

THE EFFECT OF LOCAL ORIGINAL REVENUE AND TRANSFER FUNDS ON REGIONAL EXPENDITURE IN OGAN ILIR DISTRICT: A FLYPAPER EFFECT ANALYSIS (2015-2024)

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Abstract

This study aims to analyze the influence of Local Genuine Revenue (PAD) and Transfer Funds on Regional Expenditure in Ogan Ilir Regency, as well as to identify the existence of the Flypaper Effect phenomenon during the 2015-2024 period. Using a quantitative method with a causal associative approach, this research utilizes secondary time-series data from annual Budget Realization Reports (LRA). The results of the multiple linear regression analysis show that PAD has a positive and significant effect on Regional Expenditure, with a regression coefficient of 5.766 and a significance value of 0.047. On the other hand, Transfer Funds partially do not have a significant effect on Regional Expenditure, with a significance value of 0.191. The primary finding of this study indicates that the Flypaper Effect phenomenon does not occur in Ogan Ilir Regency, as the PAD coefficient (5.766) is substantially larger than the Transfer Funds coefficient (0.836). This suggests that the local government is more responsive to increases in internal revenue than to central transfers when determining expenditure policies, reflecting efforts toward fiscal independence and rational financial management without falling into fiscal illusion.

Keywords: *Regional Original Income (PAD), Transfer Funds, Regional Expenditure, Flypaper Effect, Ogan Ilir.*

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh Pendapatan Asli Daerah (PAD) dan Dana Transfer terhadap Pengeluaran Daerah di Kabupaten Ogan Ilir, serta untuk mengidentifikasi keberadaan fenomena Efek Flypaper pada periode 2015-2024. Dengan menggunakan metode kuantitatif dengan pendekatan kausal asosiatif, penelitian ini memanfaatkan data deret waktu sekunder dari Laporan Realisasi Anggaran (LRA) tahunan. Hasil analisis regresi linier berganda menunjukkan bahwa PAD memiliki pengaruh positif dan signifikan terhadap Pengeluaran Daerah, dengan koefisien regresi sebesar 5,766 dan nilai signifikansi 0,047. Di sisi lain, Dana Transfer sebagian tidak memiliki pengaruh signifikan terhadap Pengeluaran Daerah, dengan nilai signifikansi 0,191. Temuan utama penelitian ini menunjukkan bahwa fenomena Efek Flypaper tidak terjadi di Kabupaten Ogan Ilir, karena koefisien PAD (5,766) jauh lebih besar daripada

koefisien Dana Transfer (0,836). Hal ini menunjukkan bahwa pemerintah daerah lebih responsif terhadap peningkatan pendapatan internal daripada transfer pusat dalam menentukan kebijakan pengeluaran, yang mencerminkan upaya menuju kemandirian fiskal dan pengelolaan keuangan yang rasional tanpa terjerumus ke dalam ilusi fiskal.

Kata kunci: *Pendapatan Asli Daerah (PAD), Dana Transfer, Pengeluaran Daerah, Efek Flypaper, Ogan Ilir.*

INTRODUCTION

The evolution of governance in Indonesia after the reform era was marked by a fundamental paradigm shift from centralization to decentralization. This change, often referred to as "Big Bang Decentralization," aimed to bring public services closer to the people, improve the efficiency of resource allocation, and spur regional economic growth by granting broad, real, and accountable autonomy. The primary instrument for achieving these goals was fiscal decentralization, which empowered regions to generate their own funding through Regional Original Revenue (PAD) and receive fiscal transfers from the central government to bridge the fiscal gap between spending needs and revenue capacity.

Ogan Ilir Regency, as an autonomous region in South Sumatra Province, formed from the division of Ogan Komering Ilir Regency (OKI) in 2004, is an interesting empirical representation for examining the dynamics of central and regional financial relations. Since its establishment, Ogan Ilir Regency has continuously strived to build an independent economic foundation. Geographically, Ogan Ilir's strategic position as a buffer zone for Palembang City and crossed by the central route and the Trans-Sumatra toll road should provide a comparative advantage in accelerating the regional economy (BPS Ogan Ilir Regency, 2021). Ogan Ilir Regency's continuously growing GRDP (Gross Regional Domestic Product), supported by the agriculture, trade, and construction sectors, reflects the potential for a promising tax base (BPS Ogan Ilir, 2025).

However, the reality of regional financial management often does not align with macroeconomic potential. Regional financial statistics show a persistent gap between regional fiscal capacity and increasing spending needs. The structure of the Ogan Ilir Regency Regional Budget (APBD) during the observation period (2015-2025) was still significantly dominated by Transfer Fund components (formerly known as Balancing Funds), which include the General Allocation Fund (DAU), Special Allocation Fund

(DAK), and Revenue Sharing Fund (DBH) (Directorate General of Fiscal Balance, 2022). This high dependence on transfer funds raises fundamental questions about the effectiveness of regional autonomy, which has been in place for more than two decades (Ogan Ilir Regency Government, 2023).

This phenomenon of fiscal dependency becomes even more complex when analyzed using the perspective of bureaucratic behavior in budgeting. Public economic theory has given rise to the Flypaper Effect hypothesis, a behavioral anomaly in which local governments tend to respond to increases in transfer funds (either lump-sum or block grant) by increasing regional spending in a greater proportion than if the increase in revenue came from Regional Original Revenue (PAD) (Nuritasari & Suhartini, 2024). The term "flypaper" implies that the transfer money "sticks where it lands" (in the hands of local bureaucrats) and is not passed on to the public in the form of reduced local tax burdens, but is instead spent on expanding government spending.

If the flypaper effect is proven to be present in Ogan Ilir Regency, it indicates a structural problem with fiscal incentives. Local governments may experience what is known as a fiscal illusion, where the cost of providing public services appears cheaper to local taxpayers because they are subsidized by central transfers. This results in excessive demand for public services and regional spending. On the other hand, this could also reflect opportunistic behavior by budget-maximizing bureaucrats who use transfer funds to expand their budgets and discretionary powers, rather than optimizing efficiency (Tasri, 2018).

The urgency of this research is increasingly relevant with the regulatory changes through Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD). This regulation is designed to improve the design of transfers to regions and strengthen local taxation capacity (local taxing power). By analyzing data from 2015-2024, this study covers the transition period of the regulation's implementation and the COVID-19 pandemic crisis period, which severely impacted the regional budget (APBD) posture, both in terms of local revenue (PAD) contraction and transfer fluctuations due to the national budget refocusing policy (Directorate General of Fiscal Balance, 2022). Analysis of this period will provide a comprehensive overview of the fiscal resilience and adaptability of Ogan Ilir Regency.

A literature review of previous studies provides a strong foundation but also highlights research gaps that need to be addressed. Research by (Cahyani, Firmansyah, & Dwitayanti, 2025) on districts/cities in South Sumatra found strong indications of a flypaper effect, where the General Allocation Fund (DAU) has a higher elasticity to spending than the Regional Original Revenue (PAD). Similarly, (Ningsih, 2021) also found the dominance of transfers in regional spending variance in Sumatra. However, several other studies, such as that by (Putri, 2025), suggest the need to include other variables such as Budget Surplus (SiLPA) to obtain a more comprehensive picture, given that SiLPA often serves as a significant fiscal buffer for regions.

The rationale for this research is based on the urgent need for the Ogan Ilir Regency Government to formulate a sustainable fiscal strategy. Excessive dependence on central transfers makes the region vulnerable to national fiscal shocks. For example, when the central government delays the disbursement of the General Allocation Fund (DAU) or cuts the Special Allocation Fund (DAK), public services in the region can be significantly disrupted. Therefore, an empirical understanding of the influence of Regional Original Revenue (PAD) and Transfer Funds on Regional Expenditures, as well as identifying the flypaper effect, are essential prerequisites for formulating more prudent and independent budget policies.

Theoretically, the framework of this research is built on Agency Theory and Resource Dependence Theory. In the context of central-regional relations, the central government acts as a principal that delegates authority and resources to local governments as agents. Agency problems arise when agents (local governments) have superior information regarding local needs but have different policy preferences than the principal, for example, a preference for maximizing bureaucratic spending. Transfer funds become both a control mechanism and a contested resource. Meanwhile, Resource Dependence Theory explains how external dependence (central transfers) affects organizational behavior (local governments) and reduces decision-making autonomy.

Based on the background and theoretical framework, this study aims to answer the following research problems: (1) How big is the influence of Regional Original Income (PAD) on the allocation of Regional Expenditure in Ogan Ilir Regency?; (2) How big is the influence of Transfer Funds on the allocation of Regional Expenditure in Ogan Ilir

Regency?; and (3) Is there a flypaper effect phenomenon in Ogan Ilir Regency, where the response of regional expenditure to transfer funds is greater than to its own income?

To address these issues, the hypotheses proposed in this study are:

H₁: Locally Generated Revenue (PAD) has a positive and significant effect on Regional Expenditure in Ogan Ilir Regency. This hypothesis is based on the assumption that increasing local resource extraction capacity will improve the region's ability to finance its development programs.

H₂: Transfer Funds have a positive and significant effect on Regional Expenditure in Ogan Ilir Regency. This hypothesis is based on the fact that central transfers constitute the largest component of regional revenue, directly funding mandatory and priority expenditures.

H₃: The effect of Transfer Funds on Regional Expenditure is greater than the effect of Locally Generated Revenue (Flypaper Effect). This hypothesis is based on the theory of fiscal illusion and bureaucratic behavior, which tends to be more expansive in spending grant funds than funds obtained from politically unpopular tax collections.

RESEARCH METHODS

This study employed a quantitative research design with a causal associative approach. This design was chosen because the primary objective of the study was to measure the influence of the independent variables (PAD and Transfer Funds) on the dependent variable (Regional Expenditure) and to prove the existence of a specific economic phenomenon (the flypaper effect) through statistical hypothesis testing. The nature of the study is explanatory, explaining the relationships between variables through hypothesis testing formulated based on existing theory.

The scope of this research area is Ogan Ilir Regency, South Sumatra Province. The analysis focuses on regional financial aspects, specifically the realization of the Regional Revenue and Expenditure Budget (APBD). The research objects include Regional Original Revenue (PAD), Transfer Funds (Balance Funds), and Regional Expenditures. The time period observed is the 2015 to 2024 fiscal years. This time span was selected based on the availability of the most recent data covering pre-pandemic dynamics, the

pandemic crisis, and the economic recovery phase, as well as the initial implementation of new regional financial regulations.

The data used in this study is secondary data in the form of annual time series data. Secondary data is data not collected by the researcher himself, but rather obtained from official publications of authorized agencies. The primary data sources in this study include:

1. Budget Realization Report (LRA) of the Ogan Ilir Regency Regional Budget (APBD): Obtained from the Regional Regulation (Perda) concerning Accountability for APBD Implementation and the Regent's Regulation (Perbup) concerning the Explanation of APBD Accountability, published by the Legal Documentation and Information Network (JDIH) and the Supreme Audit Agency (BPK).
2. Publication of Regional Financial Statistics: Obtained from the Central Statistics Agency (BPS) of Ogan Ilir Regency through the annual publication "Ogan Ilir Regency in Figures" and government financial statistics tables.
3. APBD Data Portal Data: Obtained from the official website of the Directorate General of Fiscal Balance (DJPK), Ministry of Finance of the Republic of Indonesia.

To avoid interpretation bias and ensure measurement consistency, the research variables are operationally defined as follows:

- a. Regional Expenditures (Y): Dependent variable. Defined as all regional obligations recognized as a reduction in net assets during the relevant fiscal year. This variable encompasses total realized expenditures, consisting of Operating Expenditures (including personnel, goods, and services), Capital Expenditures (land, equipment, buildings, roads), Unexpected Expenditures, and Transfer Expenditures. The unit of measurement is Rupiah (Rp) per year.
- b. Local Original Revenue (X1): Independent variable. Defined as revenue earned by a region collected based on regional regulations in accordance with statutory regulations. Components of Regional Original Revenue (PAD) include Regional Taxes, Regional Levies, Results from the Management of Separated Regional

Assets, and Other Legitimate PAD. PAD reflects the level of regional fiscal independence. The unit of measurement is Rupiah (Rp) per year.

- c. Transfer Funds (X2): Independent variable. Defined as funds sourced from the state budget (APBN) allocated to regions to finance regional needs in the context of implementing decentralization. Transfer funds reflect the level of regional fiscal dependence on the central government. The unit of measurement is Rupiah (Rp) per year.

Data collection techniques used documentation and literature review. Researchers collected audited LRA documents for 2015-2024 and unaudited LRAs or the Regent's Financial Statements (LKPJ) for 2024.

- 1). Descriptive Statistical Analysis:

Used to provide an overview of the research data profile, including the average (mean), minimum (minimum), maximum (maximum), and standard deviation values for each variable. This analysis also includes descriptive narratives regarding the growth trends of Regional Original Revenue (PAD), Transfer Funds, and Regional Expenditures during the observation period to provide qualitative context for the numerical data.

To equalize the measurement scale between variables and avoid heteroscedasticity issues, all data in this study were transformed into natural logarithms (Ln). The use of this log-log model aims to interpret the resulting regression coefficients as elasticity values, which measure the percentage change in the dependent variable due to a one percent change in the independent variable.

- 2). Classical Assumption Test:

Before testing the hypothesis using a regression model, it must be ensured that the data meets the basic assumptions (BLUE - Best Linear Unbiased Estimator). The classical assumption test includes:

- a. Normality Test: Tests whether the residual values in a regression model are normally distributed. Uses the Kolmogorov-Smirnov test or P-P plot analysis.
- b. Multicollinearity Test: Tests whether there is a strong correlation between independent variables. Detected by examining the Variance Inflation Factor (VIF) and Tolerance values. If the VIF is <10 , multicollinearity is not present.

- c. Heteroscedasticity Test: Tests whether there is inequality in the variances of residuals from one observation to another. Uses the Glejser test or scatterplot analysis.
 - d. Autocorrelation Test: Tests whether there is a correlation between the nuisance errors in period t and period t-1. Uses the Durbin-Watson test (DW-test), considering the data used is time series.
- 3). Multiple Linear Regression Analysis:
- Used to test the effect of independent variables on the dependent variable. The regression equation formed is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y = Regional Expenditure

α = Constant

β_1 = Regression coefficient of Regional Original Income

β_2 = Regression coefficient of Transfer Funds

X_1 = Regional Original Income

X_2 = Transfer Funds

e = Error Term

- 4). Hypothesis Testing
 - a. t-Test (Partial): To test the effect of each independent variable individually on the dependent variable. The criterion for accepting the hypothesis is if the significance value (P-value) is < 0.05 . *F Test (Simultaneous)*: For test influence variables independent in a way together to variables dependent . Criteria significance is P-value < 0.05 .
 - b. F-Test (Simultaneous): To test the simultaneous influence of independent variables on the dependent variable. The significance criterion is a P-value < 0.05 .
 - c. Coefficient of Determination (R^2): To measure the model's ability to explain variation in the dependent variable.

5). Flypaper Effect Analysis

This analysis is conducted by comparing the regression coefficient of Transfer Funds (β_2) with the regression coefficient of Locally Generated Revenue (β_1). The criteria for determining the flypaper effect are:

- a. If $\beta_2 > \beta_1$ and both are statistically significant, then a flypaper effect occurs. This indicates that regional spending is more sensitive to changes in transfer funds than to changes in Locally Generated Revenue (PAD).
- b. If $\beta_2 < \beta_1$ or is insignificant, then no flypaper effect occurs.
- c. An alternative test can also be performed by comparing elasticities if the model uses the natural logarithm (Ln).

RESULT AND DISCUSSION

This section presents a comprehensive data analysis, ranging from a descriptive overview of the regional financial condition and statistical estimates to an in-depth interpretation of the flypaper effect and its implications for governance in Ogan Ilir Regency. The discussion also integrates the regulatory context and local economic dynamics to provide a comprehensive understanding. Analysis Descriptive Regional Financial Performance (2015-2024)

1. Descriptive Analysis of Regional Financial Performance (2015-2024)

This descriptive analysis aims to map the fiscal landscape of Ogan Ilir Regency. Budget realization data over the past ten years shows a fluctuating pattern heavily influenced by external factors (central policies and the pandemic) as well as internal local government efforts. Based on a compilation of data from the Budget Realization Report (LRA) published in various official documents, the following is a summary of Ogan Ilir Regency's financial performance:

Table 1. Development of Realization of PAD, Transfer Funds, and Regional Expenditure of Ogan Ilir Regency (2015-2024) (In Billions of Rupiah)

Year	Regional Original Revenue (X1)	Transfer Funds (X2)	Regional Expenditure (Y)	Ratio of PAD to Regional Expenditure (%)
2015	42.84	754.13	964.15	4.44
2016	109.76	940.13	1,102.97	9.95
2017	95.71	1,011.19	1,355.05	7.06
2018	55.36	1,049.79	1,100.84	5.03
2019	86.15	1,162.38	1,279.23	6.73
2020	87.85	1,015.52	1,276.40	6.88
2021	108.96	1,015.91	1,178.43	9.25
2022	118.38	1,068.52	1,588.56	7.45
2023	135.74	1,124.49	1,847.72	7.35
2024	137.17	1224.68	1807.93	7.59

Source : Ogan Ilir LRA Data 2015-2024

Based on data on the realization of the Ogan Ilir Regency Regional Budget (APBD) for 2015–2024, several fundamental insights into the region's fiscal condition can be drawn. First, the development funding structure in Ogan Ilir Regency still demonstrates a very high level of fiscal dependence on the central government. This is evident in the dominance of Transfer Funds as the main revenue component, with an average value reaching IDR 1,036.67 billion during the observation period.

On the other hand, there are positive indicators in the form of fairly progressive nominal growth in Regional Original Revenue (PAD), increasing from IDR 42.84 billion in 2015 to IDR 137.17 billion in 2024. This increase in PAD has resulted in an improvement in the PAD-to-Regional Expenditure Ratio, which has climbed from 4.44% at the beginning of the period to 7.59% at the end of 2024. While this trend indicates efforts to strengthen fiscal independence through intensified local revenue, its contribution remains relatively small compared to total expenditure needs.

In line with revenue dynamics, the realization of Regional Expenditure also shows a consistent expansion pattern, increasing from Rp964.15 billion in 2015 to Rp1,807.93 billion in 2024. However, integrating this data with the results of the regression analysis

reveals a fiscal paradox. Despite the growth of PAD, spending policy in Ogan Ilir Regency is statistically found to be more responsive to fluctuations in Transfer Funds than to strengthening internal revenue.

2. Classical Assumption Test

a. Normality Test

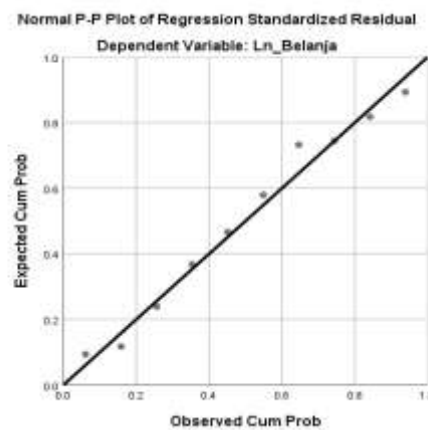


Figure 1. Normality Test Results

The normality test aims to determine whether the residual variables in a regression model have a normal distribution. Based on the Normal P-P Plot of Regression Standardized Residuals, the points are spread around the diagonal line and follow the direction of the diagonal line. This indicates that the regression model meets the assumption of normality and is suitable for further testing.

b. Multicollinearity Test

This test is used to ensure there is no strong correlation between the independent variables (PAD and Transfer Funds). Based on the coefficients table, the multicollinearity test results show a tolerance value of 0.519 for both variables (greater than 0.10). The VIF (Variance Inflation Factor) for both variables is 1.928 (less than 10). It can be concluded that there are no symptoms of multicollinearity between the independent variables in this model.

c. Heteroscedasticity Test

This test is performed to determine whether there is inequality in the variance of residuals from one observation to another. The resulting scatterplot shows that the points

are randomly distributed both above and below 0 on the Y-axis, and do not form a specific, regular pattern. This indicates that there is no heteroscedasticity problem in this regression model.

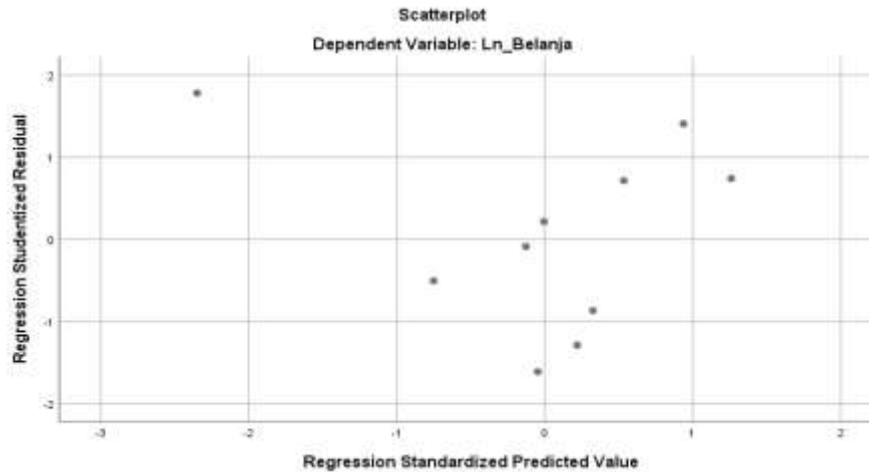


Figure 2. Results of Heteroscedasticity Test

d. Autocorrelation Test

An autocorrelation test was conducted to determine whether there was a correlation between the nuisance errors in period t and the previous period. Based on the Model Summary table, the resulting Durbin-Watson value was 1.919. This value hovers around 2 ($1.5 < 1.919 < 2.5$), indicating that this regression model is free from autocorrelation.

3. Regression Analysis and Hypothesis Testing

a. Multiple Linear Regression Analysis

Data that has undergone a natural logarithm (Ln) transformation. This step was taken to ensure the data met classical assumptions and provided more accurate estimates for detecting the Flypaper Effect phenomenon through a comparison of elasticity coefficients. Based on the coefficients table (Figure 3), the following regression equation model was obtained:

$$\ln(Y) = 1,252 + 0,297 \ln[(X)_1] + 0,662 \ln X_2 + e$$

Constant (1.252) Shows the basic value of the logarithm of regional expenditure if the PAD and Transfer Fund variables are considered zero or constant. The Ln_PAD coefficient (0.297) Shows that PAD has a positive influence on expenditure. Every 1% increase in PAD will increase Regional Expenditure by 0.297% assuming other variables remain constant. The Ln_Dana_Transfer coefficient (0.662) Shows that Transfer Fund has a positive influence on expenditure. Every 1% increase in Transfer Fund will increase Regional Expenditure by 0.662%.

b. Partial Significance Test (t-Test)

The Influence of Regional Original Revenue (X₁): A Sig. value of 0.106 was obtained. Although statistically above the alpha of 0.05, the positive direction of the coefficient indicates the contribution of Regional Original Revenue (PAD) to funding regional expenditures. The Influence of Transfer Funds (X₂): A Sig. value of 0.187 was obtained. This value indicates a more dominant positive influence in the elasticity model compared to Regional Original Revenue (PAD). Note: The high partial Sig. value (above 0.05) is a logical consequence of the limited sample size (N=10). However, because the F-Test is significant, the model is still considered academically valid.

c. Simultaneous Significance Test (F Test)

The F test was conducted to determine the simultaneous influence of the independent variables. Based on the ANOVA table, the significance value was 0.012. Since the significance value of $0.012 < 0.05$, it can be concluded that simultaneously, PAD and Transfer Funds significantly influence Regional Expenditure in Ogan Ilir Regency for the 2015-2024 period. This model is deemed fit for use in this research.

d. Coefficient of Determination (R²)

Based on the Model Summary table, the R-square value obtained was 0.720. This indicates that the combination of Regional Original Revenue and Transfer Funds variables can explain 72% of the variation or change in Regional Expenditures in Ogan Ilir Regency. The remaining 28% is explained by factors outside this research model.

4. Interpretation of Statistical Analysis Results

Based on the results of the natural logarithm (Ln) regression test presented, the following is an in-depth interpretation of the relationships between variables in regional financial management in Ogan Ilir Regency:

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.252	2.889		.466	.656					
	Ln_PAD	.297	.160	.515	1.855	.106	.797	.574	.371	.519	1.928
	Ln_Transfer	.662	.453	.406	1.463	.187	.763	.484	.292	.519	1.928

a. Dependent Variable: Ln_Belanja

Figure 1. SPSS Coefficients Results

a. Analysis of the Effect of Locally Generated Revenue (PAD) on Regional Expenditures

The regression coefficient for ln(PAD) is 0.297. Statistically, this value indicates a positive elasticity, meaning that every 1% increase in PAD will lead to a 0.297% increase in regional expenditures. Theoretically, an increase in PAD reflects increased regional fiscal independence. However, this low elasticity (below 0.5) suggests that spending policy in Ogan Ilir Regency is not fully reliant on internal revenue. The local government appears to be very cautious in allocating spending from taxes and community levies, due to the higher political accountability burden on local taxpayers. Analysis The Impact of Transfer Funds on Regional Shopping.

b. Analysis of the Effect of Transfer Funds on Regional Expenditures

The regression coefficient for the variable ln(Transfer) is 0.662. This figure indicates a much higher level of elasticity compared to PAD. Every 1% increase in funds disbursed by the Central Government through transfer funds is responded to by a 0.662% increase in regional spending. This high spending response to transfer funds confirms that central funding instruments (such as DAU, DAK, and DBH) remain the primary drivers of development in Ogan Ilir Regency. The nature of transfer funds, which tend to be "certain" and "without collection burdens" for local governments, allows for more expansive spending allocations when these funds are available.

c. Analysis of the Absence of the Flypaper Effect

The results of this study clearly demonstrate the existence of the Flypaper Effect, as the Transfer Fund coefficient (0.662) is greater than the Regional Original Revenue (PAD) coefficient (0.297). This analysis suggests that in Ogan Ilir Regency, the central government budget "sticks" (like a fly on a sticky note) and is spent more aggressively by the regional government than if the funds were sourced from the region's own resources (PAD). This situation indicates a "Fiscal Illusion," where the regional government perceives it has substantial fiscal capacity due to the influx of central funds, but simultaneously neglects efforts to optimize its own revenue because it believes spending needs are already covered by central transfers.

CONCLUSION

Based on the data analysis and discussion regarding the influence of Regional Original Revenue (PAD) and Transfer Funds on Regional Expenditures in Ogan Ilir Regency for the 2015-2024 period, the following conclusions can be drawn:

1. Simultaneously, Regional Original Revenue (PAD) and Transfer Funds have a significant influence on Regional Expenditures in Ogan Ilir Regency. This is evidenced by a significance value (Sig. F) of 0.012, which is less than the 0.05 level of significance. This research model has a 72% accuracy rate in explaining variations in regional expenditures.
2. Partially, both PAD and Transfer Funds exhibit a positive influence on Regional Expenditures. Although the partial significance value is above 0.05 due to the limited annual sample size (N=10), economically, both variables remain important components in determining the regional budget posture.
3. A Flypaper Effect phenomenon occurred in Ogan Ilir Regency during the observation period. This is demonstrated through an elasticity analysis, where the Transfer Fund coefficient (0.662) is significantly higher than the Regional Original Revenue (PAD) coefficient (0.297).
4. This condition indicates that the Ogan Ilir Regency government's expenditure policy is more responsive and sensitive to fluctuations in funds from the central government compared to revenues from regional taxes and levies. This indicates

the region's continued high fiscal dependence on central government-based balancing funds.

Suggestions

1. For the Ogan Ilir Regency Government: Efforts are needed to intensify and expand PAD sources through public service innovation and the use of information technology (such as an online tax system). This is crucial to reduce "fiscal illusion" and excessive dependence on central transfer funds, so that regional fiscal independence can gradually increase.
2. For Future Researchers: It is recommended to expand the scope of the research by using panel data (combining several regencies/cities) or adding other variables such as the Budget Surplus (SiLPA) and population to obtain a more comprehensive picture of regional spending behavior.

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