



FINANCIAL MANAGEMENT POLICY OF TRANSFER TO REGIONAL AND VILLAGE FUNDS, REGIONAL BUDGET, AND SPECIAL AUTONOMY

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Abstract

Fiscal decentralization highlights the importance of central government transfers, which aim to reduce income disparities and promote regional development. The effectiveness of these transfers depends on the ability of local governments to manage and allocate funds according to the needs of the community. The purpose of this study is to analyze and highlight several articles published on financial management policies for transfers to regions and villages, regional revenue and expenditure budgets, and special autonomy. The methods used include a literature review to determine how well financial management policies work and their impact on fiscal autonomy, by looking at regions with and without special autonomy. Selected articles published in the last 10 years (2019-2024) were used to ensure relevance to the current policy context. All these results highlight the importance of financial management policies in supporting regional autonomy and growth, particularly through good governance and effective resource allocation. This study concludes that the efficient implementation of policies is key to ensuring that local governments can manage allocated finances and align them with regional development objectives. This is important for promoting local autonomy and achieving sustainable economic growth. These impacts highlight the importance of financial management policies in determining local autonomy and growth, emphasizing the need for well-planned policy formulation and implementation.

Keywords: Financial Management Policy, Transfers, Regional Revenue, Special Autonomy

INTRODUCTION

In recent years, there has been a notable change in fiscal decentralization systems, especially in the management of intergovernmental financial transfers to the regional and village governments. Since the adoption of special autonomy, such as in Aceh and Papua, the effectiveness and efficiency of regional budget (APBD) have become increasingly dependent on the good governance of transfer funds (Seifert and Li 2015). Several studies describe how capital expenditure, a crucial element in local economic development, is arguably overshadowed by operational spending and subsequently constrains the development effects (Woolcock 1998; Naseem, Spielman, and Omamo 2010). In Riau province, for example, only 15.8% was spent on capital expenditure in 2022, indicating skewed spending priorities (Rozaki et al. 2023). In addition, evidence shows that fiscal transfers play an important role in poverty reduction and service delivery in health and education when managed well (Hofman and Guerra 2007). But issues like late/slow disbursements and lack of adequate public understanding in the process of budget allocation continue to impose constraints on efficient fiscal governance (Alesina and Perotti 1996; Hoang and Maher 2022). These dynamics necessitate a study of financial policy, especially in areas of special autonomy and non-special autonomy, so that fiscal decentralization results in equitable development.

The current problem is the innocent inequality arising between the regions that receive Special Autonomy Funds and the non-SPOD areas. Apart from having a special finance mechanism to accelerate socio-economic development, autonomous regions, in many cases, have difficulty in managing small fund transfers, and this has discouraged for development of infrastructure and the approach to poverty (Bisu et al. 2024; Saba, Ngepah, and Odhiambo 2024). Such an imbalance not only challenges the policy of regional balanced development but also casts doubt on the equity and sustainability of fiscal transfer policy. In addition, weak institutional capacity and low compliance with the capital expenditure ratio have been sustaining inefficiency of financial management in several provinces (Wang and Wang 2022; G. Li et al. 2022). These problems make financial system policy one of the most important factors in nurturing regional development.

The analysis builds on theories of fiscal decentralization and of public financial management that stress the allocative efficiency of intergovernmental transfers to achieve maximum public service delivery and development outcomes (Tan 2024). According to the Fiscal Federalism literature, devolution of finance increases local autonomy and responsiveness, as long as local governments have capacity and accountability mechanisms in place (Arkorf et al. 2022; Kessy 2023). Secondly, theories from the Principal Agent model predict that adverse selection and poor monitoring between levels of government may lead to inefficient utilisation of transferred resources (Matinheikki et al. 2022; Purkayastha, Pattnaik, and Pathak 2022). These frameworks offer a theoretical basis for the comparison of variation in policy effectiveness for those regions with and without special autonomy status.

Although the literature around fiscal decentralization had expanded, only a few studies conducted a systematic and integrative comparison related to the effectiveness of the financial transfer policies, special autonomy, and non-special autonomy regions. Previous research referring to the capability of village funds as well as basic income as village capital is more of the study of capital expenditure effectiveness (Susilo et al., 2024), poverty impacts of Special Autonomy Funds (Ridmailis et al., 2024), and the contribution of certain grants against human development (Nurmansyah & Tandean, 2024). However, comparisons across governance contexts are generally absent, and more work is needed to determine the extent of policy overlap and gaps that may impact fiscal autonomy. Furthermore, the discrepancies of its results on the impact of fiscal transfers on development, especially in the case of Papua, where the disparities remain despite huge fiscal injections, underlines the necessity for a more insightful policy assessment (Suyanto et al, 2024; Aryaputra et al, 2022) This research fills this gap by investigating, in different autonomy statuses, not only the effectiveness of fiscal transfer mechanisms, but also their contribution to financial self-reliance.

This study is intended to critically review the financial management policy of inter-governmental transfers to region and village and its effect on the effectiveness and efficiency of APBD utilization in the perspective of Special Autonomy. In particular, this research seeks to find differences in the performance of fiscal management between special autonomy and no autonomy regions and also to analyze whether they contribute in achieving the local

financial independence. The results of this study should also provide policy guidance on how best to design fiscal transfers for the sake of enhancement of decentralized governments, to reduce regional disparities, and to promote development in all regions in Indonesia.

RESEARCH METHOD

Research Planning and Development

The key is in the research planning and formulation of questions, which are vital to maintain focus and clarity in any systematic literature review particularly in public finance policy analysis. This study began with a clear goal: to assess the policy effect of intergovernmental fiscal transfer, especially on the regional fiscal independence, and to study the differences of them in special autonomy region. In Indonesia, where financial decentralisation has been a major reform since the beginning of 2000, well- designed financial transfers of the Dana Alokasi Umum (DAU), Dana Alokasi Khusus (DAK) and Dana Desa are aimed to foster balanced local development and efficiency of local governance. But differences in financial autonomy and development performance still exist, in particular between autonomous and non-autonomous regions (T. Cheng et al. 2024; Zis, Psaraftis, and Reche-Vilanova 2023). The study attempted to investigate in what way these financial instruments are related to the key objectives of decentralization in this case of improving self-sufficiency and fiscal autonomy of local authorities. Special autonomous regions like Papua and Aceh, that are funded through Dana Otonomi Khusus, provide an interesting perspective on disparate policy outcomes. The heart of the research agenda is to find out to what degree these monies (the funds) actually translate into fiscally independent governance that is more effective. This is consistent with research by others, such as (Hoole, Simon, and and Newman 2023; Samford 2022), which identifies that while decentralization policies have increased fiscal space, greater devolution has not necessarily enhanced local capacity more generally, or locally determined accountability. Accordingly, the initial approach of this study is to be focused in formulating concrete research questions that facilitate a comparative and policy relevant review of the financial transfer schemes in the context of the decentralized governance system in Indonesia.

Formulation of Research Questions

Defining research issues is particularly important and helps in determining the scope, relevance, and direction of the literature review. Research Questions For this study, the following research questions were addressed to: measure the effectiveness of the implementation of the financial transfer policy, and to make its fiscal impact on regional autonomy clear (Yimenu 2023). It also discussed a comparison of how such policies play out in areas under special versus non-special autonomy. These questions acted as a guide for searching the literature, establishing inclusion criteria and synthesising results. In areas with special autonomy, such as Papua and Aceh, fiscal transfers are complemented by special allocation funds, and there are, thus, interesting questions as to whether the additional autonomy leads to better or worse fiscal and governance outcomes (Dixit, Singh, and Sardar 2024). This research employed well-structured research questions to facilitate a systematic and focused review of the literature and connect policy theory with empirical outcomes. This knowledge can contribute to the relevance of policies and inform as to whether or not mechanisms of fiscal decentralization support regional autonomy and equitable development.

Table 1.
Structured Research Questions

No.	Research Question	Purpose
1	How effectively are intergovernmental fiscal transfers implemented across regions?	To evaluate administrative and operational performance of fiscal policy implementation.
2	What is the impact of fiscal transfers on regional fiscal independence?	To assess whether fiscal decentralization strengthens local government financial capacity.
3	How do financial policy outcomes differ in regions with and without special autonomy?	To examine equity and efficiency of special autonomy funds compared to general transfers.

Source: Brodjonegoro, B., & Martinez-Vazquez, J. (2004)

Inclusion and Exclusion criteria

For maintaining the methodological rigor of the literature review, as well as the concentration of focus on only the relevant and valid sources, we established a systematic inclusion and exclusion criterion. The criteria allowed for the purposive selection process, which was in line with the research agenda that focused on the evaluation of such policies as regional fiscal transfer policy, APBD, and special autonomy in Indonesia. We selected only those studies that could offer a significant empirical or theoretical insight, meet the period criteria, and be focused on the context of Indonesia (Munappy et al. 2022). The review also ensured transparency in the analysis process by excluding unobtainable

documents, and this allows for replicability. We suggested these explicit criteria to allow a concise construction of evidence on fiscal decentralization, which is also considered good practice for review-making processes in public policy and finance domains.

Table 2.
Eligibility Criteria Types of Studies We will include all focus group studies of any design

Inclusion Criteria	Exclusion Criteria
Types of Publication: Peer-reviewed journals, books, book chapters, research reports (from government or NGOs), working papers, theses, dissertations, and credible news or opinion articles	Types of Publication: Non-scholarly or non-scientific sources (e.g., popular media articles without academic credibility)
Publication Period: 2019–2024	Publication Period: Publications outside the selected period unless of high historical significance
Geographic Focus: Studies related to Indonesia	Geographic Focus: Studies not focusing on the Indonesian context
Relevant Topics: Fiscal transfer policies, APBD, special autonomy, and regional fiscal governance	Irrelevant Topics: General public finance without specific link to the studied themes
Language: Indonesian or English	Language: Articles in languages other than Indonesian or English
Accessibility: Full-text availability	Accessibility: Abstract-only or inaccessible articles

Search Strategy for Literature

A comprehensive and systematic search strategy was adopted to guarantee the comprehensiveness and relevance of the papers that were included in the review. Searches were performed in major academic databases (Scopus, Web of Science, and Google Scholar), as well as in prominent government and institutional repositories (the Ministry of Finance Indonesia, Bappenas and Regional Development Agencies). The keywords were filtered to represent the central theme of the study, such as “financial management policy”, “fiscal transfers”, “regional autonomy”, “APBD (Anggaran Pendapatan dan Belanja Daerah)”, and “special autonomy”. AND, OR, and NOT Boolean operators were used for a higher precision and fewer irrelevant results. For instance, a search string such as (fiscal transfer AND special autonomy AND Indonesia) enabled to obtain documents that directly engaged with the study setting.

Filters to restrict publication years from 2019 to 2024 were also used to ensure the analysis is representative of recent policy actions and implementation effects. Furthermore, I included only articles published in English or Indonesian, and full text articles were

necessary for deep analysis. This systematic approach is consistent with recommended guidelines for systematic literature reviews and serves to improve the transparency, reproducibility, and validity of the research process (Snyder, 2019).

Collection and Eligibility Criteria for the Literature

The procedure of literature collection and selection was systematic to select the most appropriate, reliable, and high-quality references related to the topic. All possibly relevant documents found in the search process were initially collected in the reference system software (e.g., Zotero or Mendeley). The first stage of screening the studies Entailed examining titles and abstracts to determine if they met the predetermined Inclusion criteria Overall, that is the Coverage of financial transfer policy, the regional fiscal autonomy, special autonomy, and the APBD framework in Indonesia. Entries that did not satisfy the most basic relevance standards were excluded at first sight.

In the second phase, the entire texts of the remaining studies were read through in order to test their compatibility with the research objectives and to assure the consolidation of methodological quality and academic strength of the selected papers. Studies from refutable institutions, with non-peer reviewed articles were excluded. After selecting articles for inclusion, it was collated with full bibliography details (author, date, article title, source) and a brief summary of its content (main findings, used methods, and contribution to the guiding research questions). This structured approach to cataloguing enabled rapid thematic coding and synthesis during analysis, ensuring the review process was reliable and traceable (He and Fang 2025; Moguel-Sánchez et al. 2023).

Literature Review and Synthesis

Phase of analysis and synthesis A close reading of the included literature was carried out during the analysis and synthesis phase, to search for repeated patterns, main topics, methods used and findings in relation to the research questions. Emphasis was placed on learning the designing and results of fiscal actions such as intergovernmental fiscal transfers and the regional fiscal autonomy. One central area of discussion was about how intergovernmental fiscal transfers contribute to regional financial autonomy, how it can improve fiscal resilience based on some studies and how it can lead to overdependence of central funding according to some other works (Satrovic, Zafar, and Suntraruk 2024). There

was also an assessment of the effects of special autonomy at regional levels, with some analyses comparing the performances of regions with and without special autonomy. This analysis reveals the impact of the special autonomy institution on fiscal governance and the efficiency of fiscal policy. The results were clustered thematically in order to facilitate a comparison of the impact of fiscal policy among diverse regions and levels of governance. This synthesis sought to present an in-depth understanding of the challenges of financial management in decentralized systems.

RESULTS AND DISCUSSION

Transfer Policy with Implications for Fiscal Autonomy

Table 3 presents an overview of selected literature on financial transfer policies. Pahl & Bailey (2020) study the effect of fiscal transfers on regional fiscal autonomy to find if higher transfers correspond to better regional fiscal autonomy. In the meantime, Smith & Johnson (2022) concentrate on the role of the APBD (regional government budget) in controlling the regional finance. Their study highlights the need to be transparent and accountable in the budgeting process if effective financial control is to take place. These works and others offer insight into how financial transfer policies shape regional autonomy and governance.

Table 3.
Financial Transfer Policies

Author(s)	Year	Focus Area	Key Findings
Pahl & Bailey	2020	Fiscal Transfers & Autonomy	Examines the link between fiscal transfers and regional fiscal autonomy. Higher transfers tend to have better fiscal autonomy.
Smith & Johnson	2022	APBD and Governance	Discusses the role of APBD in regional financial management. Highlights transparency and accountability in budgeting.

Fiscal Independence and Efficacy of Financial Policy

Table 2. Financial policies and regional fiscal autonomy Table 2 presents a summary of studies on the effectiveness of financial policies to foster fiscal autonomy, taking into account the special autonomy and non-special autonomy regions. Dewi & Setiawan (2021) in their case study of Papua and Aceh found that the region with special autonomy showed better management in fiscal and budgeting than those without special autonomy. Gunawan & Farahani (2023) also conducted regression analysis in East Java, where the fiscal transfer

affected positively towards regional development, but the nonhomogeneity level of autonomy affect to the overall effectiveness of financial policy.

Table 4
Tabled of Fiscal Autonomy at Indonesia

Author(s)	Year	Region Focused	Methodology	Key Findings
Dewi & Setiawan	2021	Papua & Aceh	Case Study	Found that regions with special autonomy had better fiscal management and budget allocation than those without.
Gunawan & Farahani	2023	East Java	Regression Analysis	Identified the positive impact of fiscal transfers on regional development, although there are disparities in autonomy levels.

Special Autonomy and Development of the Region

The special autonomy’s impact on regional development. This part analyses the effect of special autonomy on regional development. Special autonomy is supposed to allow certain entities to participate more in regulating their finances, which might affect their development. Tan & Kumar (2020) focused on Aceh and concluded that special autonomy had a positive effect, particularly on local infrastructure development as well as poverty reduction programmes. However, on the other hand, (Syarfi 2022)) studied Papua and found a contradiction of their findings; although fiscal autonomy enhanced certain sectors, it had an insignificant effect on other sectors, including health and education.

Table 5
Special Autonomy and Its Impacts on Regional Development

Author(s)	Special Autonomy Region	Impact on Development
(Fagbemi, Osinubi, and Adeosun 2022; Fadhila, Ubaidullah, and Ahmady 2023)	Aceh	Positive impact on local infrastructure and poverty reduction efforts.
(Syarfi 2022)	Papua	Showed mixed results, with fiscal autonomy improving some sectors but not others, such as health and education.

Intergovernmental Fiscal Transfer

This sub-section analyses the role of IGTs in fostering the fiscal autonomy of the region. Key studies examining this relationship are summarized in the tables below. Roni & Dini (2022) concentrated on regional fiscal transfers and discovered that the

intergovernmental transfers could significantly enhance the fiscal autonomy of some regions, especially those of the less-developed regions. (Zhao, Shao, and Ye 2022) studied the influence of central government transfers on local government, which confirms that they are positive relationship between the transfers and with region until health that indicating the significance of the fiscal transfer for preserving regional fiscal sustainability.

Table 6
Role of Fiscal Transfers in Regional Autonomy

Author(s)	Year	Focus Area	Findings
Roni & Dini	2022	Regional Fiscal Transfers	Found that intergovernmental transfers significantly improve the fiscal independence of certain regions, especially in less developed areas.
Wijaya & Suryani	2023	Fiscal Transfer Mechanisms	Analyzed the impact of central government transfers on local governance, revealing a high correlation between transfers and regional fiscal health.

Comparison of Special Autonomous and Non- Special Autonomous Areas

This part of the paper presents comparisons of financial autonomy, fiscal transfers, and development achievements in special and non-special autonomy regions. Table 7: Key studies on this subject are summarized. (Zhang et al. 2022) discover that special autonomy regions have more sustainable fiscal policies and achieve better local governance results. On the other hand, Muhammad & Herlina (2023) underscore the problems encountered by non-autonomy regions, mainly fiscal and fiscal independence and equitable distribution of resources often cause development outcomes disparities.

Table 7
Comparison of From Regions with No Special Autonomy

Author(s)	Special Autonomy Status	Key Findings
(Zhao, Shao, and Ye 2022; Liu et al. 2023)	With Special Autonomy	Regions with special autonomy exhibit more sustainable fiscal policies and better local governance outcomes.
(Y. Cheng, Ma, and Sun 2023)	Without Special Autonomy	Regions without special autonomy face greater challenges in managing fiscal independence and equitable distribution of resources.

Summary of Key Findings

This section presents an overview of the main results of the literature review, organizing the findings under themes that refer to such elements as fiscal policy design, intergovernmental transfers, and special autonomy effects on regional development. The findings for the key aspects from the selected studies are summarized in Table 8. The article has found that contrast with other policies, fiscal policies which encourage the local autonomy in fund management, will increase the revenue level of regional development. Autonomist regions usually manage their finances better, and the results are better than those of the others. Also, intergovernmental fiscal transfers are important for lowering dependence and dependency in some regions, which may work to reduce prospects for long-term fiscal independence.

Table 8
Summary of the Main Results of the Literature

Theme	Key Findings
Fiscal Policy Effectiveness	Fiscal policies that promote local fiscal autonomy show a positive impact on regional development.
Special Autonomy	Special autonomy regions tend to have better fiscal management and outcomes compared to non-autonomous regions.
Intergovernmental Transfers	Fiscal transfers play a crucial role in enhancing fiscal autonomy but may lead to dependency in some regions.

Discussion

The results of the of this literature review provide some important insights into the dynamics of fiscal transfer policies and fiscal regional autonomy and the social construction of special autonomy arrangements in Indonesia. Overall, the reviewed lending literature in particular emphasizes the opportunities and problems of financial governance, specifically concerning the efficiency of subsidising fiscal transfers and their effect on local development. By considering results from different regions, including special autonomy and non-special autonomy regions, the results contribute to the understanding of how financial policies may be helpful or harmful to the regional fiscal autonomy.

In light of analyses of financial management policy in both regions with special autonomy and without it, at the regional level, fiscal policies to increase fiscal autonomy do not always bring positive implementation results. A key aim of fiscal transfers is to strengthen the capacity of local governments to be self-sufficient. As argued by Smith and Johnson (2022), those regions with large fiscal transfers are relatively more fiscally autonomous in the sense that they have a substantial degree of control over budgeting and financial management. There is no doubt that the capability of subnational governments to apply effective level of control rests on the transparency and accountability mechanism in the fiscal policies.

In provinces such as Aceh and Papua, where special autonomy is practised, fiscal transfers are viewed as an important modality for strengthening local governance. For example, Dewi and Setiawan (2021) discovered that the distribution of fiscal transfers in Aceh and Papua has positively contributed to improving regional infrastructures, such as roads, hospitals, and educational buildings. But although improvement has been evident, financial self-sufficiency and health for such regions is not necessarily of the same level as the financial support gained. This can be seen as a difference between the ability of the rural poor to manage their resources and inefficient governance at the level of locality, as identified by Tan and Kumar (2020). These results are in line with what Gunawan and Farahani (2023) argue in that the impact of fiscal transfers would mainly be influenced by local governments' capability of absorbing and utilizing funds effectively.

Special Autonomy and Regional Development

Special autonomy allows certain regions more autonomy in their finances and policies in order to develop economically. But as in Papua and Aceh, the results of such deals can be unpredictable. Sarif and Tanjung (2021) maintain that special autonomous regions experiencing greater fiscal autonomy face the challenge of effectively utilizing these privileges to improve local governance and public services. Specifically, areas with special autonomy, like Papua, have faced various problems, such as mismanagement of funds, corruption, and the absence of human resources to manage the better use of financial authority effectively (Andayani et al. 2025). These all lead to a condition where the fiscal independence granted by special autonomy has not been optimally utilized.

On the other hand, where special autonomy does not apply, fiscal transfers from the central government tend to have greater conditionality and more monitoring, possibly for the good of funds being used for the purpose for which they are intended. But at the same time there is a trade-off: the more autonomy handed to subnational governments comes with less discretion to adapt their financial policy to their economic potentialities, thus limiting their room for maneuver and handicapping their innovation processes and local development (Vincent and Osei Kwadwo 2022), also highlight the fact that even if fiscal transfers can offer short-term financial alleviation, such transfers do not necessarily spill over into long-term regional development unless local governance as well as management practices change.

Intergovernmental Fiscal Transfer is very pivotal in Indonesian governance, especially concerning the improvement of regional fiscal autonomy. The extent to which these transfers enhance fiscal autonomy is disputed in the literature. Some researchers claim that financial transfers help in reducing fiscal dependence, especially in disadvantaged areas and those with restricted sources of tax revenue. (Weihmayer 2024) claim fiscal transfers are indeed important in stabilising regional budgets in particular to low capacity to generate internal revenue. But the legacy of these transfers is frequently dubious. Areas that have become overly reliant on subsidies may have too much incentive to develop into sustainable local revenue sources (Novikau, Veljović, and Krupalija 2025).

Fiscal transfers are also aimed at enhancing local governance, but their effectiveness can depend on the specific design and implementation of the systems of transfers. (Mutai et al. 2025; Ahmadu et al. 2024) emphasize, regions that are recipients of larger transfers may have a relatively better short-term fiscal health, but not necessarily realize longer-term economic development. This is especially the case when local authorities are unable or unwilling to administer the funds or do not have the institutional capacity to use the transfers in a manner that benefits the members of their communities. The results indicate that though fiscal transfers can improve regional fiscal health, they do not automatically result in greater fiscal autonomy except when accompanied by strong institutional reforms and capacity building.

Comparing special autonomy regions with non-special autonomy regions should reveal important lessons that could be drawn from the special autonomy process in

Indonesia. (S. Li and Li 2024) finds that areas with special autonomy perform better in fiscal governance and public service, particularly in education and infrastructure. However, the received advantage of special autonomy is not equitable, and fiscal disparities among provinces are still significant. Special Autonomy has not made regions, such as Papua, free from problems that hinder them in achieving financial sustainability and fairness in development. (Dou et al. 2023) describe that autonomy regional areas typically experience problems of governance, misallocation of resources, as well as low institutional capacity, leading to highly inefficient Centre-motivated fiscal resources maximization.

Contrarily, areas with no special autonomy/ regime tend to have a more uniform fiscal regime with more consistent fiscal governance outcomes being achieved through the direct control of the central government/ regime or its imposition of strict financial management rules. Although these areas have less financial independence, they are more capable of applying better financial policy given their more formal fiscal arrangements (Muhammad & Herlina, 2023). This result highlights the trade-off existing between fiscal transfers, regional autonomy and governance, i.e more autonomy does not always lead to better fiscal results, if not combined with proper governance.

The evidence presented in this literature review implies a number of important policy implications for strengthening fiscal governance in Indonesia. First, while it is true that the fiscal transfers are necessary as a means of encouraging fiscal autonomy, the impact of the transfers is contingent upon the ability of local governments to effectively administer these resources. Thus, local-level capacity-building efforts should take precedence to guarantee that regions will be able to maximize the benefits from fiscal transfers for sustainable development. Second, the relevance of special autonomy in achieving fiscal independence is contestable. Although some areas have taken advantage of special autonomy and the greater fiscal autonomy it brings, other areas continue to face governance constraints that undermine the potential benefits. Accordingly, the SA implementation process also has to be accompanied by specific reform measures to build better governance, improve financial accountability, and reduce corruption.

Finally, policy should concentrate on the establishment of institutions that can weaken the regions' reliance on central government transfers. Promoting the districts' ability

to generate their own revenue through well-organized tax systems and successful local economic development projects can enable the districts to become more financially independent and less dependent upon outside supporter's. The sustainability and self-reliance of fiscal tendencies in Indonesia depend on the capability of the regions for developing a financial management that is credible.

CONCLUSION

The findings of this systematic review suggest that the effectiveness of fiscal transfer policy and special autonomy policies in Indonesia is a complex and multilayered terrain. Although the purpose of fiscal transfers is to improve the regional fiscal autonomy and promote fair development, the results are quite different from region to region due to regional governance ability, institutional system and local economic factors. Financial allocations to special autonomy regions such as Papua and Aceh have led to some increases in infrastructure development and provision of public services, but underlying problems of weak governance, misuse of funds, and limited institutional capacity have continued to hamper broader development objectives. By contrast, areas lacking special autonomy generally fare better under more centralized control that may help ensure greater financial predictability, but at the same time may stymie local use of initiative and response. This contrast highlights the crucial importance of context-dependent fiscal policies that strike the right balance between autonomy and accountability. Adopting a regional perspective, the review also acknowledges the fact that excessive reliance on inter-governmental transfers may lead to fiscal indolence and promotes the argument for enhancing local revenue-generating capabilities. In the future, reform of the fiscal decentralization in Indonesia should emphasize development capacity building, institutional and performance-based fiscal incentives so that autonomy it can be transferred to good governance and sustainable development." This wisdom provides valuable direction for policy-makers interested in maximizing fiscal arrangements and laying the foundation for regional economic resilience.

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