearity.

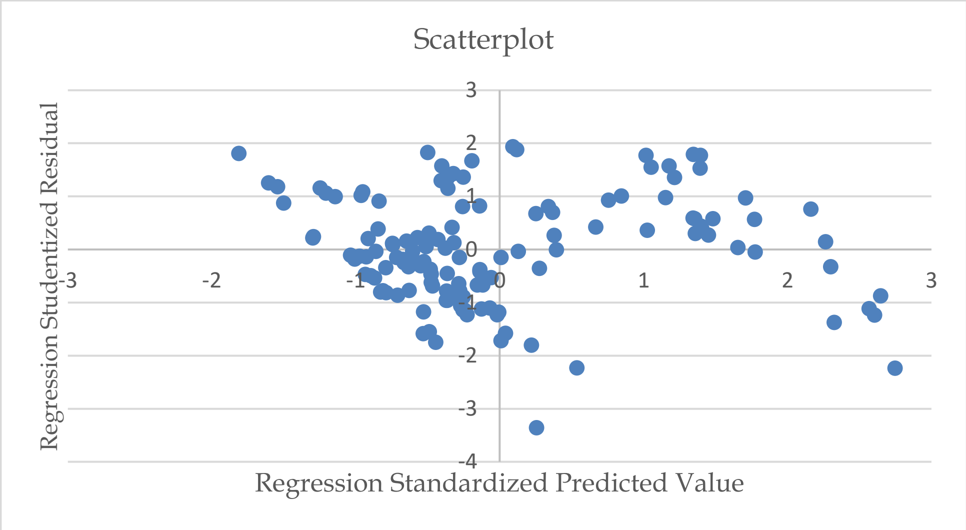


**Figure 3. Heteroscedasticity Test Result with Scatterplot**

*Source*: Research Data, 2024

With points dispersed between zero (0) on the Y axis, the scatterplot results test shows no obvious pattern and have random placements, showing that the regression model is heteroscedastic. This indicates that there is no discernible change between observations.

**Table 5. Result of Autocorrelation Test**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .904[a] | 0.817 | 0.813 | 10.237 | 1.904 |

*Source:* Research Data, 2024

According to the findings of the autocorrelation test, Durbin Watson (DW) statistic is 1.904. Using 135 observations and three independent variables, the value is then compared to the Durbin-Watson table at a probability value (sig) of α = 5%, producing a 4-dU value of 2.235, and a dU value of 1.764. The Durbin-Watson test results yield a value of dU (1.7645) such that dU < dW (1.904) < 4 - dU (2.2355). There was no autocorrelation found in the data used in this investigation.

**Table 6. Multiple Linear Regression Analysis Results**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 105.718 | 13.595 | | 7.776 | 0.000 |
| | Tax Effort | 12.374 | 2.126 | 0.306 | 5.821 | 0.000 |
| | Flypaper Effect | -1.488 | 0.123 | -0.669 | -12.089 | 0.000 |
| | Fiscal Stress | -0.008 | 0.084 | -0.004 | -0.096 | 0.923 |

*Source*: Research Data, 2024

According to the outcomes of the multiple linear regression study, the multiple linear regression equation can be expressed as follows:

Y = 105,718 + 12,374 X1 - 1,488 X2 - 0,008 X3..........................................................(2)

The results and equations from the multiple linear regression analysis show that the independent variables exhibit positive and negative values, with a tax effort of 12.374, a flypaper effect of -1.488, and fiscal stress of -0.008. This indicates that tax effort correlates positively with regional financial independence; thus, an increase in tax effort will enhance regional financial independence. The flypaper effect and fiscal Stress exhibit an inverse relationship; when the values of both the flypaper effect and fiscal Stress diminish, regional financial independence also declines.

**Table 7. Coefficient of Determination Test Results**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | 0.904[a] | 0.817 | 0.813 | 10.238 | 1.904 |

Source: Research Data, 2024

The coefficient of determination of 0.817 signifies that 81.7% of the Regional Financial Independence Level is affected by the Tax Effort, Flypaper Effect, and Fiscal Stress factors. Additionally, 18.3% of the Regional Financial Independence Level is affected by factors not analyzed in this study.

**Table 8. F Test Results**

| Model | | Sum of Squares | *df* | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 61,191.598 | *3* | 20,397.199 | 194.610 | 0.000[b] |
| | Residual | 13,730.196 | *131* | 104.811 | | |
| | Total | 74,921.794 | *134* | | | |

*Source:* Research Data, 2024

Utilizing the results of the partial F-test, the critical value is calculated with the formula (k; n − k), where k denotes the number of independent variables and n the number of observations, yielding 2.67. The observed F-statistic of 194.610 exceeds this threshold, and the associated probability (sig) of 0.000 is below 0.05. Consequently, the three independent variables—tax effort, the flypaper effect, and fiscal stress—jointly exert a statistically significant influence on the dependent variable, regional financial independence.

According to the study's first hypothesis, tax effort positively affects the region's level of financial independence. The test produces a t-value of 5.821, surpassing the critical value of 1.978, with a significance level of 0.000. Because the t-value exceeds the critical value and the p-value is below 0.05, the hypothesis is accepted: tax effort ($X_1$) has a positive and significant impact on regional financial independence (Y). This finding implies that efforts by regency and city administrations in West Java to tap existing tax potential during 2019–2023 enhanced their financial autonomy. Such autonomy represents the local government's responsibility for managing its own affairs (Soviana & Suparno, 2020).

This result is consistent with stewardship theory, which views local governments as stewards managing community resources on behalf of citizens as principals (Indrayani & Widiastuti, 2020). Rising fiscal independence in West Java's regencies and cities signals effective management of local taxes and optimal provision of public services and welfare through locally generated revenue (Devianti & Putri, 2021). Local tax mobilisation remains a key instrument for strengthening fiscal independence (Fadhli et al., 2023); higher tax receipts enlarge locally generated income and boost autonomy (Oktavia & Handayani, 2024). Legally, this aligns with Law No. 23/2014 on Regional Government, which underscores the importance of locally generated revenue (PAD) as the main funding source (Siregar, 2020).

The present study corroborates findings by Fadhli et al. (2023), Riza & Zuripal (2023), and (Setiawan, 2024), all of which show a positive, significant link between tax effort and fiscal independence. Stronger tax mobilisation corresponds to higher autonomy (Dewi et al., 2024). Conversely, the results diverge from those of Oktavia & Handayani (2024), Frijunita et al. (2024) and Nur Oktavianti et al. (2023), who report no significant relationship. Variability in tax effort during the study period, combined with substantial central transfers, may explain why earlier studies did not detect the same effect.

The study's second hypothesis posits that the flypaper effect positively influences regional financial independence. The analysis yields a t-value of −12.089, which is less than the critical value of −1.978, with a significance level of 0.000. Because the absolute t-value exceeds the critical threshold and the p-value falls below 0.05, the hypothesis is accepted—though the coefficient is negative—indicating that the flypaper effect negatively and significantly affects regional financial independence in West Java's regencies and cities during 2019–2023.

The research results demonstrate that the flypaper effect exerts a significant, negative influence on regional financial independence. In practical terms, this finding suggests that regency and city governments in West Java continue to depend heavily on transfers from the central government, thereby curbing—and in some cases eroding—their capacity to increase fiscal autonomy (Putri et al., 2020).

Agency theory helps explain this outcome by underscoring the conflict of interest between the central government, which serves as principal, and local governments, which act as agents. In fiscal decision-making, local officials often prefer the certainty of transfer revenues to the more demanding task of expanding their own revenue base (Siagian & Kurnia, 2022). Because sub-national needs vary widely (Sawitri et al., 2020), the centre cannot fully abdicate responsibility for equalisation, and balancing funds remain necessary. For many jurisdictions, however, these transfers have become the dominant income source, a clear sign that genuine financial independence has yet to be achieved (Ishak, 2021).

Although transfers can legitimately cover regional expenditure gaps, persistent reliance on them ultimately hampers autonomy (Fadhli et al., 2023). Such dependency may also create unfavourable perceptions of a local government's ability to identify and exploit its own revenue potential (Machfud et al., 2020). Consequently, a jurisdiction's fiscal independence hinges on how effectively it can reduce transfer dependence and boost the contribution of locally generated revenue (PAD).

The present findings mirror those of Fadhli et al. (2023) and Dewi et al. (2024), who likewise report that a stronger flypaper effect diminishes regional fiscal autonomy. Reducing reliance on transfers can therefore foster greater independence, whereas heightened dependence produces the opposite result (Dewi et al., 2024). By contrast, Malau et al. (2019) and Nabilah et al. (2016) observe a positive linkage, arguing that some local governments finance development predominantly from their own resources. In such settings, the flypaper effect does not materialise because transfers complement—rather than substitute for—local effort.

The third hypothesis proposes that fiscal stress enhances regional financial independence. The empirical tests yield a t-value of –0.096, well below the critical threshold of 1.978, and a significance level of 0.923. Because the statistic falls short of the critical value and the p-value exceeds 0.05, the hypothesis is rejected: fiscal stress ($X_3$) exerts no discernible influence on regional financial independence (Y) in West Java during 2019–2023. In other words, financial pressures do not appear to prompt local governments to achieve greater autonomy.

Stewardship theory maintains that local governments should respond to fiscal pressure by deploying regional resources more effectively (Prasetyo & Rahayu, 2019). DiNapoli (2016) labels jurisdictions that cannot cover their expenses as fiscally distressed, whereas financially stable regions can meet their obligations from their own revenues. In practice, governments can address stress by trimming expenditure, expanding PAD, tapping reserves, or issuing local debt (Lhutfi et al., 2019).

Consistent with Prasetyo & Rahayu (2019), the present study finds that fiscal stress does not affect financial independence: neither higher stress improves autonomy nor lower stress diminishes it. This result contrasts with Natalia & Suprapto (2024) and Malau et al. (2019), who report that fiscal stress can spur efforts to augment local revenue and thus increase independence. Where autonomy does expand under pressure, it may be because local governments actively exploit untapped revenue potential in response to mounting fiscal needs.

## CONCLUSION

A review of both the theoretical literature and prior empirical work confirms that tax effort exerts a positive and statistically significant effect on the level of regional financial independence in West Java's regencies and cities over the 2019–2023 period. By contrast, the flypaper effect displays a negative and substantial association with fiscal autonomy, indicating that heavier reliance on central transfers suppresses local self-reliance. Fiscal stress, however, shows no discernible impact on the same dependent variable during the study horizon. Collectively, the three factors—tax effort, the flypaper effect, and fiscal stress—jointly shape regional financial independence in West Java's local governments.

This study is subject to several limitations that future research should address. First, the analysis incorporates only three explanatory variables, which may not capture the full array of determinants of fiscal autonomy. Subsequent studies could enrich the model by including variables such as the decentralisation ratio, governance quality, budget-planning effectiveness, or the efficiency of local-revenue administration. Researchers might also broaden the sample frame and extend the observation window to obtain more comprehensive results. Moreover, because the present investigation relies exclusively on secondary quantitative data, it lacks the qualitative insights that could illuminate the contextual nuances of regional financial management. Future work could integrate balance-fund allocations and capital expenditure as outcome variables, and compare fiscal-independence levels across a wider set of local governments.

Despite these constraints, the study contributes meaningfully to regional-finance scholarship by providing an empirical portrait of fiscal behaviour and financial independence in West Java—one of Indonesia's most economically significant provinces. It clarifies how dependence on transfers and exposure to fiscal stress affect regional autonomy, thereby extending the literature and offering practical guidance to local policymakers seeking to enhance locally generated revenue and reduce reliance on central funding in pursuit of sustainable fiscal independence.

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