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ANALYSIS INFLUENCE OF EFFECTIVENESS AND EFFICIENCY LOCAL ORIGINAL INCOME ON REGIONAL FINANCIAL INDEPENDENCE IN MAPPI REGENCY

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Abstract

The regional autonomy in Mappi Regency shows a need for good governance, especially in financial management. The government is trying to increase financial independence, but still relies heavily on the central government. This highlights difficulties in generating enough revenue and managing the budget effectively. This study was conducted with the aim of discussing the Influence of the Effectiveness and Efficiency of Local Original Revenue on Regional Financial Independence in Mappi Regency. The method used is a quantitative approach. The population of this research is financial reports Mappi District Regional Government complete from 2014 to 2023. The sampling technique used is purposive sampling. This study was designed with a causality method because it seeks the influence of cause and effect of several variables developed from a theory. Furthermore, it was analyzed using the Structural Equation Modeling (SEM) technique. The results of this study indicate that regional tax efficiency has a positive impact on Locally-generated revenue, The effectiveness of regional taxes has a positive impact on Locally-generated revenue, Locally-generated revenue has a positive impact on Regional Independence, Regional tax efficiency has a positive impact on Regional Independence through Locally-generated revenue as a mediating variable, the effectiveness of regional taxes has a positive impact on regional independence through Locally-generated revenue as a mediating variable. The Mappi Regency Regional Government should focus on managing their budget to improve community welfare, which will ultimately lead to increased regional independence. A prosperous community will boost economic growth and generate more revenue locally.

Keywords: *Effectiveness, Efficiency, Local Original Income, Local Financial Independence*

1. INTRODUCTION

In line with the implementation of regional autonomy at this time reflects the community's response to good governance. The implementation of good governance in the administration of the State will be closely related to issues of accountability and transparency, especially in terms of State financial management. This is because State finances occupy a strategic position to support national development, both in terms of nature, amount and influence on the progress, resilience and stability of the nation's economy. Therefore, local governments must continuously make efforts to improve the transparency and accountability aspects of their financial management. Regional financial management includes technical aspects, especially in terms of regulations, institutional financial information systems, and improving the quality of resources (Lubis, 2017). In order to realize this, the Regional Government of Mappi Regency is continuously making efforts to improve, one of the efforts made is to increase Regional Original Revenue. Based on the Financial Report of the Regional Government of Mappi Regency for the

2014 to 2023 fiscal years, it can be analyzed that there are still revenues that have not been maximized. Regional income that has not been maximized will certainly have a broad impact on the economy and development that takes place in Mappi Regency. The management of the Regional Budget needs to be efficient enough to meet the needs of the region without relying heavily on the central government.

Certainly, this also has a beneficial impact on the development of regional policies aimed at enhancing the well-being of the local community and boosting regional revenue. The handling of the Regional Budget Revenue in the Regional Government of Mappi Regency is demonstrated using data on the ratio of independence. The independence ratio figure for the Mappi Regency Regional Government has hovered around 25% for the past two years, indicating a relationship pattern where the central government's influence is stronger than that of the local government. When this relationship pattern occurs, it can be said that the Regional Government is unable to allocate funds into forms of investment in regional natural resources that will bring future benefits such as community empowerment to improve community welfare and Regional Original Revenue and does not have the ability to meet the needs of funds from Regional Original Revenue.

Stewardship theory, also known as management theory, was introduced by Donaldson and Davis (1991). It emphasizes that a leader should prioritize the interests and desires of the principal over their own, acting responsibly and with integrity towards all parties involved. The steward's goal is to safeguard and enhance organizational wealth and performance in order to maximize overall utility. An important assumption of stewardship is that the leader aligns the goals in accordance with the owner's goals (Raharjo, 2007). According to Putro (2013), the stewardship theory suggests a close connection between the success of an organization and the satisfaction of its owners. The government will strive to effectively manage its operations in order to fulfill its objective of enhancing the well-being of the people. When this objective is accomplished, the people in the role of owners will be pleased with the government's effectiveness. According to stewardship theory, managers in local government entities are expected to act as stewards who carry out their duties responsibly in line with organizational objectives. They are to utilize a governance approach that is specifically crafted to gauge organizational performance, thus motivating them to align their actions with the interests of both the principal and the organization. Analyzing financial statements is among the methods utilized to assess organizational performance.

Examining the financial reports of the Mappi Regency Regional Government reveals details about the fiscal health of the organization, aiding in the effective management of the Regional Budget with the goal of attaining autonomy within the region. This is because by applying the method of analyzing financial statements, one of which is ratio analysis, the Regional Government can understand the potential of the region in utilizing assets to generate benefits for the community and the region, knowing changes in the regional financial position in a period, projecting what the next funding decision will be that can provide benefits for the region in order to achieve regional independence. An independent region is also a sign that there is a prosperous society with a growing economy. Local Revenue as one of the components of the Regional Budget in the financial statements of the Regional Government of Mappi Regency is allegedly very influential on regional independence. If the Regional Original Income, which is the region's primary income, increases, it could potentially help Mappi Regency become less reliant on central funds. The rise in Local Own Revenue reflects the Local Government's capacity to generate income over a specific timeframe. The more local revenue increases, the more regional independence increases. Proper management of sources of local revenue will increase local revenue. Furthermore, local revenue will be greatly influenced by the management of local taxes which can be assessed from the efficiency and effectiveness ratio of local taxes, this is because the largest source of local revenue comes from local taxes.

Regional Budget Management encompasses all aspects of regional activities, from planning and budgeting to implementation and oversight. It involves ensuring that regional finances are managed effectively and transparently, with reporting and accountability being key components. Regional revenue and spending should align with the guidelines established in the Regional Budget. Rawis et al. (2020) that a region is said to be strong and able to develop or not, depending on its financial management system so that financial management determines the fate of the region in a sustainable manner and if managed properly it will make regional assets intact. Amin (2015) adds that, in handling public funds, it is important to achieve cost-effective and productive financial management, while also adhering to the principles of value for money, participation, transparency, accountability, and fairness. This can lead to economic development in various areas.

Contrary to the previous explanation, this research focuses on Regional Original Revenue as a mediator in forecasting the autonomy level of the Mappi Regency Regional Government. Previous research has never discussed this, therefore, insight into the literature related to local revenue as mediation is lacking as previous researchers have described. The reason for local revenue as mediation is because it can increase or decrease depending on the conditions of tax effectiveness and tax efficiency that affect it, therefore local revenue cannot be a variable that strengthens other variables. This research aims to explore how the effectiveness and efficiency of local revenue impact the financial independence of the Mappi Regency, as explained earlier.

2. LITERATURE REVIEW

2.1. Grand Theory

The concept of stewardship theory suggests a correlation between the prosperity of an organization and the contentment of its owner. In this case, the steward, being the local government, acts based on the principles of stewardship theory. Local governments, functioning as the primary agents in implementing regional management, make decisions based on reason rather than personal interests. They are seen as stewards with goals aligned with those of the principal. Stewardship theory suggests that local government is a trustworthy institution that can meet the needs of the community, offer quality services, ensure financial transparency, and work towards economic goals and community welfare (Dilliana & Henrikus, 2022).

The theory posits a correlation between satisfaction and success in an organization. Stewardship theory is founded on the belief that humans are inherently trustworthy, responsible, and possess integrity. It envisions the government as a steward tasked with overseeing resources, while the people are seen as the rightful owners of these resources.

A mutual agreement between the government (steward) and the people (owners) is formed based on trust, aligning with organizational objectives. Public sector entities are dedicated to offering services to the community and are answerable to the public (Murwaningsari, 2009).

2.2. Financial Statement Analysis

Financial statement analysis involves examining every component outlined in the financial statements through the use of financial position ratios in order to enhance the performance of the organization in the long run. It is undeniable that financial statement analysis holds significant importance for organizations. Typically, it serves as a tool for assessing the organization and determining the necessary steps for the progression of the organization in the future (Hasan et al., 2022). Financial statement analysis is the process of decomposing data in financial statements from the results of current and past business operations into units of information that are more specific and have meaning using certain analytical methods and techniques with the aim of knowing the financial condition in the process of making decisions (Agit et al., 2023). Analysis of financial statements will show the entity's financial performance if presented accurately and in accordance with accounting procedures. In financial accounting is a part of bookkeeping that explicitly records the process of financial exchange within the organization and produces results in the form of budget reports (Bilgies et al., 2023).

2.3. Financial Ratio Analysis

Ratio analysis is the most commonly utilized method for examining financial statements. Ratio analysis is one way of obtaining very useful information from an organization's financial statements. Its purpose is to elucidate the connection among elements listed on the financial documents like the balance sheet and income statement. This ratio analysis is useful for standardizing amounts and allowing comparisons between organizations and between years within one organization (Siswanto, 2021). The idea of using financial ratios is commonly applied to assess the strengths and weaknesses of a company's financial situation. In simpler terms, financial ratio analysis helps to evaluate the financial standing and performance of a business at a specific moment. Furthermore, financial ratio analysis is also used to: compare current ratios with past and expected ratios in the future, then compare the ratio of an organization with other similar organizations (Surindra et al., 2020).

2.4. Regional Financial Independence

The autonomy of local finances demonstrates the capability of regional governments to fund their own operations, projects, and services for the residents who contribute taxes and fees as a primary revenue source, reducing reliance on financial support from the national government (Ayustin, 2017). The government's capacity to fund its own operations, projects, and services using revenue collected from taxes and fees is known as regional financial autonomy. The degree of regional autonomy can be determined by the region's fiscal strength, enabling it to thrive independently and compete effectively with other areas for true autonomy (Ullo et al., 2023).

Regional financial independence is a picture to find out how much the ability of financial resources for the region to be able to develop its region and be able to compete with other regions. This is reflected in the contribution of local revenue to fund regional expenditures and the decreasing contribution of central-regional transfers (Nugroho, 2016).

2.5. Regional Original Revenue

Local self-generated revenue consists of revenue obtained from local sources such as local taxes, fees, income generated from managing regional assets, and other lawful sources. The purpose of this revenue is to empower regions in securing funding for the implementation of regional autonomy, in line with the principle of decentralization (Agustini et al., 2021). Regional Original Revenue is the amount of money received from the community or sources within its own territory during the takwin (calendar) year, in order to finance any expenses, both routine expenses and the rest is used for development costs in accordance with applicable laws and regulations (Andirfa, 2018).

3. RESEARCH METHODS

When conducting research, it is crucial to utilize a methodology to address research questions (Ohoiwutun et al., 2024; Patmasari, 2022). Researchers are drawn to this quantitative research method due to its utilization of numerical data that is analyzed and later presented. This research was designed using the causality method because it looks for the cause and effect of several variables developed from a theory. According to Duryadi (2021) Causality research can be used to look for direct effects between variables and indirect effects either through mediating variables. Structural Equation Modeling (SEM) is typically utilized to analyze this. The study focuses on the financial reports of the entire Mappi Regency Regional Government from 2014 to 2023. Purposive sampling was employed in this research, which involves selecting participants based on specific criteria. This method considers various factors in selecting participants (Sugiyono, 2018). Therefore, the focus of this research is on analyzing the financial report of the Regional Government from 2014 to 2023. The sample criteria are updated financial data. Sampling using a time series approach with a monthly scale in 10 years with each variable 120 data, (10 years x 12 months = 120).

Researchers in this research project opted to gather data through the method of documentation. Data is obtained from the Mappi Regency Regional Government Financial Report in 10 years starting from 2014 to 2023 which is an archive at the Mappi Regency Regional Financial and Asset Management Agency. Report data is focused on data on Regional Original Revenue and Transfer Revenue. The frequency of data collection was carried out 5 times. Data Analysis, carried out through the stages passed in testing structural equations are as follows: Model evaluation, Outer Model evaluation (Measurement evaluation), and Inner Model evaluation.

Inner Model Evaluation, or structural model evaluation conducted to determine: R Square (R2) Coefficient determinant value, path coefficient, validate the goodness of the model (Model Fit) and Predictive Relevant. In this study, the conclusion of data analysis is based on testing hypotheses. These hypotheses are formulated to address the study's problems and are evaluated through hypothesis testing. The criteria for accepting a hypothesis include a t-statistic greater than 1.96 and P-values less than $\alpha = 0.05$. This indicates that partially exogenous variables have a meaningful impact on endogenous variables. Conversely, if the t-statistics are less than 1.96 and P-values are greater than α = 0.05, the hypothesis is considered to be invalid. In this scenario, partially exogenous variables are deemed to have no significant influence on endogenous variables (Asari et al., 2023).

4. RESULTS AND DISCUSSION

4.1. Regional Independence Ratio of Mappi Regency

According to the findings from the analysis using the Regional Independence Ratio formula, it has been determined that the Mappi Regency had an average Regional Independence of 2.81% between 2014 and 2023. This suggests that a lower percentage in the regional independence ratio indicates a more dominant role of the central government over the local government. The very low percentage of Regional Independence of Mappi Regency occurred due to the low realization of Regional Original Revenue compared to the realization of Transfer Revenue, which can be seen in Table 1. which has been presented below. The lowest Regional Independence Ratio value in 2021 is 1.38%, while the highest in 2022 is 5.15%.

Table 1. Regional Independence Ratio of Mappi Regency

Year	Local Revenue	Central/Central Transfers	%	Self-Reliance Ratio
2014	14.137.545.842,00	976.119.446.336,00	1,45%	Very Low
2015	16.492.934.669,00	1.125.655.825.935,00	1,47%	Very Low
2016	21.495.206.401,00	1.185.231.877.862,00	1,81%	Very Low
2017	28.693.433.684,81	1.047.767.174.555,00	2,74%	Very Low
2018	35.807.359.397,61	1.143.370.967.681,00	3,13%	Very Low
2019	30.758.734.980,42	1.116.864.014.654,00	2,75%	Very Low
2020	32.648.526.188,83	979.412.003.566,54	3,33%	Very Low
2021	13.041.571.780,00	942.174.172.422,00	1,38%	Very Low
2022	71.357.713.015,91	1.386.308.191.107,00	5,15%	Very Low
2023	54.365.331.861,25	1.446.900.153.047,00	3,76%	Very Low
Total	**318.798.357.820,83**	**11.349.803.827.165,50**	**2,81%**	**Very Low**

Source: SPSS v.26

4.2. Regional Original Revenue of Mappi Regency

Based on the results of the analysis using the Growth Ratio formula, the Mappi Regency Original Revenue for 2008-2022 has an increase with an average of 46.06%. In contrast to the regional financial efficiency ratio, the higher the percentage, the less efficient it is, the effectiveness ratio of Regional Original Income is the opposite, which means that the Effectiveness Ratio of Regional Original Income of Mappi Regency in 2008-2022 is included in the effective criteria and is almost very effective, so that the hypothesis is accepted. Regional Original Revenue can increase due to the posture of Mappi Regency's Regional Original Revenue, whose realization is able to exceed the previously determined budget from 2008-2022, can be seen in Table. 2 which has been presented below. The realization of Regional Original Revenue which is higher than the Regional Original Revenue budget in Mappi Regency is influenced by several factors such as the trend of local tax realization which continues to increase every year, as well as the results of regionally owned companies and the management of separated regional assets which also continue to increase every year and are able to exceed the budget.

Table 2. Growth of Mappi Regency Local Revenue

Year	Locally-generated revenue	Growth (IDR)	Growth (%)	Local Original Income Ratio
2014	14.137.545.842,00	-	-	
2015	16.492.934.669,00	2.355.388.827,00	16,66%	Ascension
2016	21.495.206.401,00	5.002.271.732,00	30,33%	Ascension
2017	28.693.433.684,81	7.198.227.283,81	33,49%	Ascension
2018	35.807.359.397,61	7.113.925.712,80	24,79%	Ascension
2019	30.758.734.980,42	(5.048.624.417,19)	-14,10%	Decrease
2020	32.648.526.188,83	1.889.791.208,41	6,14%	Ascension
2021	13.041.571.780,00	(19.606.954.408,83)	-60,05%	Decrease
2022	71.357.713.015,91	58.316.141.235,91	447,16%	Ascension
2023	54.365.331.861,25	(16.992.381.154,66)	-23,81%	Decrease
Average	**31.879.835.782,08**	**4.022.778.601,93**	**46,06%**	**Ascension**

4.3. Mappi Regency Regional Tax Efficiency Ratio

Based on the results of the analysis using the Mappi Regency Regional Tax Efficiency Ratio formula, it is obtained that the Regional Tax Efficiency in 2014-2023 has an average of 268.22% considering that the higher the percentage of the efficiency ratio, the more inefficient it is, so the Mappi Regency Regional Tax Efficiency Ratio is included in the less efficient criteria, so that the hypothesis is rejected. The inefficient Mappi Regency Local Tax occurs because the realization of local expenditure is higher than the realization of local tax revenue in Mappi Regency from 2014-2023 can be seen from the posture of the Mappi Regency Regional Budget 2014-2023 can be seen in Table 3 which has been presented below. The high realization of local tax expenditure from the realization of local tax revenue in Mappi Regency is influenced by the lack of awareness of taxpayers to pay taxes and the lack of maximum collection of potential local taxes.

Table 3. Efficiency Ratio of Mappi Regency Local Tax

Year	Local Tax Fee	Realization of Regional Taxes	%	Regional Tax Efficiency
2014	11.675.186.228,00	2.791.815.743,00	418%	Not efficient
2015	13.201.977.262,00	2.997.389.143,00	440%	Not efficient
2016	7.522.885.048,00	2.233.813.748,00	337%	Not efficient
2017	6.649.025.023,00	1.892.585.228,00	351%	Not efficient
2018	6.251.186.001,00	2.832.737.376,00	221%	Not efficient
2019	5.300.721.238,00	3.123.302.269,00	170%	Not efficient
2020	5.111.503.887,00	3.043.086.390,00	168%	Not efficient

Year	Local Tax Fee	Realization of Regional Taxes	%	Regional Tax Efficiency
2021	6.365.462.266,00	2.875.551.526,00	221%	Not efficient
2022	6.864.981.720,00	3.284.646.977,00	209%	Not efficient
2023	6.984.107.489,00	3.232.551.627,00	216%	Not efficient
Total	**75.927.036.162,00**	**28.307.480.027,00**	**268,22%**	**Not efficient**

4.4. Mappi Regency Regional Tax Effectiveness Ratio

Based on the results of the analysis using the formula, the Effectiveness Ratio of Mappi Regency Regional Tax Revenue in 2014-2023 has high results, namely with an average of 104.63%. In contrast to the local tax efficiency ratio, the higher the percentage, the less efficient it is, the effectiveness ratio of local tax revenue is the opposite, which means that the effectiveness ratio of local tax revenue of Mappi Regency in 2014-2023 is included in the highly effective criteria, so that the hypothesis is accepted. The highly effective Regional Tax Revenue is due to the posture of the Mappi Regency Regional Tax Revenue whose realization is able to exceed the previously determined budget from 2014-2023, which can be seen in Table. 4 which has been presented below. The realization of local taxes that is higher than the local tax budget in Mappi Regency is influenced by several factors such as the trend of local tax realization which continues to increase every year, and an increase in the target set from the previous year.

Table 4. Table. 4 Regional Tax Effectiveness Ratio of Mappi Regency

Year	Realization of Regional Taxes	Regional Tax Budget	%	Effectiveness of Regional Taxes
2014	2.791.815.743,00	3.349.393.813,00	83,35%	Quite Effective
2015	2.997.389.143,00	3.534.893.000,00	84,79%	Quite Effective
2016	2.233.813.748,00	3.534.893.000,00	63,19%	Ineffective
2017	1.892.585.228,00	1.774.393.000,00	106,66%	Very Effective
2018	2.832.737.376,00	1.718.439.597,00	164,84%	Very Effective
2019	3.123.302.269,00	2.036.985.097,00	153,33%	Very Effective
2020	3.043.086.390,00	1.971.908.053,00	154,32%	Very Effective
2021	2.875.551.526,00	2.218.057.472,00	129,64%	Very Effective
2022	3.284.646.977,00	2.460.673.376,00	133,49%	Very Effective
2023	3.232.551.627,00	4.455.151.120,00	72,56%	Less Effective
Total	**28.307.480.027,00**	**27.054.787.528,00**	**104,63%**	**Very Effective**

4.5. The Effect of Local Tax Efficiency on Local Revenue at the Regional Government of Mappi Regency

In line with that, this study shows that local tax efficiency has a significant positive effect on local revenue. This positive result shows that the more efficient the management of the Mappi Regional Budget by the Mappi Regional Government used to finance taxes, the greater the value of Regional Original Revenue received by the Mappi Regional Government. The results of this study are also in line with those stated by Sulistiyanto (2018) that the receipt of Regional Original Revenue is largely determined by the amount of local taxes compared to other sources of Regional Original Revenue. Efficient

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management of tax costs will have an impact on increasing the value of Regional Original Revenue. Setiawati et al. (2021) also argue that regions that are able to use low tax costs will have an impact on increasing local revenue. The results of this study are also in line with research by Fachrunnisa (2022) and Siregar (2023) which found that tax efficiency affects the growth of local revenue.

4.6. The Effect of Local Tax Effectiveness on Local Revenue in the Regional Government of Mappi Regency

In line with that, this study shows that the effectiveness of local taxes has a significant positive effect on local revenue. This positive result shows that the more effective the receipt of local taxes by the Mappi Regional Government, the greater the value of local revenue received by the Mappi Regional Government. The results of this study are in accordance with those described by Andriyani et al. (2023) that local taxes are the source of local revenue that contributes most to local revenue, this means that effective tax revenue will have an impact on increasing local revenue, the effectiveness of local revenue as tax realization in accordance with the budget target or the achievement of 100% tax realization. This statement is strengthened by Nooraini and Yahya (2018) who state that the effectiveness of Regional Original Revenue will certainly be able to increase Regional Original Revenue because it shows the achievement of the budget planned by the Regional Government. The results of this study are also supported by the results of research by Wahyuni and Arief (2020), Pramestya and Graciafernandy (2023) showing that tax effectiveness has a significant impact on local revenue.

4.7. Influence Locally-generated revenue Regarding Regional Independence in the Mappi Regency Regional Government

In line with that, this study shows that Local Original Income has a significant positive effect on Regional Independence. This positive result shows that the higher the Local Original Income, the greater the independence of the Mappi region.

The results of this study are in accordance with what was explained Sarumaha and Annisa (2023) that locally-generated revenue high as a sign that the region is able to finance its operational needs without relying on central or regional assistance. Locally-generated revenue sufficient to fund the operational needs of the local government. Setiawan et al. (2021) stated that Locally-generated revenue high also shows that the local government is able to explore its own regional potential independently to finance its operational activities. Kiak and Nuro (2018) added that the higher Locally-generated revenue then the higher the regional independence. The results of this study are also in line with the results of the study Novianti and Ishak (2022) and Wardana et al. (2021) shows that locally-generated revenue have a positive and significant impact on regional independence.

4.8. The Influence of Regional Tax Efficiency on Regional Independence Through Locally-Generated Revenue as a Mediating Variable in the Mappi Regency Regional Government

In line with that, this study shows that regional tax efficiency has a positive and significant effect on regional independence through Regional Original Income as a mediating variable for the Mappi Regional Government. This positive result shows that taxes that are managed efficiently will increase Regional Original Income which will then have an impact on increasing the independence of the Mappi region.

The results of this study are in accordance with what was explained Al Fatihah and Saleh (2020) that PAD (Abbreviation for Local Original Income, in Indonesian) will provide strength for regions to be independent, therefore the efficiency of regional taxes carried out by the local government can encourage an increase Locally-generated revenue which in turn increases regional independence. Panawan et al. (2023) emphasizes that a region is said to be able to stand alone when they are able to obtain locally-generated revenue high. In supporting the acceptance locally-generated revenue high, then the decision to manage regional taxes efficiently will help increase locally-generated revenue so that regional independence can be achieved.

4.9. The Influence of Regional Tax Effectiveness on Regional Independence Through Locally-Generated Revenue as a Mediating Variable in the Mappi Regency Regional Government

In line with that, this study shows that the effectiveness of regional taxes has a positive and significant effect on regional independence through Regional Original Income as a mediating variable for the Mappi Regional Government. This positive result shows that taxes that are managed effectively, which are marked by the achievement of realization in accordance with the budget, will be able to increase Mappi's Regional Original Income, which in turn will increase Mappi's financial capacity to fund its operational activities.

This result is also supported by the statement Sakir et al. (2023) stated that the effectiveness Locally-generated revenue namely regional tax revenues that are in accordance with the planned regional tax achievement targets will have an impact on increasing Locally-generated revenue furthermore, Locally-generated revenue which will increase the impact on the region's ability to carry out its operational activities without relying on central funds. Djaha (2021) emphasize that Locally-generated revenue, as a reference for the independence of a region, therefore the amount Locally-generated revenue every crucial for the local government environment. Locally-generated revenue can increase if the revenue is in accordance with the budget target, where when Locally-generated revenue increases, it will be followed by increasing the financial independence capabilities of a region.

5. CONCLUSION

After conducting thorough analysis and discussion, the study presents the following findings: Regional tax efficiency boosts locally-generated revenue, The efficacy of regional taxes contributes to the increase in locally-generated revenue, locally-generated revenue enhances regional independence, regional tax efficiency promotes regional independence by increasing locally-generated revenue as a mediator, The effectiveness of regional taxes also enhances regional independence by increasing locally-generated revenue as a mediator.

As a recommendation, the Mappi regency regional government should further increase its regional independence through the management of the regional revenue and expenditure budget to improve community welfare, because a prosperous community will increase economic growth and have an impact on increasing Locally-generated revenue which then increases regional independence. For academics, this research can be a reference contribution in the future related to regional financial report analysis material. For further researchers, they can develop this research by examining regional original income variables to perfect regional financial report analysis research.

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