MEASURING THE FISCAL PULSE: AN ANALYSIS OF LOCAL GOVERNMENT FINANCIAL HEALTH IN THE ERA OF ECONOMIC RECOVERY

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ABSTRACT

Fiscal health refers to the financial condition of a regional government that reflects its ability to manage revenue, expenditure, debt, and deficits in a sustainable manner. Fiscal health plays a crucial role in ensuring the continuity of development and the well-being of the community. Capital expenditure refers to government spending on long-term investments. Effectively allocated capital expenditure can be a key driver of regional development. However, the capital expenditure allocation of Bali Province from 2022 to 2025 has shown fluctuating amounts and tends to be lower compared to other types of expenditures. Good fiscal health enables a region to optimally allocate capital expenditures, thereby impacting sustainable development and community welfare. One of the challenges faced by the government is understanding their fiscal health, especially with increasing public service demands, while their ability to generate own-source revenue remains limited. Based on these conditions, it is necessary to analyze the fiscal health of local governments in Bali Province. This study aims to analyze the fiscal health of local governments based on indicators focused on four main aspects of fiscal health: revenue, expenditure, operating position, and debt structure. The study uses a quantitative descriptive research method. The population in this study consists of the financial reports of the Regency/Municipal Governments throughout Bali Province. The research findings show that the level of fiscal health between regencies/cities in Bali Province in 2022-2023 shows significant disparities. Badung Regency occupies the highest position followed by Gianyar, Bangli, and Denpasar regencies. Badung Regency falls into the high category of fiscal health; Gianyar Regency and Bangli Regency are in the medium category; while Klungkung Regency has improved to the medium category. These findings can provide recommendations for efficient regional financial management strategies to maintain a balance between fiscal health and regional expenditure.

Keywords: fiscal health, local government, economy recovery

INTRODUCTION

Fiscal decentralization in Indonesia is implemented through the obligation of local governments to plan, formulate, and execute activities and funding that are consolidated in the annual financial plan known as the Regional Revenue and Expenditure Budget (APBD). In the implementation of public financial management, several issues are frequently encountered. One of the main issues is regional revenue dependency, where regions still heavily rely on central government transfers. The level of dependency on transfers remains high (Taufiqqurrachman et al., 2024), with the average contribution of locally generated revenue (PAD) to regional income being only around 20%–30%, while Transfers to the Regions (TKD) account for approximately 70% (Delina, 2024).

In addition, there are issues regarding budget absorption, particularly the low level of budget realization within regional work units (Kuntadi & Puspasari, 2023), which remains below 95%. According to the Ministry of Finance Regulation No. 258/PMK.02/2015, budget absorption is considered good if it reaches at least 95% of the allocated budget. Another fiscal issue is the imbalance in regional expenditure components, particularly between personnel expenditure and capital expenditure. The majority of local government spending in APBD (about 60%) is allocated to bureaucratic spending, such as personnel and goods/services expenditures. Meanwhile, capital expenditure, which is crucial for infrastructure and public services, only accounts for around 20%. This imbalance causes regional spending to have limited impact on stimulating economic growth (Delina, 2024). Most local governments outside Java have low fiscal independence, with PAD ratios below 30%. Their reliance on transfer funds, especially the General Allocation Fund (DAU), remains high (Aminah & Kurniawan, 2021). A high ratio of personnel expenditure is a major fiscal burden for local governments. Regions where personnel expenditure exceeds 50% of total spending tend to be fiscally unhealthy (Mahmudi, 2019). Such imbalances in capital expenditure components also occur in the provincial and local governments of Bali Province, as shown in the following table.

Table 1. Regional Expenditure Budget of the Provincial Government of Bali

Type of Expenditure	Year			
	2022	2023	2024	2025
Employee Expenditure	1.867,73 M	2.072,56 M	2.218,19 M	2.614,65 M
Goods and Services Expenditure	1.654,60 M	1.348,71 M	1.348,83 M	1.447,60 M
Capital Expenditure	878,27 M	1.419,98 M	798,89 M	1.007,96 M
Other Expenditure	1.701,89 M	2.681,14 M	3.429,77 M	1.757,18 M
Total Regional Expenditure	6.102,49 M	7.522,39 M	7.795,68 M	6.827,39 M

Source: Direktorat Jendral Perimbangan Keuangan (2025)

Based on the regional expenditure budget data, the proportion of capital expenditure is relatively small compared to other types of spending. The regional budget is a document prepared by the government that serves as a tool for accountability and organizational governance. The information contained in the budget can be used as a basis for measuring financial performance and for preparing financial plans in the coming years. In line with public financial management reform through the implementation of performance-based budgeting, there is a strong link between budgeting and performance measurement (Susanto, 2018). As stipulated in Government Regulation No. 8/2006, budget performance measurement is useful for evaluating the effectiveness of government programs against their targeted outputs, assessing budget performance (value for money) as a form of accountability, and supporting decision-making

regarding budget allocation for the following fiscal year in each governmental unit. In determining the size of the budget allocation for the next period, it is generally advisable to use budget performance as a basis for management performance assessment. Good fiscal health enables local governments to allocate capital expenditures more optimally. Fiscal health refers to a government's financial condition that reflects its ability to manage revenue, spending, debt, and deficit in a sustainable manner. When a region has sound fiscal health, it can allocate capital spending effectively. Proper capital expenditure allocation can enhance community welfare through improved public infrastructure such as roads, bridges, and hospitals.

Given this condition, it is considered necessary to analyze the fiscal health of local governments in the Province of Bali. Fiscal health plays a crucial role, as it indicates a region's ability to meet financial obligations and deliver public services. One of the main challenges faced by local governments is understanding their fiscal condition amid increasing demand for public services, while on the other hand, their ability to generate own-source revenue (PAD) remains limited. Previous studies have widely examined local government financial performance, but many of these studies rely solely on financial information from budget realization reports. Susanto (2019) used effectiveness, efficiency, independence, activity, and growth ratios to assess the financial performance of local governments. Harun & Yuwanto (2020) found that efficiency and effectiveness ratios are important in evaluating the quality of local financial management. Fitriani & Nurhalim (2021) explained that fiscal independence and activity ratios serve as key indicators to measure the role of PAD in financing regional expenditures. Rahmawati & Susanto (2021) developed a Fiscal Health Index (FHI) based on four core indicators: PAD ratio, spending efficiency, budget balance, and personnel expenditure ratio. The FHI has proven effective in classifying regions into categories of "healthy", "moderately healthy", and "unhealthy". Mahmudi (2019) also used effectiveness, efficiency, growth, and independence ratios as key tools in evaluating fiscal performance. This study will assess the fiscal health of local governments using a set of ratios focused on four main aspects of fiscal health: revenue, expenditure, operating position, and debt structure. The OECD (2020) has also recommended the use of comprehensive fiscal indicators to identify medium-term fiscal risks at the sub-national level.

LITERATURE REVIEW

Regional fiscal health refers to a local government's ability to manage its fiscal resources efficiently, effectively, and sustainably, so that it can finance routine expenditures and development without excessive dependence on central government transfers. It reflects the fiscal capacity, spending efficiency, and financial independence of the region. According to Aminah and Kurniawan (2021), good fiscal health is characterized by a high ratio of locally generated revenue (PAD), efficient regional spending, and low dependence on transfers from the central government. Mahmudi (2019) argues that fiscal health evaluation should include both horizontal dimensions (between regions) and vertical dimensions (between central and local governments), while also considering long-term fiscal sustainability. Evaluative approaches such as the Fiscal Health Index (FHI) or Regional Fiscal Health Index (IKFD) have been developed to quantitatively assess the fiscal condition of local governments. These models consolidate several fiscal ratios into a single composite index. The OECD (2020) also encourages the use of comprehensive fiscal indicators to identify medium-term fiscal risks at the sub-national level. Kenneth W. Brown introduced a straightforward template for assessing local government financial health (Brown, 1993), known as the Ten-Point Test of Fiscal Condition, which calculates ratios across 10 key indicators to evaluate a region's fiscal

condition. The following are 10 ratio indicators used to assess fiscal condition as proposed by Brown (1993):

1. Total revenue to population ratio (Revenue per capita)
2. Locally generated revenue (PAD) to total regional revenue ratio
3. Other income to total regional revenue ratio
4. Operating expenditure to total regional expenditure ratio
5. Total regional revenue to total regional expenditure ratio
6. Unreserved general fund balance to total regional revenue ratio
7. Total general fund cash and investments to total general fund liabilities ratio
8. Total general fund liabilities to total regional revenue ratio
9. Direct long-term debt to population ratio
10. Debt to total regional revenue ratio

Natrini and Ritonga (2017) conducted a study titled Design and Analysis of Financial Condition of Local Government in Java and Bali (2013–2014). In their research, they measured fiscal condition using the Brown (1993) method, which involves evaluating fiscal ratios in the assessment year (static ratio), creating quartiles, and assigning scores based on the quartile position, with variable adjustments tailored to the Indonesian context. A qualitative method was used to align the variables with local conditions. The study also applied a regional clustering approach based on socio-economic characteristics. The findings revealed that among the seven clusters analyzed, there was a variation in results despite the clusters having similar socio-economic characteristics. This variation in local government financial conditions in Indonesia was largely attributed to differences in the autonomy of each region.

Fiscal health is one of the key pillars in the implementation of regional autonomy. Regions with strong fiscal health are better able to exercise their authority optimally. Conversely, regions that rely heavily on central government transfers often face obstacles in regional development. A study by Winarno and Adi (2020) found that regions with high locally generated revenue (PAD) tend to have more flexible and responsive development policies that better address community needs. Internal factors such as the capacity to generate PAD, budget management, and efficient public spending are crucial in determining fiscal health. At the same time, external factors such as national fiscal policies, central transfers, and economic dynamics also play a role. Prasetyo and Lestari (2022) emphasized the importance of reforming local financial management and enhancing fiscal transparency in order to maintain sound fiscal health.

METHOD, DATA, AND ANALYSIS

This study uses a mixed method between quantitative analysis data explained in descriptive form from the results of the data analysis. The data to be used is regional budget data in the form of a summary of budget realization for the 2022-2023 fiscal year period. In addition to budget data, statistical data from BPS Bali is also used, such as population and gross regional income (GRDP), which are obtained in regional publications in figures for the Province of Bali, for the 2022-2023 period which are accessed online. The data collection technique is carried out by searching (tracking) budget data that is compiled and published on the website www.djpk.kemenkeu.go.id and www.bps.bali.go.id, which can be accessed openly via the

online website. This study is intended to analyze the health of regional finances adopted through Kenneth Brown (1993) in Regencies/Cities in the Province of Bali.

In conducting the analysis of the regional financial health indicators, the Ten Point Test theory (Brown, 1993) was adopted to determine the level of financial health of each region adjusted to the indicators and data structures available. The ratio analysis conducted by Brown was used to measure the fiscal conditions of regions between local governments based on several simple ratios, each of which focuses on four aspects of fiscal health, namely income, expenditure, operating position and debt structure. Meanwhile, the scoring method was adjusted using the index method so that the gradation of values between regencies/cities could be seen, not grouped into 4 classes/groups (Likert scale) as done by Brown. To determine the analysis of regional financial health in Indonesia, a modification was made to the ten-point test method. The adjustment or modification was made because of the differences in the types and standardization of regional financial data and information in Indonesia with the place where Brown's research was conducted, namely in the United States. Based on the review and discussion that had been carried out and also considering the availability of data, 8 (eight) financial indicators were produced that could be used to measure regional financial health.

1. Regional income per capita indicator (Ratio of Total Regional Income to Population)
2. Regional financial independence indicator (Ratio of PAD to Regional Income)
3. Regional Tax and Levy Increase Indicator (Tax+Levy/PRDB Ratio)
4. Regional Expenditure Funding Ability Indicator (Revenue + Revenue/Spending+Expenditure)
5. Capital Expenditure Indicator (Ratio of Capital Expenditure to Regional Expenditure)
6. Operating Expenditure Indicator (Ratio of operating expenditure to total regional expenditure)
7. Silpa Optimization Indicator (Silpa/Regional Expenditure Ratio)
8. Debt to total regional income indicator (Debt/Income ratio)

The method of calculating these nine analysis ratios refers to Brown's ten-point test analysis calculation method, which is modified with the index method as follows:

1. Calculate the ratio of each indicator based on the compiled data
2. Then from the results of the ratio calculation, create an index formula that is adjusted to the highest index score = 1, and the lowest number with an index score = 0.1.
3. In calculating the index, it is adjusted to the desired ratio assessment order of each ratio.
4. In general, the index calculation results will produce a minimum value of 0, and a maximum of 1. In the index calculation in this study, it is adjusted to produce a lower value (edge) of 0.1 and an upper value (edge) of 1. This is done to adjust the lowest value of the ratio indicator which remains valuable not given an index score of 0, but is still valued at 0.1. The following is the adjusted index score calculation formula. For example, to calculate the index from the per capita income ratio.

Per Capita Income Ratio Index

$$\text{IPCI Reg}_i = 0{,}1 + 0{,}9 \text{ x } \frac{PCIreg\ i - PCIreg\ min}{PCIreg - PCIreg\ min}$$

5. From the index number, the average of the 8 indicators is then calculated. Then the average number is used as the final value with a ranking, the higher the average value, the better the fiscal health of the region, conversely, if it is lower, the poorer the regional financial health. The average index score is categorized into the following class ranges (Taufik, et al., 2021)

Table 2. Fiscal Health Index Categories

No.	Index	Category
1	0,800-1,000	Very High
2	0,600-0,800	High
3	0,400-0,600	Medium
4	0,200-0,400	Low
5	0,100-0,200	Very Low

Source: Taufik, et al. (2021)

RESULT AND DISCUSSION

Regional Income per Capita Indicator

The per capita income ratio shows the real measure of the size of regional income by dividing it by the population of a region in the relevant year. The larger the population, the greater the burden that must be borne by the regional government, this condition needs to be addressed by encouraging efforts to increase regional income in the future. Based on a comparison over two years (2022-2023), the comparison of the per capita income ratio of the Regency/City areas in Bali as a whole has increased.
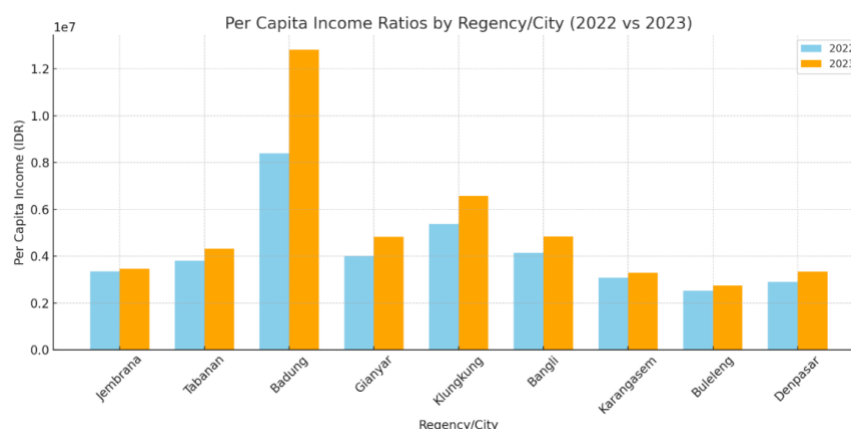

Figure 1. Comparison of Per Capita Income Ratios in 2022 and 2023
(Source: Processed data, 2025)

Regional Financial Independence Indicators

Regional financial independence is the ability of a region to finance regional spending sourced from regional original income (PAD), the greater the ratio of financial independence in a region, the greater the opportunity for the region to fund regional priority programs, thus dependence on the central government is getting smaller, conversely regions with a relatively low financial independence ratio are

more dependent on the central government through revenue sharing funds. The regional financial independence ratio is measured by dividing all PAD sources by total regional income. The following is a Comparison of Regional Independence Ratios in 2022 and 2023 in regencies/cities throughout Bali.
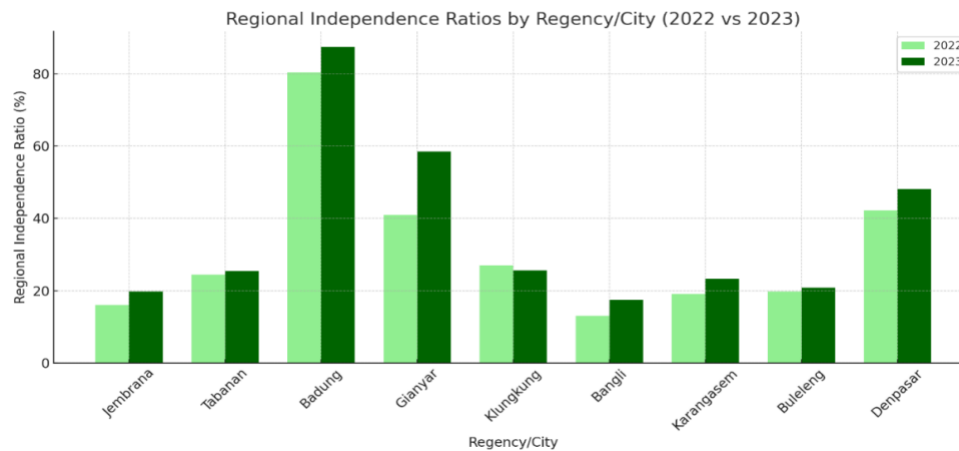

Figure 2. Comparison of Regional Independence Ratios in 2022 and 2023
Source: Processed data (2025)

Indicators of Increase in Regional Taxes and Regional Levies

Regional Taxes and Regional Levies (PDRD) are the mainstay of the regional economy as reflected in the amount of gross domestic regional income/PDRB. This indicator shows the region's ability to explore the potential revenue that can be collected by the region. The increase in regional taxes and regional levies can indirectly be reflected in the region's ability to convert all potential regional tax revenues into regional taxes that can be collected. The potential for regional tax revenues can be reflected in the amount of Gross Domestic Regional Income (PDRB) from each region. The greater the ratio of Increase in Regional Taxes and Regional Levies to PDRB, the greater the region's ability to convert all potential regional tax revenues into regional taxes that can be collected. The following is a Comparison of the Ratio of Increase in Taxes and Levies in 2022 and 2023 in regencies/cities throughout Bali.
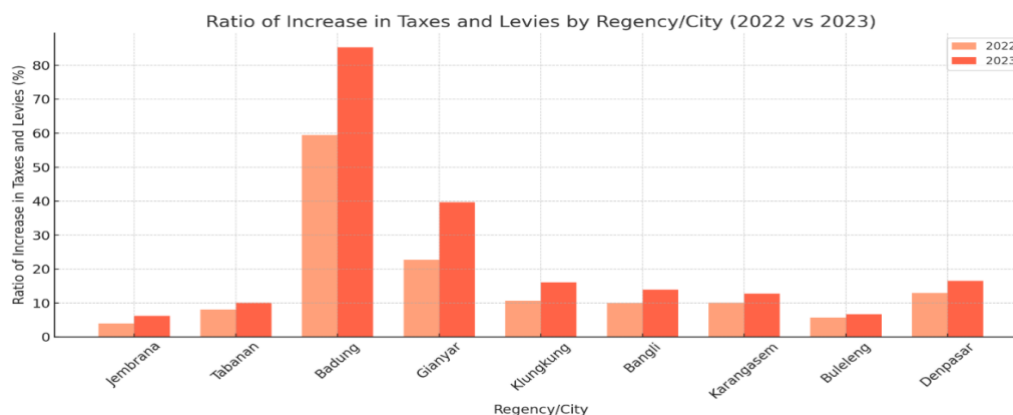

Figure 3. Comparison of Ratio of Increase in Taxes and Levies in 2022 and 2023
Source: Processed data (2025)

Indicators of Regional Expenditure Funding Capacity

Regional financial capacity is of course reflected in all regional revenues, both APBD revenues and financing receipts, which should be sufficient to be used to fund all planned regional expenditures and financing expenditures. The greater the ratio of regional revenues and financing receipts to regional expenditures and financing expenditures, the greater the capacity to fund regional expenditures. The following is a Comparison of the Ratio of Regional Expenditure Funding Capacity in 2022 and 2023 in regencies/cities throughout Bali.
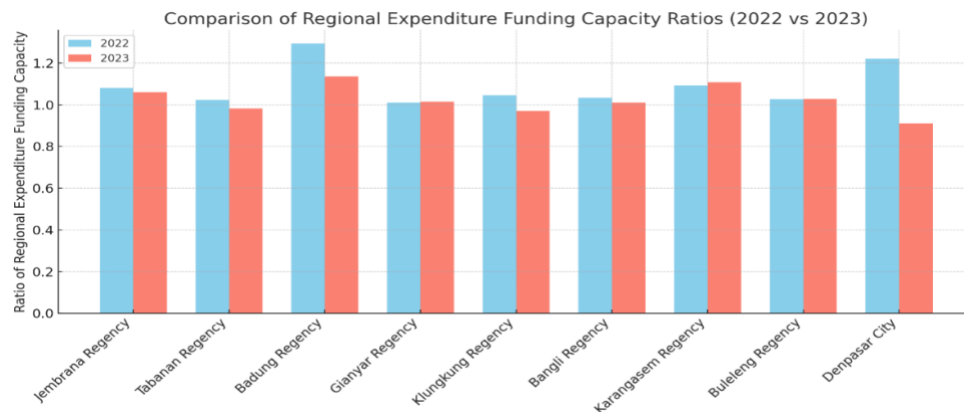

Figure 4. Comparison of the Ratio of Regional Expenditure Funding Capacity in 2022 and 2023
Source: Processed data (2025)

Capital Expenditure Indicator

One measure of good spending quality is the increasing portion of capital expenditure as part of total regional spending. Large capital expenditure is expected to have a positive impact on economic growth in the region and will ultimately increase the potential for new regional revenues. The greater the ratio of capital expenditure to total spending, the greater the regional financial capacity to allocate a portion of its spending to capital expenditure. The following is a Comparison of Capital Expenditure Ratios in 2022 and 2023 in regencies/cities throughout Bali.
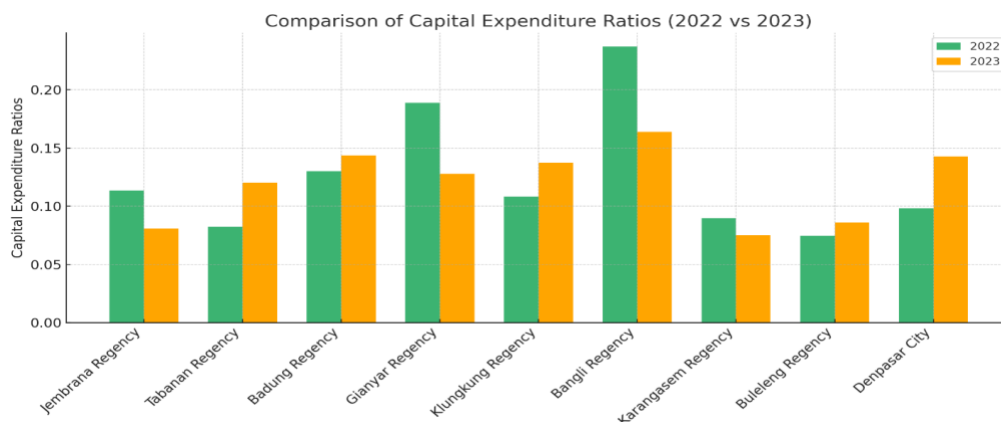

Figure 5. Comparison of Capital Expenditure Ratios in 2022 and 2023
Source: Processed data (2025)

Operational Expenditure Indicators

The improving quality of regional spending can also be seen from the decreasing portion of indirect employee spending + direct spending in the APBD. This shows that the smaller portion of the APBD is used for apparatus spending, so that the APBD can be more concentrated on spending that is directly related to public services. The assumption is that as this spending decreases, it will be reallocated to capital spending and spending on goods and services that are more effective in driving the regional economy. The following is a Comparison of the Operating Expenditure Ratio in 2022 and 2023 in regencies/cities throughout Bali.
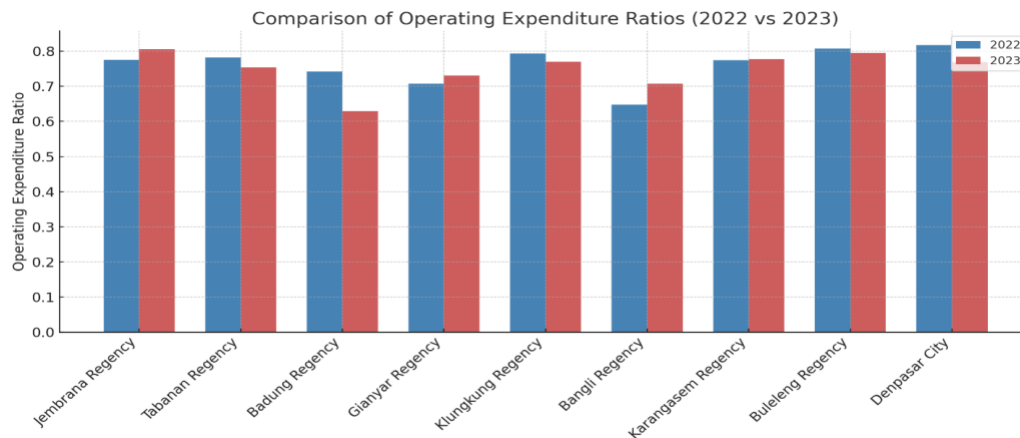

Figure 6. Comparison of the Operating Expenditure Ratio in 2022 and 2023
Source: Processed data (2025)

SiLPA Optimization Indicator

The amount of SiLPA at the end of the year is certainly one of the sources of financing in the following year to fund regional spending. If the SiLPA can be used for spending in the relevant year, it indicates that the region is able to optimize the use of SiLPA. The greater the SiLPA optimization ratio, the greater the region's ability to optimize SiLPA. The following is a Comparison of the SiLPA Optimization Ratios in 2022 and 2023 in regencies/cities throughout Bali.
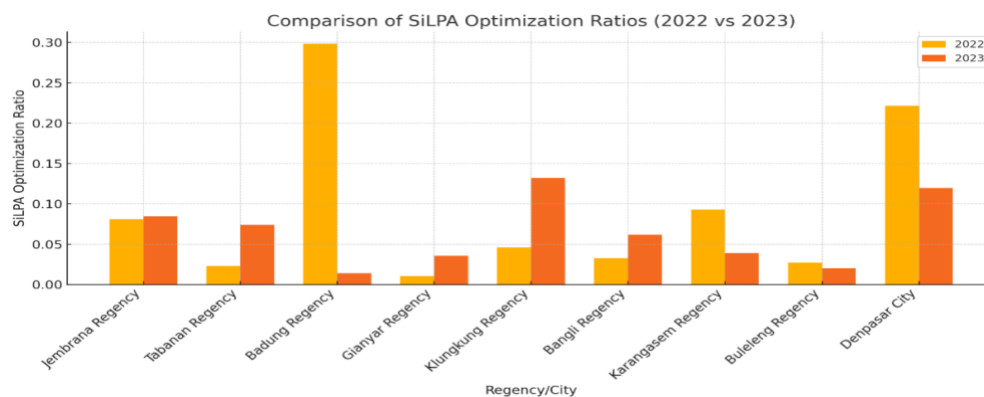

Figure 7. Comparison of the SiLPA Optimization Ratios in 2022 and 2023
Source: Processed data (2025)

Debt to Total Regional Income Indicator

This indicator shows how much portion of regional income is used to pay debt in a certain period of time. The greater the ratio of principal and interest payments of regional debt to income, the more the region is able to guarantee the repayment of its debts through the income it receives. The following is a Comparison of Debt Ratios in 2022 and 2023 in regencies/cities throughout Bali.
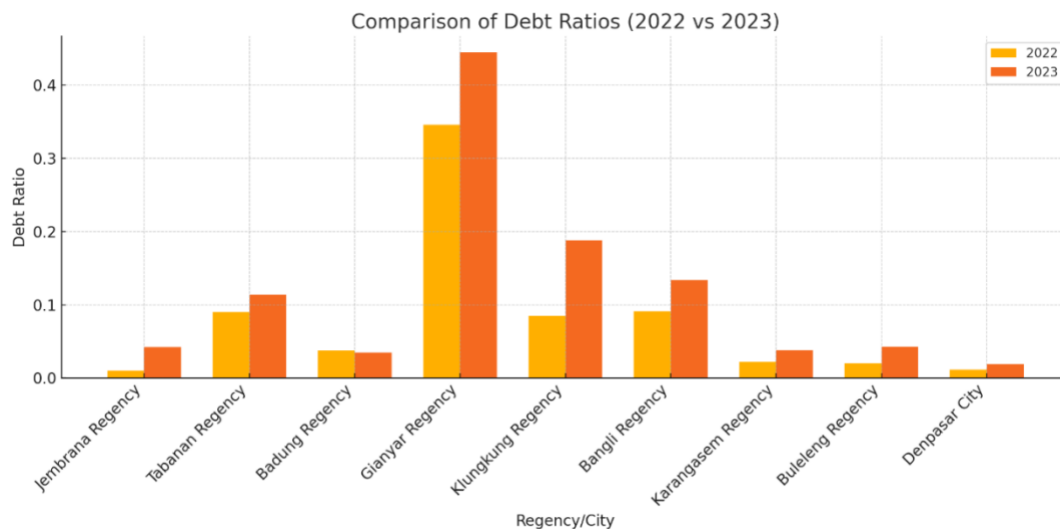

Figure 8. Comparison of Debt Ratios in 2022 and 2023
Source: Processed data (2025)

The Fiscal Health Index (IKF) is calculated based on 8 indicators that represent dimensions of regional financial performance such as fiscal capacity, spending efficiency, fiscal dependence, and budget management effectiveness. This data shows the level of fiscal health of 9 regencies/cities in Bali in 2022. The region with the highest fiscal performance, namely Badung Regency, recorded the highest IKF score with an average value of 0.7589. Almost all indicators received the maximum score (1,000), indicating: High Regional Original Income (PAD), Very strong fiscal independence, Optimal spending efficiency and effectiveness. This condition reflects a strong fiscal structure and professional financial management capacity, especially due to the contribution of the tourism sector and hotel/restaurant taxes. Buleleng Regency is in the lowest position with an average IKF of 0.1318. Low indicator values in all aspects, especially in PAD, efficiency, and fiscal dependence. This indicates a high dependence on transfers from the central government, as well as inefficient regional spending performance. Gianyar Regency (0.4643) and Bangli Regency (0.4031) are above the provincial average (around 0.34), indicating a balance between fiscal capacity and spending efficiency, although with variations between indicators. Denpasar City (0.3599) also showed quite good performance, especially in the spending and PAD indicators. Regencies/cities in the southern part of Bali (Badung, Denpasar, Gianyar) tend to have higher IKF than areas in the north and east (Buleleng, Karangasem, Bangli). This can be linked to economic access, local tax base, and fiscal institutional capacity. The difference between the highest score (0.7589) and the lowest (0.1318) indicates fiscal inequality between regions. This is the basis for the provincial or central

government to encourage affirmative policies, including increasing the capacity of regional financial management in fiscally disadvantaged areas.

Table 3. Fiscal Health Index 2022

Regency/City	PCI	RI	ITL	REF	CE	OE	SiO	DR	Total	Average
Jembrana Regency	0.226	0.140	0.100	0.325	.314	.3203	.244	0.100	1.7693	0.2212
Tabanan Regency	0.297	0.253	0.166	0.141	0.142	0.2874	0.113	0.273	1.6724	0.2091
Badung Regency	1.000	1.000	1.000	1.000	0.413	0.4974	1.000	0.161	6.0714	0.7589
Gianyar Regency	0.326	0.473	0.401	0.100	0.636	0.6781	0.100	1.000	3.7141	0.4643
Klungkung Regency	0.536	0.286	0.208	0.214	0.29	0.2289	0.157	0.257	2.1769	0.2721
Bangli Regency	0.348	0.100	0.196	0.173	1.000	1.0000	0.132	0.276	3.225	0.4031
Karangasem Regency	0.187	0.181	0.198	0.363	0.168	0.3290	0.295	0.121	1.842	0.2303
Buleleng Regency	0.100	0.190	0.127	0.154	0.100	0.1534	0.118	0.112	1.0544	0.1318
Denpasar City	0.158	0.489	0.244	0.769	0.209	0.1000	0.809	0.101	2.879	0.3599

Source: Processed data (2025)

Table 4. Fiscal Health Index 2023

Regency/City	PCI	RI	ITL	REF	CE	OE	SiO	DR	Total	Average
Jembrana Regency	0.165	0.131	0.100	0.7	0.157	0.1000	0.604	0.146	2.103	0.2629
Tabanan Regency	0.241	0.203	0.143	0.38	0.560	0.3646	0.487	0.315	2.6936	0.3367
Badung Regency	1.000	1.000	1.000	1.0	0.774	1.0000	0.100	0.130	6.004	0.7505
Gianyar Regency	0.286	0.628	0.481	0.53	0.631	0.4867	0.290	1.000	4.3327	0.5416
Klungkung Regency	0.442	0.205	0.211	0.34	0.735	0.2821	1.000	0.477	3.6921	0.4615
Bangli Regency	0.287	0.100	0.186	0.52	1.000	0.6005	0.467	0.359	3.5195	0.4399
Karangasem Regency	0.148	0.175	0.174	0.88	0.100	0.2446	0.276	0.123	2.1206	0.2651
Buleleng Regency	0.100	0.143	0.105	0.58	0.211	0.1554	0.159	0.149	1.6024	0.2003
Denpasar City	0.152	0.495	0.216	0.1	0.767	0.2882	0.953	0.100	3.0712	0.3839

Source: Processed data (2025)

Badung Regency again recorded the highest IKF value with an average score of 0.7505, driven by a perfect value (1,000) on 4 of 8 indicators, a very strong PAD capacity, and a regional budget structure that reflects high fiscal autonomy. Although one indicator (indicator 7 and 8) showed low values (0.100 and 0.130), this did not disrupt the fiscal dominance of this region in general. Buleleng Regency was in the

lowest position with an average IKF of 0.2003. Jembrana and Karangasem Regencies also recorded values below 0.27, indicating the need to improve the budget structure and increase PAD. Gianyar Regencies (0.5416) and Klungkung (0.4615) showed an increase compared to the previous year. Gianyar has high scores on indicator 2 (0.628) and indicator 8 (1.000), indicating effectiveness in the use of strategic spending. Bangli Regency (0.4399) and Denpasar City (0.3839) are also in the middle category, but show potential for improvement, especially in the efficiency and diversification of PAD sources. Inequality is still very real: the highest value (Badung: 0.7505) is almost 4 times the lowest value (Buleleng: 0.2003). Areas with a tourism-based economy (Badung, Gianyar, Denpasar) have better IKF scores than non-tourism areas in the north and east of Bali. Efficiency and effectiveness of spending are still challenges in most districts/cities.

Table 5. Regional Fiscal Health Categories

Regency/City	Index Score 2022	Category	Index Score 2023	Category
Jembrana Regency	0.2212	Low	0.2629	Low
Tabanan Regency	0.2091	Low	0.3367	Low
Badung Regency	0.7589	High	0.7505	High
Gianyar Regency	0.4643	Medium	0.5416	Medium
Klungkung Regency	0.2721	Low	0.4615	Medium
Bangli Regency	0.4031	Medium	0.4399	Medium
Karangasem Regency	0.2303	Low	0.2651	Low
Buleleng Regency	0.1318	Very Low	0.2003	Low
Denpasar City	0.3599	Low	0.3839	Low

Source: Processed data (2025)

Post-pandemic or post-economic crisis recovery has a direct impact on the capacity of local own-source revenue (PAD), transfer receipts, and spending flexibility. An increase in the index score reflects an improvement in the region's fiscal capacity, most likely driven by the revival of local economic activities, an increase in PAD, and better control of operational spending. Klungkung and Buleleng showed a category jump, which may signal that economic recovery programs—such as MSME stimulus, infrastructure spending, and budget reform—are beginning to yield positive results.

CONCLUSION

By analyzing 8 indicators representing key dimensions of fiscal management, the Fiscal Health Index provides an objective and measurable picture of the financial performance of each region. The level of fiscal health between regencies/cities in Bali Province in 2022-2023 shows significant disparities. Badung Regency occupies the highest position followed by Gianyar, Bangli, and Denpasar regencies. Badung, Gianyar, and Denpasar City regencies show relatively high fiscal performance because they are supported by the tourism sector, optimal PAD management, and more controlled spending. In contrast, regions such as Buleleng, Jembrana, and Karangasem face major challenges in terms of fiscal independence and budget efficiency. The low scores on almost all indicators indicate that these regions are still highly dependent on central transfer funds and have not maximized their management of regional revenue potential. Gianyar and Klungkung Regencies showed an increase compared to the previous year. Meanwhile, Bangli Regency and Denpasar City are also in the middle category, but show potential for

improvement, especially in the efficiency and diversification of PAD sources. In general, the health of regional finances is mostly seen in the Badung Regency Government, Gianyar Regency, Bangli Regency, and Denpasar City. The Jembrana, Tabanan, Buleleng, Klungkung, and Karangasem Regencies are still lagging behind, both in terms of development and the health of their regional finances. This can be a focus of attention for the provincial government to optimize the APBD for development. This can be seen in the low regional index score.

IMPLICATION/LIMITATION AND SUGGESTIONS

This study strengthens the understanding that fiscal indicators such as PAD capacity, spending efficiency, and dependence on central transfers are important variables in assessing regional financial performance. This finding supports public finance theories that state that fiscal independence is a primary prerequisite for realizing effective regional autonomy. Thus, the IKF can be used as a comprehensive alternative measurement tool to assess the fiscal sustainability of regional governments. However, there are several limitations in this study, namely that not all fiscal indicators are available in full or in a uniform format, so that further research can develop a fiscal health index that is more tailored to the characteristics and needs of the region, for example by adding indicators of environmental spending, social spending, or the ratio of fiscal discretion/space. In addition, the analysis used is entirely quantitative through scores and indices. This study has not explored qualitative factors such as budgeting policies, institutional capacity, or regional socio-political conditions that also affect fiscal health. The combination of quantitative data and in-depth interviews with regional financial management officials can provide a more comprehensive understanding of the factors that affect the fiscal health index.

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