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An Administrative Review of The Financial Autonomy of The City of Madiun in The Implementation of Regional Autonomy

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ABSTRACT

A review of regional financial independence is a crucial aspect in measuring the effectiveness of regional autonomy implementation. The massive development of infrastructure and public services in Madiun requires strong financial autonomy. This study aims to provide an administrative review of the state of regional financial independence in Madiun City. The method used is a literature study, with data collection techniques through documentation studies of budget realization reports, publications by the Central Statistics Agency (BPS) of Madiun City, and regulations regarding the financial balance between the central and local governments (HKPD Law). The analysis focuses on how Madiun City manages fiscal capacity and local revenue (PAD) as the main instruments of regional development amidst post-pandemic economic dynamics. Preliminary research results indicate that Madiun City continues to strive to strengthen its fiscal independence structure through service innovation and effective expenditure management. This study concludes that strengthening fiscal capacity supported by good administrative governance can support the sustainability of regional autonomy in Madiun City.

ABSTRAK

Tinjauan terhadap kemandirian keuangan daerah merupakan aspek penting dalam mengukur efektivitas pelaksanaan otonomi daerah. Pembangunan infrastruktur dan pelayanan publik secara masif di Kota Madiun memerlukan kemandirian finansial yang kuat. Penelitian ini bertujuan untuk memberikan tinjauan administratif mengenai kondisi kemandirian keuangan daerah di Kota Madiun. Metode yang digunakan adalah studi literatur, dengan teknik pengumpulan data melalui studi dokumentasi terhadap laporan realisasi anggaran, publikasi Badan Pusat Statistik (BPS) Kota Madiun, serta peraturan terkait perimbangan keuangan antara pemerintah pusat dan daerah (UU HKPD). Analisis berfokus pada bagaimana Kota Madiun mengelola kapasitas fiskal dan Pendapatan Asli Daerah (PAD) sebagai instrumen utama pembangunan daerah di tengah dinamika perekonomian pascapandemi. Hasil penelitian awal menunjukkan bahwa Kota Madiun terus berupaya memperkuat struktur kemandirian fiskalnya melalui inovasi pelayanan dan pengelolaan belanja yang efektif. Penelitian ini menyimpulkan bahwa penguatan kapasitas fiskal yang didukung oleh tata kelola administrasi yang baik dapat menunjang keberlanjutan pelaksanaan otonomi daerah di Kota Madiun.

INTRODUCTION

Decentralization grants regional leaders the authority to regulate and manage governmental affairs in accordance with the needs and characteristics of their respective regions. This policy aims not only to improve the efficiency of public administration, but also to strengthen local democracy and promote public welfare. Within the framework of regional autonomy, villages hold a strategic position as the tier of government closest to the community and as the spearhead of public service delivery. The strengthening of the village's role has become increasingly evident since the enactment of Law No. 3 of 2024 concerning the Second Amendment to Law No. 6 of 2014 on Villages, which grants broader authority to villages to administer governance, carry out development, foster community life, and empower local residents (Handoko et al, 2026). Regional autonomy grants local governments the authority to manage their finances and development independently (Republic of Indonesia, 2014). However, the success of autonomy depends heavily on local fiscal capacity to finance its own expenditures without excessive reliance on central government transfer funds (Nanga & Hudang, 2023; Rahmawati & Nugroho, 2026). The city of Madiun, as one of the strategic regions in western East Java, has shown significant progress in sustainable urban planning.

The massive development of infrastructure and public services in Madiun requires strong financial autonomy. Efforts to strengthen Local Own-Source Revenue (PAD) are key to maintaining stable local finances in support of autonomy programs (Irawati & Susanti, 2023). Therefore, this study was conducted to provide an administrative review of the patterns of local financial autonomy in Madiun City, in order to assess the extent to which the region’s financial capacity can independently support the implementation of regional autonomy.

RESEARCH METHODS

This study employs a literature review approach aimed at providing a systematic overview of the phenomenon of local fiscal autonomy. The method used is library research, in which the researcher collects, processes, and analyzes secondary data relevant to the research topic.

The primary data in this study were sourced from official government documents, including the Budget Implementation Report (LRA) of Madiun City (Madiun City Government, 2024), publications by the Central Statistics Agency (BPS) of Madiun City (Central Statistics Agency of Madiun City, 2025), and regulations regarding the financial

balance between the central and local governments (HKPD Law) (Republic of Indonesia, 2022). The research focuses on Madiun City, using data samples from the most recent period to examine trends in regional autonomy in the post-pandemic era and within the framework of the digital transformation of public administration.

RESULTS AND DISCUSSION

Descriptive Analysis of the Financial Performance and Fiscal Autonomy of Madiun City

Based on data from the Budget Implementation Report (LRA) and regional planning documents, the City of Madiun has shown a generally stable trend in financial performance (Madiun City Government, 2024). In 2024, the City of Madiun recorded a fiscal autonomy ratio of 31.25% (Directorate General of Fiscal Balance, 2024). Theoretically, this figure places the level of regional financial autonomy in the "Moderate" category with a "Consultative" relationship pattern (Kamaruddin & Syamsuddin, 2023). This consultative relationship pattern indicates that although the Madiun City Government has been able to formulate its own revenue policy direction, intervention and dependence on transfer funds from the central government remain at a moderate level (Kamaruddin & Syamsuddin, 2023).

Although it remains dependent on external sources, the fiscal structure of Madiun City has strengthened year after year. This is clearly evident in the growth of actual pure Local Own-Source Revenue (PAD), which increased from Rp 115 billion in 2023 to Rp 122.3 billion in 2024 (Madiun City Government, 2024). These fiscal strengthening measures are further accelerated in the 2025 fiscal year Regional Budget (APBD) targets, where local revenue is projected to grow significantly, reaching Rp 285.5 billion (Madiun City Central Statistics Agency, 2025). This projected increase is based on the optimization of two main sectors: a local tax target of Rp 147.72 billion and local fees of Rp 94.55 billion (Madiun City Central Statistics Agency, 2025). The success in achieving a total revenue realization of 77.40% indicates that the budget planning process in Madiun City is conducted in a realistic and measurable manner (Madiun City Government, 2024).

The Effectiveness of Local Revenue Collection and the Implementation of E-Tax Policies

A key indicator supporting the argument that Madiun City's financial administration is functioning optimally is the achievement of a local revenue (PAD)

effectiveness ratio reaching 99.63% during the current period (Madiun City Government, 2024). In public administration studies, an effectiveness rate approaching 100% indicates that the tax collection bureaucracy possesses precise and accurate operational tools. This success in collecting taxes and fees is closely tied to the Madiun City Government's commitment to implementing digital transformation.

The implementation of an electronic tax collection system, or e-tax—particularly in the sectors of market fees, parking fees, and hotel and restaurant taxes—has proven effective in minimizing budget leakage caused by human error or maladministration (Ridhawati, 2025). From a legal and formal standpoint, this administrative order is governed by Madiun City Regional Regulation No. 2 of 2023 on Regional Financial Management. This local regulation integrates all revenue databases into a single unified system, which in turn fosters a high level of transparency and public accountability in accordance with the provisions of Law No. 1 of 2022 on Financial Relations between the Central Government and Local Governments (HKPD Law) (Republic of Indonesia, 2022).

The Correlation Between the Tertiary Tax Sector and the Sustainability of Regional Autonomy

When analyzed spatially and by sector using data from the Central Statistics Agency (BPS), the main driver of Madiun City's fiscal strengthening does not come from the heavy industry sector, but rather from the trade, tourism, and services sectors (the tertiary sector) (Madiun City Central Statistics Agency, 2025). Massive urban infrastructure development policies, such as the creation of the iconic Pahlawan Street Center (PSC) area, have successfully transformed the landscape of Madiun City into a man-made tourist destination.

The administrative impact of these policies has been the expansion of the tax base (tax base widening). The surge in tourist visits has linearly increased revenue and tax collections from the hospitality, restaurant, and entertainment sectors. The significant contribution of the service sector provides the city government with greater fiscal flexibility (fiscal space) to fund mandatory local government expenditures. This enables the City of Madiun to manage its regional autonomy more independently without having to constantly rely on Special Allocation Funds (DAK) or General Allocation Funds (DAU) from the central government for local-scale development programs (Halawa et al., 2025; OECD, 2023).

Challenges in Public Administration: Budget Absorption Patterns and Capital Expenditures

Although the City of Madiun has achieved remarkable administrative success by maintaining an Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK) for eight consecutive years, this study found several structural anomalies in its expenditure management (Madiun City Government, 2024). Regional expenditure efficiency is indeed high, at 93.57%, but the distribution of actual spending has not been evenly spread throughout the year (Madiun City Government, 2024).

Based on an analysis of the patterns in the Budget Execution Report, the absorption of Madiun City's local expenditures has historically tended to be concentrated in the fourth quarter or at the end of the fiscal year (Madiun City Government, 2024). From a public administration perspective, a spending pattern that is concentrated at the end of the year risks reducing the effectiveness of fiscal stimulus in the community (Fitriani & Pratama, 2025). Delays in the circulation of funds prevent development programs from maximizing their economic ripple effects from the beginning of the year (Fitriani & Pratama, 2025).

The second challenge is the still-low proportion of capital expenditures, which stands at less than 50% of the total spending allocation (Madiun City Government, 2024). As of the final quarter, total spending had only reached 63.57% (Rp 763.05 billion out of a budget of Rp 1,200.28 billion) (Madiun City Government, 2024). This low percentage of capital expenditures indicates obstacles in the management of the bureaucratic supply chain, the procurement bidding process for goods and services, or administrative apprehension among civil servants (ASN) regarding the legal risks of project implementation. In fact, the sustainability of true regional autonomy requires a sound APBD structure, in which capital expenditures for long-term infrastructure should account for a larger share compared to operational expenditures or personnel expenditures (Irawati & Susanti, 2023).

CONCLUSION

Based on the administrative review conducted, the financial autonomy of Madiun City shows a positive and stable trend, with an average fiscal autonomy ratio of 31.25% in 2024 (Directorate General of Fiscal Balance, 2024). Although structurally it remains in the category of moderate dependence on central government transfer funds, the city's

fiscal capacity continues to strengthen through consistent annual growth in local revenue (Madiun City Government, 2024). This success is driven by optimal financial administration, evidenced by a local revenue collection effectiveness rate of 99.63% thanks to digital innovations such as the e-tax system (Madiun City Government, 2024), as well as the achievement of an Unqualified Opinion (WTP) from the State Audit Agency (BPK) for eight consecutive years (Madiun City Government, 2024).

Nevertheless, the Madiun City Government still faces several structural administrative challenges, such as a pattern of budget absorption that tends to be concentrated at the end of the year (fourth quarter) and a capital expenditure allocation that remains below 50% (Madiun City Government, 2024). Strengthening public administration capacity, accelerating budget absorption early in the year, and optimizing the service and tourism sectors are strategic steps that must be prioritized. With a commitment to good governance in accordance with the mandate of Law No. 1 of 2022 on Financial Relations between the Central Government and Local Governments (HKPD Law) (Republic of Indonesia, 2022), Madiun City is on the right track to achieve sustainable fiscal autonomy to support the implementation of regional autonomy.

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