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# BRIDGING FISCAL DEPENDENCY AND AUTONOMY: STRATEGIC SOLUTIONS FOR REGIONAL FINANCIAL MANAGEMENT IN GORONTALO PROVINCE

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**Abstract**

This study examines the optimization of regional financial management to achieve fiscal independence in Gorontalo Province, which is characterized by a low fiscal independence index and heavy reliance on central government transfers. The research aims to identify systemic inefficiencies in financial management and propose a comprehensive framework to address these challenges. By employing a qualitative approach, the study collects primary data through interviews with key stakeholders and secondary data from official reports and policy documents. The findings reveal persistent gaps in planning, budgeting, implementation, and evaluation processes. These inefficiencies are driven by unrealistic revenue projections, delays in legislative approval, inconsistent regulatory guidance, and insufficient local revenue mobilization. A tailored financial management framework is proposed, emphasizing evidence-based planning, streamlined implementation, standardized reporting, and performance evaluation. This framework aligns with principles of good governance and New Public Management, fostering transparency, accountability, and fiscal discipline. The study concludes that systemic reforms are essential to reducing Gorontalo's fiscal dependency and enhancing its financial autonomy. By implementing the proposed framework, the province can improve resource utilization and governance capacity. The findings contribute to the broader discourse on regional financial management and provide a model for application in other regions facing similar fiscal challenges.

**Keyword:** Fiscal Independence, Regional Financial Management, Good Governance.

## INTRODUCTION

The optimization of regional financial management is a cornerstone of achieving fiscal independence, a goal integral to regional development and economic sustainability. This study focuses on the Province of Gorontalo, which remains fiscally dependent on central government transfers, as evidenced by a fiscal independence index of 0.222, based on the 2020 audit by the Audit Board of the Republic of Indonesia. Moreover, the 2023 mapping by Indonesia's Ministry of Finance classified the province's fiscal capacity as low, with a ratio of 1.421. Fiscal decentralization has been extensively discussed as a mechanism for empowering regional governments to manage resources and make decisions that directly impact local development. Studies, such as those by Udeagha and Breitenbach (2023), highlight that fiscal decentralization supports environmental sustainability through efficient taxation systems and regulatory reforms. Similarly, Pietrovito et al. (2023) argue that decentralization enables equitable resource allocation by delegating authority from national to regional levels. However, the success of such decentralization is contingent upon effective governance structures that support fiscal autonomy and local accountability (Luo & Liu, 2022).

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Despite these theoretical advancements, many regions, including Gorontalo, struggle to achieve fiscal independence. Challenges such as limited local revenue generation, over-reliance on central government transfers, and inefficiencies in financial management persist. The literature identifies significant benefits of fiscal decentralization, such as improved public service delivery, enhanced economic growth, and better resource allocation (Fang et al., 2022). Nonetheless, gaps in institutional capacity, lack of transparency, and insufficient fiscal discipline often undermine its effectiveness. As Gideta et al. (2021) suggest, regional fiscal independence is often hindered by inadequate financial resources, governance inefficiencies, and a lack of strategic fiscal policies. These challenges are further compounded in Gorontalo by a dependency on central funds, limited economic diversification, and low local tax revenues.

The primary issue examined in this study is the suboptimal financial management in Gorontalo, which perpetuates fiscal dependency. Current financial management practices exhibit inefficiencies across various stages, including planning, budgeting, implementation, and evaluation. For instance, discrepancies between budgetary projections and actual financial outcomes are commonplace, as highlighted by Mardiasmo (2018). Furthermore, legislative and executive misalignment during planning phases often delays policy ratification, complicating implementation. Despite these challenges, studies underscore the potential for achieving fiscal independence through comprehensive financial management. A structured approach encompassing effective planning, transparent ratification processes, efficient implementation, and rigorous evaluation is essential for optimizing regional financial resources.

The literature provides general solutions to financial dependency, emphasizing the role of comprehensive governance frameworks. Mardiasmo (2018) outlines a model that integrates planning, approval, implementation, and evaluation to ensure financial accountability and transparency. This approach aligns with principles of New Public Management (NPM), which advocate for efficiency, accountability, and stakeholder inclusivity in public sector management (Hood, 1991). Additionally, the concept of good governance, as elucidated by Beshi and Kaur (2020), underscores the importance of transparency, accountability, and citizen participation in achieving sustainable financial management. However, such frameworks require robust institutional capacities, which are often lacking in regions like Gorontalo.

Specific solutions from previous studies offer actionable insights into addressing fiscal dependency. For example, Schweizer (1985) emphasizes the need for fiscal models that leverage local resource potential. Similarly, studies by Sari et al. (2019) and Qisthina et al. (2019) highlight the positive impact of local revenue enhancement and human development indices on regional financial independence. Furthermore, Khoirunisa and Sulaeman (2022) discuss how reducing reliance on intergovernmental transfers can encourage fiscal autonomy. These studies collectively argue that financial independence is achievable through targeted strategies, including diversifying local revenue sources, strengthening governance structures, and enhancing fiscal discipline.

This study builds upon existing literature by addressing the specific gaps in financial management practices in Gorontalo. While prior research has outlined general frameworks and principles, there is limited empirical analysis on implementing these strategies in the context

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of regions with low fiscal capacity. The current study identifies gaps in planning, ratification, implementation, and evaluation stages, proposing a tailored approach to address these deficiencies. By focusing on Gorontalo's unique socioeconomic and administrative context, this research aims to bridge the gap between theoretical models and practical applications in regional financial management.

The objective of this study is to explore and propose strategies for optimizing regional financial management in Gorontalo to achieve fiscal independence. This research offers novel insights by integrating comprehensive governance frameworks with tailored policy recommendations, addressing the unique challenges faced by the region. The scope of this study encompasses a detailed analysis of financial management practices across planning, budgeting, implementation, and evaluation stages. Furthermore, it evaluates the effectiveness of current governance structures and proposes actionable strategies for enhancing financial autonomy. By contributing to the growing body of literature on fiscal independence, this study aims to provide a replicable model for other regions facing similar challenges.

## METHODOLOGY

This study employs a qualitative research design to investigate the optimization of regional financial management towards fiscal independence in Gorontalo Province. The qualitative approach is chosen to provide a comprehensive understanding of the social, economic, and administrative factors influencing fiscal management in the region. As suggested by Creswell (2014), qualitative research is particularly effective in exploring complex phenomena within their contextual settings. The research focuses on interpreting the processes, challenges, and outcomes of financial management practices through a detailed analysis of data collected from primary and secondary sources.

The research is conducted within the administrative boundaries of Gorontalo Province, selected due to its low fiscal independence index and high dependency on central government transfers. The study examines financial management practices, including planning, budgeting, implementation, reporting, and evaluation, as outlined by Mardiasmo (2018). By focusing on the administrative structures and economic context unique to Gorontalo, the research aims to provide insights that are both specific to the region and generalizable to similar contexts.

The study utilizes both primary and secondary data to ensure a holistic analysis. Primary data are collected through in-depth interviews with key stakeholders, including government officials, financial managers, and legislative representatives. Participants are selected using purposive sampling to ensure their relevance and expertise in financial management and fiscal policy. Secondary data include official financial reports, legislative documents, and previous research studies. This triangulation of data sources enhances the reliability and validity of the findings (Yin, 2018).

The primary data collection involves semi-structured interviews guided by a set of open-ended questions designed to elicit detailed responses about financial management practices. This method allows for flexibility in exploring emerging themes while maintaining a focus on the

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research objectives (Patton, 2002). Interviews are conducted face-to-face, recorded with the consent of participants, and transcribed for analysis. Secondary data are collected through document reviews, focusing on financial reports, audit outcomes, and policy documents from relevant provincial and national government institutions.

The data are analyzed using thematic analysis, which involves identifying, analyzing, and reporting patterns within the data (Braun & Clarke, 2006). The analysis is conducted in several stages: familiarization with the data, coding of key themes, searching for patterns, reviewing and refining themes, and synthesizing findings. To ensure rigor, the analysis incorporates triangulation by cross-referencing findings from different data sources. This process helps validate the interpretations and conclusions drawn from the data.

To enhance the credibility of the research, several strategies are employed. First, triangulation of data sources and methods ensures that findings are corroborated through multiple lines of evidence (Creswell, 2014). Second, member checks are conducted by sharing preliminary findings with participants to verify their accuracy and relevance. Third, peer debriefing is undertaken to ensure the objectivity and impartiality of the analysis. Finally, a detailed audit trail is maintained to document all methodological decisions and processes, ensuring transparency and replicability.

The study adheres to ethical research practices by obtaining informed consent from all participants and ensuring their confidentiality. Participants are provided with detailed information about the research objectives, methods, and potential implications of the study. Data storage and handling comply with ethical guidelines to protect the privacy and anonymity of participants. Ethical approval is obtained from the relevant institutional review board before commencing data collection.

While the qualitative approach offers in-depth insights, it is inherently limited by its subjective nature and contextual specificity. The findings of this study are primarily applicable to Gorontalo Province and may require adaptation when applied to other regions with different administrative and economic contexts. Additionally, the reliance on interviews may introduce biases related to participants' perspectives. However, these limitations are mitigated through triangulation, member checks, and rigorous data analysis procedures.

By employing a systematic and rigorous methodological framework, this study aims to provide a detailed understanding of the challenges and opportunities in optimizing regional financial management for fiscal independence. The findings are intended to contribute to both theoretical advancements and practical improvements in fiscal governance.

## RESULTS AND DISCUSSION

### Financial Management Optimization in Gorontalo Province

The findings of this study reveal that financial management in Gorontalo Province remains suboptimal across several dimensions, including planning, budgeting, implementation, reporting, and evaluation. Despite having a comprehensive regulatory framework, practical

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challenges hinder the effective execution of financial management. These challenges include misalignment between planned and actual outcomes, delays in legislative approval processes, and insufficient financial accountability.

The analysis highlights that planning stages are frequently disrupted by unforeseen macroeconomic changes, political influences, and inconsistent scheduling between the executive and legislative branches. These disruptions often lead to discrepancies in budget projections and allocation, as noted by Mardiasmo (2018). Additionally, changes in regulatory frameworks post-planning further complicate the process, undermining the consistency and reliability of financial plans.

**Fiscal Independence: Current State and Challenges**

The fiscal independence of Gorontalo Province is severely constrained, as evidenced by its low fiscal independence index and heavy reliance on central government transfers, which accounted for 72.6% of total revenue in 2023. This dependency is reflective of broader structural issues in financial management, including limited local revenue generation and inefficient utilization of resources. The data corroborate findings by Gideta et al. (2021), who argue that fiscal independence requires robust financial governance and resource optimization.

The province's financial challenges are exacerbated by low contributions from retributive revenues and mismanagement of local resources. As shown in Table 1, local tax revenue constitutes the largest share of locally generated revenue, yet remains insufficient to offset the province's dependency on central transfers. These findings align with previous studies emphasizing the need for enhanced local revenue mobilization (Qisthina et al., 2019).

**Planning and Budgeting: Gaps and Opportunities**

The planning and budgeting processes in Gorontalo are marred by inefficiencies, including unrealistic revenue projections and inconsistent timelines. The lack of integration between executive planning and legislative approval often results in delayed ratifications, as noted by Mardiasmo (2018). Furthermore, political dynamics during budget discussions frequently alter pre-planned allocations, leading to misaligned priorities and reduced fiscal discipline.

Despite these challenges, opportunities exist to improve these processes through capacity-building initiatives and the adoption of advanced financial management tools. Studies by Schweizer (1985) and Khoirunisa and Sulaeman (2022) suggest that leveraging local resource potential and adopting evidence-based planning can significantly enhance fiscal independence.

**Implementation: Barriers to Effective Execution**

The implementation phase is characterized by delays in appointing key financial management officials and inconsistencies in budget execution. Late issuance of technical regulations from central ministries further impedes timely implementation, as noted in the study. Moreover, discrepancies between planned and actual expenditures are common, with substantial budget allocations remaining unutilized until the end of the fiscal year.

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These issues highlight the need for improved regulatory coordination and streamlined decision-making processes. The findings echo the work of Mardiasmo (2018), who advocates for a comprehensive approach to financial management that ensures alignment between planning, implementation, and evaluation.

**Reporting and Evaluation: Enhancing Accountability**

The reporting and evaluation processes in Gorontalo exhibit significant gaps in accuracy and timeliness. The consolidation of financial reports from various administrative units often encounters delays, resulting in incomplete or inconsistent data. Moreover, the evaluation of budget performance lacks a standardized framework, reducing its effectiveness in guiding future financial decisions. To address these issues, the study recommends adopting standardized reporting frameworks and integrating performance evaluations into financial management practices. This aligns with the principles of good governance, which emphasize transparency and accountability as essential components of effective financial management (Beshi & Kaur, 2020).

**Comprehensive Financial Management: Proposed Framework**

Building on the findings, this study proposes a comprehensive financial management framework tailored to Gorontalo's unique challenges. The framework emphasizes the integration of planning, budgeting, implementation, reporting, and evaluation into a cohesive system. Key components include:

1. **Enhanced Planning and Budgeting**: Utilizing evidence-based methodologies to develop realistic projections and align executive and legislative timelines.
2. **Streamlined Implementation**: Establishing clear roles and responsibilities for financial management officials and ensuring timely issuance of technical regulations.
3. **Standardized Reporting**: Adopting unified reporting templates to improve data consistency and reliability.
4. **Performance Evaluation**: Incorporating performance metrics to assess the effectiveness of financial management practices.

**Discussion: Bridging the Gap between Theory and Practice**

The findings of this study contribute to the broader discourse on fiscal independence and financial management. While existing literature provides general frameworks for financial governance, this study bridges the gap by offering a tailored approach for Gorontalo. The proposed framework aligns with theoretical principles while addressing practical constraints, making it applicable to similar regions with low fiscal independence.

The integration of comprehensive financial management practices, as proposed in this study, aligns with the concepts of New Public Management (NPM) and good governance. These principles advocate for efficiency, transparency, and accountability in public sector management (Hood, 1991). By adopting these practices, Gorontalo Province can move towards achieving fiscal independence and enhancing its overall governance capacity.

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## CONCLUSION

This study identifies critical gaps in the financial management practices of Gorontalo Province, emphasizing the region's dependence on central government transfers and its low fiscal independence index. Key findings highlight inefficiencies across planning, budgeting, implementation, and evaluation processes, compounded by misaligned priorities, delayed regulatory guidance, and inadequate local revenue mobilization. These challenges impede the province's ability to achieve fiscal independence and optimize resource utilization.

The study proposes a comprehensive financial management framework tailored to Gorontalo's unique challenges, integrating evidence-based planning, streamlined implementation, standardized reporting, and performance-based evaluation. This framework aligns with principles of good governance and New Public Management, promoting transparency, accountability, and efficiency.

The implications of this research are significant, offering actionable strategies for regional governments to enhance financial autonomy and governance capacity. By addressing systemic inefficiencies and adopting the proposed framework, Gorontalo can reduce its dependency on central transfers and improve its economic sustainability.

This study contributes to the existing knowledge base by bridging theoretical principles with practical applications in regional fiscal management. Future research should explore the scalability of the proposed framework to other regions with similar fiscal challenges, focusing on longitudinal impacts and the role of technological innovation in financial governance.

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