E-ISSN: 2963-3699
P-ISSN: 2964-0121
Homepage: https://return.publikasikupublisher.com

Analysis of Differences in Local Government Financial Performance Before and After Expansion on Papua Island

Ridha UL Halim, Desy Puspita
Politeknik Kutaraja Banda Aceh, Indonesia
ridhaulhalim21@gmail.com, desypuspita@poltekkutaraja.ac.id

ABSTRACT

Regional financial performance is an important indicator in assessing the effectiveness of financial management at the regional level. This study focuses on the comparison of the financial performance of Papua and West Papua Provinces before and after the division. This study aims to determine the differences in regional financial performance using various financial ratios after regional expansion in 2022. This research uses a descriptive qualitative approach with documentation as a data collection technique. The analysis was carried out through a comparison of the ratios of the degree of decentralization, dependence, independence, effectiveness of regional own-source revenue (PAD), and expenditure efficiency. The results showed that there were significant differences in the ratios of the degree of decentralization, dependency, independence, revenue effectiveness, and expenditure efficiency between Papua and West Papua Provinces before and after the division in 2022. The study concludes that pemekaran has affected regional financial performance, with changes in ratios reflecting higher dependence on central funds and decreased financial independence. This suggests the need for efforts to improve regional financial management capacity post-division.

Keywords: Financial Performance, Regional Expansion, Papua, West Papua, Decentralization, Regional Original Revenue (PAD).

INTRODUCTION

Law Number 2 of 2021 is a Law on the Second Amendment to Law Number 21 of 2001 concerning Special Autonomy for Papua Province. This law was enacted on July 19, 2021 and promulgated in the same year (Number, 21 C.E.). Law Number 2 of 2021 aims to: Accelerate welfare development, Improve the quality of public services, Ensure the sustainability of development in Papua, optimize revenue management, Strengthen the arrangement of provincial regions in Papua (Reform, 2022).

With one of the above bases as an argument for regional expansion, the Draft Law (RUU) related to the new province of Papua or DOB (New Autonomous Region) of Papua was born. There are many pros and cons, and many arguments in it regarding the expansion of this DOB. There are many considerations both politically, strategically, economically, technically, and other aspects which then gave birth to a new autonomous region for Papua as the administrative government of the Provincial Government Level I Region (Kossay, 2022; Wasistiono & Sartika, 2022).

As is known, the administrative area of the island of Papua is divided into two provinces, namely Papua and West Papua Provinces. Papua Province with the number of administrative governments of Regional Level II Regency / City Government is 29, while West Papua Province with 13 Regency / City (B Ari Koeswanto ASM, 2022).

After this DOB expansion, the island of Papua has six Provincial Governments, namely; Papua Province was divided into South Papua, Central Papua and Papua Mountains Provinces, as well as Papua Province (parent). Meanwhile, West Papua Province was divided into West Papua Province (parent) and Southwest Papua Province (JDIH KEMENKO MISSION AND INVESTMENT, 2022).

Papua Province initially amounted to 29 regencies / cities into 9. Twenty regencies / cities are inducted into South Papua Province as many as 4 regencies / cities, 8 regencies / cities into Central Papua Province, and Papua Mountains Province also with 8 regencies / cities. While West Papua, which was originally 13 districts / cities, was divided into 7 districts / cities in the province of West Papua, and 6 districts / cities in the province of Southwest.

LIST OF REGIONAL DISTRICITIES/CITIES AFTER EXPANSION

NO	PAPUA PROVINCE	NO	SOUTH PAPUA PROVINCE	NO	CENTRAL PAPUA PROVINCE	NO	PAPUA PROVINCE MOUNTAINS	NO	WEST PAPUA PROVINCE	NO	SOUTHWEST PAPUA PROVINCE
1	Biak Numfor Regency	1	Asmat Regency	1	Deiyai Regency	1	Jayawijaya Regency	1	Fakfak Regency	1	Maybrat Regency
2	Jayapura Regency	2	Boven Digoel Regency	2	Dogiyai Regency	2	Lanny Jaya Regency	2	Kaimana Regency	2	Raja Ampat Regency
3	Keerom Regency	3	Mappi Regency	3	Instan Jaya Regency	3	Central Mamberamo Regency	3	Manokrawi Regency	3	Sorong Regency
4	Yapen Islands Regency	4	Merauke Regency	4	Mimika Regency	4	Nduga Regency	4	South Mankokrawi Regency	4	South Sorong Regency
5	Mamberamo Raya Districts			5	Mabire Regency	5	Star Mountain Districts		Arfak Mountains Regency	5	Tambrauw Regency
6	Sarmi Regency			6	Paniai Regency	6	Tolikara Regency	6	Bintuni Bay Regency	6	Sorong City
7	Supiori Regency			7	Puncak Regency	7	Yalimo Regency	7	Wondama Bay Regency		
8	Waropen Regency			8	Puncak Jaya Regency	8	Yahukimo Regency				
9	Jayapura City										

Figure 1. List of regional districts/cities after expansion

Source: Wikipedia

Gross Regional Domestic Product or GRDP at the regional (provincial) level illustrates the ability of a region to create output (added value) at a certain time. Data from the Central Statistics Agency or BPS of Papua Province shows that the value of Papua's 2023 GRDP (at constant 2010 prices) only reached Rp49,552.73 billion. This figure dropped dramatically compared to the value of Papua's 2022 GRDP (at constant 2010 prices) which reached Rp172,907.29 billion (BPS Papua Province, 2023).

The value of Papua's 2023 GRDP is even smaller than the value of Papua's 2019 GRDP (at constant 2010 prices), which amounted to Rp134,565.89 billion. The reason is that the division of Papua Province made it lose the contribution of the mining sector of PT Freeport Indonesia, one of the largest contributors to Papua Province's GRDP before the division of the province in 2022 (Badan Pusat Statistik, 2023).

In other words, the economic performance of Papua Province is currently at a much lower level than in 2022. This problem can only be overcome if the Papua Provincial Government can grow various new economic sectors, according to the remaining potential in its territory. Meanwhile, in the western Papua province, economic growth in 2023 has increased. Most of Papua's economic growth is still dominated by the mining and quarrying sector, so that when the mining and quarrying business field contracted as deep as minus 11.64 percent due to decreased production, economic growth also fell, said the Head of BPS Papua (Adriana Carolina Helena 2024). According to BPS (Central Bureau of Statistics) the West Papua economy in 2023 grew by 3.91 percent, higher than the achievement in 2022 which experienced growth of 2.01 percent. In terms of production, the highest growth occurred in the Financial and Insurance Services Business Field at 10.54 percent. While from the expenditure side, the highest growth was achieved by the Export of Goods and Services Component by 28.13 percent.

One of the tools of regional autonomy in Indonesia is contained in the Regional Budget (APBD). APBD is a form of regional financial management consisting of Revenue, Expenditure, and Financing which is determined annually by regional regulation. Interpreting this, the APBD is technically prepared in accordance with the needs of government administration and the ability of regional income (Law of the Republic of Indonesia Number 17 of 2003 concerning State Finance, 2003). The APBD planned and implemented by the Regional Government must later be accounted for in the Regional Government Financial Report (LKPD) (Rizky et al., 2023).

LKPD that is well managed is expected to improve the financial performance of the region itself. Financial performance reflects accountability for local governments in providing public services (Kismawadi, 2023). Analysis of financial performance can be calculated and known through the calculation of the ratio of the degree of decentralization, the ratio of the degree of regional dependence, the ratio of independence, the ratio of PAD effectiveness, and the ratio of expenditure efficiency. With the condition of regional expansion in 2022, how regional financial performance before and after expansion on the island of Papua is interesting to conduct further research.

Theoretical Review

Regional expansion is the process of creating new autonomous regions that aim to accelerate development and improve public services. Regional expansion is often preceded by the separation of one administrative region, which aims to provide opportunities for newly formed regions to manage their potential and resources more effectively. This process not only affects the social and political aspects, but also affects the financial performance of local governments. According to Law No. 23/2014 on Regional Government, regional expansion is carried out to accelerate the achievement of community welfare by providing greater authority to local governments in terms of financial management and development (Anum, 2021). However, regional expansion also presents challenges in terms of financial management that need to be analyzed in depth.

Performance is the result of work achieved by a person or employee that produces output, efficiency, effectiveness related to productivity in quality and quantity in accordance with what is accounted for (Rahmawita, 2021). According to previos research financial performance is the result of the realization of income and expenditure prepared and measured on an accrual basis (Al-ahdal et al., 2020; Juita, 2020; Wiariningsih et al., 2019). Financial performance can be concluded is a description of the financial condition of a company or the finances of an agency that can be measured in a certain way which can be in the form of realization of income and expenditure prepared on an accrual basis which results in a conclusion on the success of the company or agency in managing finances.

Local Government Financial Performance is the ability of a region to explore and manage original regional financial resources in meeting its needs to support the running of the government system, services to the community and regional development by not depending entirely on the central government and having discretion in using funds for the benefit of the local community within the limits set by laws and regulations (Ibnu Syamsi, 1986: 199). From the above understanding it can be concluded that Local Government Financial Performance is the level of achievement of a work result in the field of local finance which includes budget and budget realization using financial indicators determined through a policy or statutory provisions during the budget period.

Several factors affect the financial performance of local governments, among others:

1. Central Government Fiscal Policy

Fiscal policies implemented by the central government, such as the allocation of balancing funds and regional transfers, greatly affect the financial performance of local governments. Changes in fiscal policy can affect fiscal capacity and the ability of regions to meet development needs.

2. Potential Sources of Regional Revenue

The diversity and sustainability of local revenue sources such as local taxes, local levies, and local wealth management determine the level of financial independence of local governments.

3. Effectiveness of Budget Management

Budget management that is inefficient or not in line with development priorities can lead to budget waste and reduce the quality of public services. Transparent and accountable budget management is therefore essential.

4. Quality of Regional Financial Management

The ability of human resources in regional financial management is also a very important factor in analyzing regional financial performance. Poor management can cause a mismatch between planned income and expenditure.

Previous Research

Although no previous research has directly addressed the differences in local government financial performance before and after expansion, several studies on regional expansion and public financial management can provide insight. In a book by Mahmudi entitled Analysis of Local Government Financial Statements (2010), the analysis of APBD financial performance can be carried out in two parts, namely the analysis of the financial performance of regional income and financial ratio analysis (Rahayu & Jambi, 2022). In this case, researchers want to analyze the financial performance of local governments on the island of Papua before and after expansion using financial ratios.

RESEARCH METHOD

Research Time

This research was carried out in about 1 month, starting from January 8 to the end of January 2025 which consisted of several main stages as follows:

1. Data Collection (6 days): This phase involved the collection of secondary data, including APBD and APBD Realization documents for both provinces in 2022 and all six provinces in 2023.
2. Data Analysis (3 days): After the data was collected, the financial ratios for each province before and after expansion were analyzed. The data was analyzed to compare the values of the ratios and provide conclusions about the changes that occurred.
3. Report Writing (2 days): The final stage is the writing of the research report, which includes the preparation of chapters in the thesis, as well as a discussion of the findings of the regional financial ratio analysis.

This study focuses on numerical analysis and comparison of financial ratios on the island of Papua without deepening on the factors that cause or impact changes in these ratios. All data used in this study comes from publicly accessible sources, namely APBD reports published by local governments.

Research Approach

In this study the authors used a qualitative approach. Qualitative research according to (suliyanto, 2005). namely Research in the form of words or not numbers. Qualitative research is research that does not use calculations (bungin, 2007). The form of this research is descriptive research, which is a study that reveals the situation that occurs in the field based on the facts found in the data source. This study aims to examine the differences in local government financial performance on the island of Papua before and after expansion in terms of the degree of decentralization ratio, the ratio of the degree of regional financial dependence, the ratio of regional financial independence, the ratio of revenue effectiveness, and the ratio of expenditure efficiency.

Data Type and Source

The data used in this research is secondary data. The authors use data sources sourced from the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance of the Republic of Indonesia. The author uses secondary data from the APBD Budget Realization Report for the period 2022 and 2023.

Object of Research

The object of research is an important part of research which is the main focus of the study. The object of this research is the budget realization report of the provinces of Papua and West Papua in the year before the division, namely 2022, and the provinces of Papua, Central Papua, South Papua, Mountainous Papua, West Papua, and Southwest Papua after the division, namely 2023.

Variable Operationalization

The variables operationalized in this study are independent variables. The operationalization of financial performance variables is viewed from the ratio of the degree of decentralization, the ratio of the degree of regional dependence, the ratio of independence, the ratio of revenue effectiveness, and the ratio of expenditure efficiency in accordance with the 1996 Decree of the Minister of Home Affairs Number 690.900.327 concerning Guidelines for Financial Performance Assessment which until now is still used in assessing regional financial performance and can be seen as follows.

Degree of Decentralization Ratio

This ratio illustrates how much the regional financial ability to finance its activities is measured by comparing the amount of Regional Original Revenue (PAD) with Total Regional Revenue (TPD).

$$\text{Decentralization Degree Ratio} = \frac{\text{PAD}}{\text{Total Income}} \times 100\%$$

Dependency Ratio

The regional financial dependency ratio is a measure that shows the level of dependency of a region on the central government and/or provincial government. This ratio is calculated by comparing the amount of transfer income received by the region with the total revenue of the region. The result is presented as a percentage.

$$\text{Dependency Ratio} = \frac{\text{Transfer Income}}{\text{Total Income}} \times 100\%$$

Independence Ratio

The regional financial independence ratio is the ratio between local revenue (PAD) and transfer funds from the center. This ratio illustrates the level of regional dependence on external funding assistance, especially from the central and provincial governments. The higher the independence ratio, the lower the region's dependence on external funds.

$$\text{Independence Ratio} = \frac{\text{PAD}}{\text{Central + Provincial Transfers + Loans}} \text{x}100\%$$

PAD Effectiveness Ratio

The Regional Original Revenue (PAD) Effectiveness Ratio is a comparison between the realization of PAD revenue and the predetermined PAD revenue target. This ratio shows the ability of local governments to realize planned PAD. The higher the PAD effectiveness ratio, the better the local government performance.

$$\text{PAD Effectiveness Ratio} = \text{x}100\% \quad \frac{\text{PAD Realization}}{\text{PAD Target}}$$

Expenditure Efficiency Ratio

The regional expenditure efficiency ratio is the ratio between expenditure realization and expenditure budget. This ratio is used to measure the level of budget savings made by the government. Efficiency in local budget management aims to maximize results and positive impacts on society.

$$\text{Spending Efficiency Ratio} = \frac{\text{Spending Budget}}{\text{Realization x}100\%}$$

RESULT AND DISCUSSION

In the discussion of the results of this study, it is discussed about how the financial performance has been carried out by the Provincial Government on the island of Papua before and after expansion. The data used to measure the performance of the province's financial management is in the form of the APBD Budget Realization Report for Fiscal Years 2022 and 2023.

Decentralization Degree Ratio (DKK)

The Local Financial Decentralization Degree Ratio measures the extent to which financial management authority is in the hands of local governments compared to the central government. This ratio calculates the contribution of local revenue managed by local governments to the total revenue received by the region, including funds from the central government.

Decentralization Degree Ratio before expansion		
province	Papua	West Papua
Year 2022	33%	11%

Decentralization Degree Ratio after expansion						
province	Papua	Central Papua	South Papua	Papua mountains	West Papua	southwest Papua
Year 2023	21%	20%	8%	4%	13%	3%

Data source: processed data from the APBD Budget Realization Report for 2022-2023

In 2022, before expansion, the two provinces, Papua and West Papua, had quite different degree of decentralization ratios.

a. **Papua Province**: Has a degree of decentralization ratio of **33%**. This indicates that about one-third of government management authority is in the hands of local governments, while the rest is still managed by the central government. This ratio shows that Papua has a higher degree of decentralization than West Papua. This may be due to the size of the region and the need for more decentralized governance given the geographical and social challenges in Papua.
b. **West Papua Province**: Has a lower degree of decentralization ratio of **11%**. This indicates that most authorities are still under the control of the central government. This lower decentralization ratio may be influenced by greater challenges in terms of local government capacity in West Papua in managing these authorities, as well as higher dependency on the centre.

In 2023, after the division of Papua into six new provinces, the ratio of the degree of decentralization for each of the newly formed provinces has changed significantly. The following is the ratio of the degree of decentralization for each new province after expansion:

a) **Papua province**: The degree of decentralization ratio decreased to **21%**. Although it is still the largest province in the Papua region, previously greater authority was divided after expansion.
b) **Central Papua Province:** Has a decentralization degree ratio of 20%. This ratio indicates that, although this new province has greater authority than some other provinces, decentralization in this area is still moderate.
c) **South Papua Province**: Has a lower degree of decentralization ratio of **8%**. This reflects that the province is still highly dependent on the central government in terms of authority and governance.
d) **Mountainous Papua Province:** Experienced a significant decline with a ratio of 4%. This very low decentralization ratio shows that the province is still highly dependent on allocations and policies from the central government.
e) **West Papua province:** The degree of decentralization ratio increased slightly to 13%, but remains much lower than Papua. Although there was an improvement compared to before, dependency on the central government is still very high.
f) **Southwest Papua Province: Has the lowest decentralization ratio of 3%**, indicating that government authority is still very limited at the local level and much depends on the central government.

Comparison of Average Dependency Ratio Before and After Expansion

average	
2022	2023
22%	11%

Provincial expansion in Papua and West Papua resulted in an overall decrease in the degree of decentralization ratio. In 2022, the average decentralization ratio was 22%, while after division in 2023, the average ratio decreased to 11%. This suggests that with more provinces, authority and resources must be shared among more regions, leading to a reduction in the degree of decentralization at the provincial level.

Regional Dependency Ratio

The Regional Financial Dependency Ratio measures how much the region is dependent on funds from the central government compared to total regional revenue. This ratio provides an overview of the extent to which local governments depend on central fund transfers.

Regional Dependency Ratio Before Expansion		
province	Papua	West Papua
Year 2022	67%	89%

Regional Dependency Ratio After Expansion						
province	Papua	Central Papua	South Papua	Papua mountains	West Papua	southwest Papua
Year 2023	65%	67%	91%	95%	87%	96%

Data source: processed data from the 2022-2023 APBD Budget Realization Report

Before expansion, Papua and West Papua had the following dependency ratios:

1. **Papua: 67%**

Papua Province has a dependency ratio of 67%, which reflects the substantial dependency of the non-productive population on the working-age population. This may be influenced by demographic factors, such as the high number of children and elderly people in the province.

2. **West Papua: 89%**

The dependency ratio in West Papua is higher, reaching 89%. This indicates a greater burden on the working-age population to support the unproductive population. This could also be influenced by the uneven distribution of the population, as well as geographical and infrastructure challenges that affect economic development.

In 2023, after the division of Papua into six provinces, the dependency ratio of each province changes as follows:

3. **Papua: 65%**

After expansion, the dependency ratio in Papua decreased to 65%, indicating a decrease in the dependency burden for the working-age population. This could be due to the sharing of resources and more focused development in smaller regions.

4. **Central Papua: 67%**

Central Papua has a dependency ratio of 67%, which is similar to Papua's dependency ratio before expansion. This indicates that the dependency burden in this province is still high.

5. **South Papua: 91%**

South Papua has a very high dependency ratio of 91%, indicating a very large dependency of the non-productive population. This may be due to challenging geographical conditions, with more limited access to services and facilities that could reduce the dependency rate.

6. **Mountainous Papua: 95%**

With a dependency ratio of 95%, Papua Mountains experiences a very high dependency burden, reflecting the difficulty in creating enough jobs to keep up with the unproductive population.

7. **West Papua: 87%**

The dependency ratio in West Papua after expansion has decreased slightly to 87%. Despite the decrease, this ratio is still quite high, indicating a significant dependency burden.

8. **Southwest Papua: 96%**

Papua Barat Daya has the highest dependency ratio among the new provinces at 96%. This suggests that the province faces greater challenges in creating jobs to offset the number of unproductive residents.

Comparison of Average Dependency Ratio Before and After Expansion

average	
2022	2023
78%	83%

There was a 5% increase in the average dependency ratio after expansion. While some new provinces such as Papua, Central Papua, and West Papua experienced a decrease in dependency ratio, other new provinces, particularly South Papua, Mountainous Papua, and Southwest Papua, experienced a significant increase. This is due to factors such as unequal population distribution, limited infrastructure, and challenges in creating sufficient jobs.

Regional Independence Ratio

The Regional Financial Independence Ratio measures the extent to which the region is able to finance its government activities using existing resources in the region itself, namely PAD, without relying on transfer funds from the central government.

Regional Independence Ratio Before Expansion		
province	Papua	West Papua
Year 2022	49%	12%

Regional Independence Ratio After Expansion						
province	Papua	Central Papua	South Papua	Papua mountains	West Papua	southwest Papua
Year 2023	32%	29%	9%	5%	15%	3%

Data source: processed data from the 2022-2023 APBD Budget Realization Report

Regional Independence Ratio Before Expansion

1. **Papua**

Papua has a relatively high self-reliance ratio of 49%. This indicates that the province is able to finance most of its activities with the PAD it generates, although it still requires central funding for some sectors.

2. **West Papua**

West Papua has a low self-reliance ratio in 2022 (12%), reflecting a very high dependence on central funds.

Regional Independence Ratio after Expansion

1. **Papua (32%)**

Papua's self-reliance ratio decreased to 32% after expansion. Despite this decline, Papua remains a province with a higher self-reliance ratio than the newly formed provinces. This decline is due to the distribution of resources and allocation of funds that must now be shared with the new provinces.

2. **Central Papua (29%)**

After Expansion: Central Papua has an independence ratio of 29%, which is quite low. As a new province, Central Papua is still heavily dependent on central funds to carry out government and development functions. This ratio reflects the great need to build infrastructure and efficient local governance.

3. **South Papua (9%)**

After Expansion: South Papua shows a very low self-reliance ratio of 9%. This shows that the new province is almost completely dependent on central funding to run its government and development programs, both in terms of basic infrastructure and natural resource management.

4. **Papua Mountains (5%)**

After Expansion: Papua Mountains has a very low self-reliance ratio of only 5%. As a new province, Papua Mountains requires assistance from the centre to develop all aspects of government, especially in the areas of infrastructure and public services.

5. **West Papua (15%)**

After expansion, West Papua's self-reliance ratio increased slightly to 15%. Despite this improvement, the province still relies heavily on central allocations to fund its development and government operations.

6. **Southwest Papua (3%)**

Southwest Papua has a very low self-reliance ratio of 3%. This indicates an extreme dependency on central assistance to initiate development, infrastructure, and local government management.

Comparison of Average Regional Independence Ratio Before After Expansion

average	
2022	2023
31%	15%

1. **Average Independence Ratio Before Expansion (2022):**

Before expansion, the average regional self-reliance ratio in Papua and West Papua was 31%. This shows that while Papua has a higher self-reliance ratio (49%), West Papua is highly dependent on central funding with a ratio of only 12%.

2. **Average Independence Ratio after Expansion (2023):**

After the division, the average regional self-reliance ratio in the six provinces formed was 15%. This decline is very significant and reflects that the division of Papua and West Papua worsened the dependence of the new regions on central funds.

Effectiveness Ratio of Local Revenue

The Regional Original Revenue Effectiveness Ratio measures the extent to which local governments succeed in achieving the PAD targets set in the budget. This ratio is calculated by comparing the realization of PAD with the PAD target set in the APBD.

PAD Effectiveness Ratio Before Expansion

province	Papua	West Papua
Year 2022	108%	58%

PAD Effectiveness Ratio After Expansion

province	Papua	Central Papua	South Papua	West Papua
Year 2023	131%	110%	534%	91%

Data source: processed data from the 2022-2023 APBD Budget Realization Report

Effectiveness Ratio of PAD of Papua and West Papua Provinces in 2022:

1. **Papua:**

Papua Province showed a fairly good PAD effectiveness ratio in 2022, which was 108%. This means that the province has successfully optimized its own-source revenue and even exceeded its target. A ratio above 100% indicates that the region can generate more revenue from existing resources, including taxes, levies and other sectors of the local economy.

2. **West Papua:**

In contrast, West Papua Province has a lower PAD effectiveness ratio of only 58%. This shows that West Papua Province has not been maximized in managing its PAD, so it still depends on the allocation of funds from the central government to fund regional needs.

PAD Effectiveness Ratio after Expansion (2023)

After the division of Papua and West Papua in 2023, new provinces were formed, but only four provinces had PAD budgets recorded: Papua, Central Papua, South Papua and West Papua. The other two provinces, Papua Mountains and Papua Barat Daya, did not have PAD budgets recorded in 2023, meaning they did not have effective PAD collection and management systems in place in the first year after division.

1. **Papua**

Papua Province showed a significant increase in its PAD effectiveness ratio of 131%. This increase shows that Papua managed its resources and revenues much more efficiently after the division of the region, even exceeding the set targets. This increase could be influenced by changes in fiscal policy and better administration of local revenue management post-division.

2. **Central Papua**

Central Papua Province has a PAD effectiveness ratio of 110%, which indicates that the province has also managed its revenues quite well after expansion. This reflects good management in the local tax and levy sector, as well as more maximum utilization of local natural resource potential.

3. **South Papua**

South Papua Province showed an unusually high PAD effectiveness ratio of 534%. This ratio far exceeds the target and is very high compared to other provinces. This drastic increase may be due to the special factors that are being developed in South Papua, such as the huge potential of the natural resource sector, optimized taxation, and government policies that support the development of this region.

4. **West Papua**

West Papua Province experienced a slight decrease in its PAD effectiveness ratio after expansion, to 91% compared to 58% in 2022. Although there was an improvement compared to pre-division, this ratio is still relatively low. This indicates that West Papua still faces several challenges in improving its own-source revenue management and reducing dependence on central funding.

Comparison of Average PAD Effectiveness Ratio Before and After Expansion

average	
2022	2023
83%	216%

Average PAD Effectiveness Ratio Before Expansion (2022): Before expansion, with only two provinces, the average PAD effectiveness ratio was **83%**, indicating that PAD management varied from province to province.

Average PAD Effectiveness Ratio after Expansion (2023): After expansion, with six provinces, the average PAD effectiveness ratio recorded for provinces with PAD budgets was **166%**, indicating a very significant improvement in the effectiveness of PAD management after expansion.

1. **Regional Expenditure Efficiency Ratio**

The Regional Expenditure Efficiency Ratio measures the extent to which local governments can manage and use expenditure budgets in an efficient manner. This ratio compares the expenditure budget used with the output or results achieved.

Pre-Expansion Spending Efficiency Ratio		
Province	Papua	West Papua
Year 2022	34%	23%

Regional Expenditure Efficiency Ratio After Expansion						
province	Papua	Central Papua	South Papua	Papua mountains	West Papua	southwest Papua
Year 2023	144%	91%	27%	41%	19%	23%

Data source: processed data from the 2022-2023 APBD Budget Realization Report

Prior to the division of the region in 2023, Papua Province and West Papua Province were two provinces that managed their local budgets separately.

1. **Papua**

Papua Province's regional expenditure efficiency ratio in 2022 is **34%**, indicating that the use of regional budgets in Papua is quite effective, although there is room for improvement. This means that for every cost spent, a result is achieved, but there is still potential to improve the efficiency of budget use, given the challenges faced by the region in terms of accessibility and infrastructure.

2. **West Papua**

West Papua Province has a lower regional expenditure efficiency ratio of only **23%**. This ratio shows that budget management in West Papua is not yet fully efficient, which can be caused by various factors such as limited human resources, budget management that has not been optimized, as well as the high costs for infrastructure and public services that must be provided by local governments.

Regional Expenditure Efficiency Ratio after Expansion (2023)

Papua: After the division, Papua Province experienced a significant jump in the efficiency ratio of regional expenditure, to **144%**. This increase reflects significant improvements in local budget management, with more efficient spending and maximized development outcomes. This factor is likely due to improved budget management, better fiscal policies, and a greater focus on strategic sectors.

Central Papua: Central Papua Province has a regional expenditure efficiency ratio of **91%**. This shows that the province is quite efficient in managing its budget, although it has not reached the very high level of Papua. This increase in efficiency also reflects measures to improve the management and utilization of regional development funds.

South Papua: South Papua Province has a low regional expenditure efficiency ratio of **27%**. This figure shows that there is still an imbalance between expenditure and results achieved, and more efforts need to be made in budget management to improve the efficiency of regional expenditure.

Mountainous Papua: With a regional expenditure efficiency ratio of **41%**, Papua Mountain Province shows moderate budget management efficiency. Although not very high, it shows a fairly good effort in managing regional expenditure with acceptable results.

West Papua: The efficiency ratio of subnational expenditure in West Papua Province after expansion has decreased slightly, to **19%**. This decrease shows that despite improvements in budget management, challenges in local budget management still remain, such as infrastructure and resource distribution issues.

Southwest Papua: The regional expenditure efficiency ratio of Papua Barat Daya Province was **23%**, indicating that the province also faces challenges in terms of budget management and efficient use of resources.

Comparison of Average Regional Expenditure Efficiency Ratio Before and After Expansion

average	
2022	2023
29%	58%

Average Regional Expenditure Efficiency Ratio Before Expansion (2022): Before expansion, the average efficiency ratio of local expenditure for the two main provinces (Papua and West Papua) was **29%**. This indicates that overall, budget management in Papua and West Papua still has much room for improvement, both in terms of efficiency of budget use and in achieving optimal results.

Average Regional Expenditure Efficiency Ratio After Regional Expansion (2023): After regional expansion, the average efficiency ratio of regional expenditure increased significantly to **58%**. This increase reflects better efforts in budget management after regional expansion. Although some provinces experienced declines or lower ratios, overall, expansion had a positive impact on the efficiency of regional expenditure management.

CONCLUSION

The division of Papua and West Papua provinces into six provinces by 2023 has a significant impact on aspects of local finance, such as the ratio of the degree of decentralization, dependency, independence, effectiveness of local own-source revenue (PAD), and efficiency of expenditure. Papua's decentralization ratio decreased from 33% to 21%, while West Papua's decreased to 11%, with the new province having a lower ratio. Dependence on central funds also increased, with South Papua and Papua Highlands reaching 91% and 95% respectively. Meanwhile, regional self-reliance ratios declined in most of the new provinces, and PAD effectiveness improved in some provinces, although West Papua and Southwest Papua were not recorded in the PAD budget.

Suggestions for improving local financial performance include increasing local government capacity through training and technical support, diversifying revenue sources by developing local economic potential, and optimizing budget management that is more transparent and results-based. In addition, local economic empowerment and continuous monitoring of the performance of new regions are also important to reduce fiscal dependency. This study provides an overview of the effect of expansion on financial management in Papua, which can serve as a reference in future fiscal policies to improve budget independence and efficiency.

REFERENCES

Al-ahdal, W. M., Alsamhi, M. H., Tabash, M. I., & Farhan, N. H. S. (2020). The impact of corporate governance on financial performance of Indian and GCC listed firms: An empirical investigation. *Research in International Business and Finance*, *51*(1), 1–13. https://doi.org/10.1016/j.ribaf.2019.101083

Anum, Q. (2021). Society Welfare Post Analysis of Regional Expansion. *International Journal on Social Science, Economics and Art*, *10*(4), 217–226.

B Ari Koeswanto ASM. (2022). List of Provinces and Regencies / Cities and their Capitals on the Island of Papua, Before and After DOB Expansion. Nusantarapediajurnal.

Central Bureau of Statistics. (2023). Economic Growth of Papua Province and New Autonomous Regions (DOB) Quarter IV-2023.

Central statistical agency of papua province. (2023). Economic Growth of Papua Province in 2022.

JDIH KEMENKO KEMARITIMAN AND INVESTMENT. (2022). Law 14/2022: Establishment of South Papua Province.

Juita, M. V. (2020). Influence Of Corporate Governance, Leverage And Financial Performance On Earning Management On Manufacturing Companies On The Indonesia Stock Exchange. *Enrichment: Journal of Management*, 907–916.

Kismawadi, E. R. (2023). Improving Islamic bank performance through agency cost and dual board governance. *Journal of Islamic Accounting and Business Research*.

Kossay, M. (2022). Conceptual Study Of Central Government Policies In Resolving The Papua Conflict In Indonesia (Papua Special Autonomy Perspective). *International Journal of Environmental, Sustainability, and Social Science*, *3*(3), 512–526.

Number, L. (21 C.E.). of 2001 concerning Special Autonomy for the Province of Papua, which is contained in the State Gazette of the Republic of Indonesia of 2001 Number 135. *Chapter XIV Concerning Judicial Powers, Articles*, *50*.

Rahayu, S., & Jambi, M. (2022). Content Analysis of Government Financial Statement. *Research Journal of Finance and Accounting*, *13*(2).

Rahmawita, S. (2021). *Analisis Perbandingan Kinerja Keuangan Pada Bank Pemerintah Dan Bank Swasta*. Universitas Islam Riau.

Reform, M. of A. (2022). *President Jokowi: Regional Expansion in Papua for Equitable Development.*

Rizky, F., Azhari, A., & Arfan, R. (2023). Studi Komparatif Kinerja Keuangan Pemerintah Daerah Sebelum dan Selama Pandemi Coronavirus Disease 2019 (Covid-19) di Pulau Sumatera. *Jurnal Investasi Islam*, *8*(2), 165–181.

Wasistiono, S., & Sartika, I. (2022). Model Evaluation of Papua and West Papua Province's Special Autonomous. *Bestuurskunde: Journal of Governmental Studies*, *2*(1), 73–88.

Wiariningsih, O., Junaidi, A. T., & Panjaitan, H. P. (2019). Pengaruh Good Corporate Governance Dan Leverage Terhadap Kinerja Keuangan Dan Nilai Perusahaan Pada Perusahaan Pertambangan Yang Terdaftar Di Bei Tahun 2013-2016. *Procuratio*, *7*(1), 18–29.