

The Effect of Fiscal Decentralization on the Performance of Regional Apparatus Organizations

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Abstract

Purpose: This study investigates the extent to which clearer and more structured fiscal decentralization regulations can reduce overlapping functions between government agencies, enhance the clarity of monitoring and evaluation mechanisms, and ultimately improve budget accountability at the regional level. In particular, the study assesses the influence of these regulatory improvements on the performance of Regional Apparatus Organizations (Organisasi Perangkat Daerah/OPD) and their institutional readiness to adapt to evolving decentralization policies and governance standards.

Methodology/approach: This research adopts a literature review method, analyzing 15 previous research articles from Google Scholar and ResearchGate. The selected studies evaluate the performance of OPDs in Indonesia during the publication period from 2014 to 2024.

Results/findings: Fiscal decentralization involves fund distribution and delegated authority to regions. Effective decentralization not only distributes power but also improves service quality and public participation. Evaluations should prioritize these aspects.

Conclusion: Clear decentralization policies improve OPD performance and accountability but face challenges like regional disparities and limited capacity. Strengthening institutional readiness and coordination is essential.

Limitations: Future research should examine specific impacts of decentralization on OPD performance and compare regions to identify influencing factors.

Contribution: This study highlights trends, innovations, and challenges in fiscal decentralization, offering insights for policy reform and institutional development.

Keywords: *Fiscal Decentralization, Regional Autonomy, Regional Apparatus Organizations.*

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1. Introduction

In the strategic context of globalization, we anticipate that broad autonomy will enable regions to enhance their competitiveness by focusing on the values of democracy, equality, justice, privileges, specializations, and the potential and diversity of regions within the Unitary State of the Republic of Indonesia. Article 9 of Law Number 23 of 2014 concerning Regional Government explicitly states the following:

1. Government Affairs consist of absolute government affairs, concurrent government affairs, and general government affairs.

2. Absolute government affairs, as referred to in paragraph (1), are government affairs that are entirely the authority of the Central Government.
3. As mentioned in paragraph (1), the central government divides concurrent government affairs between the provincial and district/city regions.
4. The regions implement regional autonomy based on the concurrent government affairs they receive.
5. As mentioned in paragraph (1), general government affairs fall under the authority of the President, who serves as the head of government. The governor, who represents the central government in the regions, can handle absolute government affairs.

According to Article 11 of Law Number 23 of 2014 concerning Regional Government, the authority over concurrent government affairs lies with the region itself. The regional apparatus assists the regional head in managing both concurrent and general government affairs. The regional apparatus is an element that assists the regional head and the regional people's representative council in organizing government affairs, which are under the authority of the region. The regional apparatus consists of both the provincial and district/city regional apparatuses. Fiscal decentralization is the transfer of authority from the central government to the district/city regional government to oversee its finances directly, such as investigating various sources of regional income and determining priority costs in development (Awalu Pasholihah & Anwar, 2023). The government needs capital to operate its economy, which it obtains from regional economic potential and transfers from the central government. If the regional government solely relies on transfers from the central government to fulfil capital needs, it will hinder economic growth (Hendra, 2016).

Fiscal decentralization, which grants regional governments more authority in managing local budgets and resources is expected to enhance the performance of Regional Apparatus Organizations (OPD) in delivering effective and efficient public services. However, in its implementation, various problematic substances arise from related regulations and institutional structural challenges that affect the situation of its implementation. Regulations governing the division of authority and responsibility between the central and regional governments often contain problematic substances due to their lack of clarity and consistency. This can lead to overlapping functions and confusion in the implementation of regional development programs. For example, ambiguous rules regarding budget allocation and oversight mechanisms often lead to inefficiency in the use of funds and are susceptible to corrupt practices and abuse of authority. In terms of institutional structure, the primary obstacle OPD faces is the lack of coordination among units and between regional and central governments.

Complex and bureaucratic institutional structures often hinder the flow of information and rapid and accurate decision-making. Limited human resource capacity and competence in OPD are also serious obstacles to optimizing the implementation of fiscal decentralization. Many OPDs lack the necessary managerial and technical preparation to effectively handle increased authority and budgetary responsibilities. This implementation problem reflects various inequalities and inconsistencies in OPD performance across different regions. Regions with better capacity can utilize decentralization to improve public services and regional development, while regions with limited capacity experience a decline in service quality. In addition, minimal community participation and public supervision in the decision-making process also worsen the effectiveness of the implementation of fiscal decentralization. Strategic and systematic steps are necessary to address these challenges and resolve existing issues:

First, there needs to be a revision and improvement of regulations governing fiscal decentralization, focusing on increasing clarity, consistency, and transparency in the division of authority and responsibility between the central and regional governments. Clear regulations will reduce overlapping functions, clarify the monitoring mechanism, and ensure budget usage accountability. Second, strengthening the institutional capacity of OPDs is a top priority. This includes improving human resources' competence through ongoing training and professional development. Furthermore, we need to develop an effective management information system to facilitate swift and precise decision-making, as well as to enhance coordination among units within OPDs and between regional and central governments. This capacity building will help OPDs be better prepared to manage larger authorities and budgets. Third, we must increase community participation in the decision-making process. Community involvement will not only increase transparency and accountability but also ensure that

policies and programs implemented by OPDs are truly in line with the needs and aspirations of local communities.

We must strengthen and integrate public participation mechanisms, like development planning meetings and public consultation forums, into the regional planning and budgeting process. Fourth, we need to improve monitoring and control of budget use to minimize the risk of misuse and corruption. Internal monitoring must be strengthened through routine and independent audits, as well as external monitoring by legislative institutions and the community. We must also improve transparency in financial and performance reporting, allowing the public to more effectively monitor and assess OPD performance. In this context, in-depth and comprehensive research on the impact of fiscal decentralization on OPD performance and OPD readiness in facing changes in decentralization policies is essential. This research will not only provide a clearer picture of the challenges and constraints faced. Still, it will also produce applicable recommendations to improve OPD performance and effectiveness in providing public services. As a result, fiscal decentralization can be a powerful way to improve OPD performance and, ultimately, community welfare across a wide range of Indonesian regions. This can be done by strengthening regulatory frameworks, institutional capabilities, community involvement, and oversight.

2. Literature Review and Hypothesis Development

This study aims to significantly contribute to these efforts by offering a robust empirical foundation for enhancing policies and practices in the field. Therefore the research problems are as follow:

- (1) How does fiscal decentralization impact the performance of regional apparatus organizations (OPD)?
- (2) How prepared are regional apparatus organizations (OPD) to face changes in decentralization policies?
- (3) How is fiscal decentralization is implemented in one provincial apparatus organization?

3. Methodology

This descriptive research design uses the Systematic Literature Review approach or what is known as SLR. A systematic literature review aims to identify, evaluate, and interpret findings of primary studies with the flow is as follows:

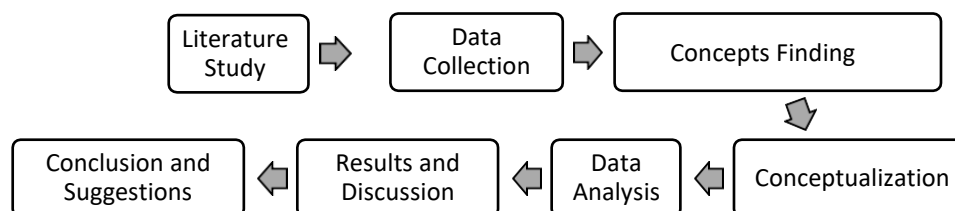


Figure 1. Literature Review Flow

Source: Sugiyono (2017)

The data used in this study comes from the results of research that has been conducted and published in online journals nationally. The researcher did a search journal study published on the internet using two search engines, namely Research Gate and Scholar with Keywords: Fiscal Decentralization, Regional Autonomy, and Regional Apparatus Organizations. The data collection process is carried out by filtering based on criteria determined by the writer from every journal that is taken. The criteria collection journal is as follows:

- (1) Term Date Time publication: in range time 20 years final starting year 2014-2024.
- (2) Language: Indonesian and English.
- (3) Google Sites: Google Scholars and Research Gate.
- (4) Type of Articles: Original articles. Not in the form of a non-original publication such as a letter to the editor, or an abstract form and not in book forms or full article texts (thesis/scripts).

- (5) Theme and Contents Measurement Articles: Fiscal Decentralization, Regional Autonomy, Regional Apparatus Organizations.

The data analysis method in research is carried out by sorting and reviewing appropriate research. with inclusion criteria then collected and a journal summary is made including; the researcher's name, year rise journal, design studies, objective study, sample, instrument (tool measuring) and summary results or findings. The summary of the research journal. The analysis of abstract and *full-text* journals was observed. Based on the summary of each related paper, the analysis to the content was based on in the research objectives and research results/findings. The analysis method used using content analysis journal (Rukajat, 2018)

4. Results and Discussion

4.1 The Impact of Fiscal Decentralization on the Performance of Regional Apparatus Organizations (OPD)

This impact was examined through the review of Government Regulation Number 18 of 2016, which also pertains to regional apparatus. In principle, the implementation of the government regulation aims to offer regions clear guidance and guidelines for structuring efficient, effective, and rational organizations that align with their unique needs and capabilities. It also promotes coordination, integration, synchronization, simplification, and institutional communication between the central government and the regions (Syarif, 2024).

Decentralization is the division of government power between groups of power holders at the center and other groups, where each group has the authority to regulate certain areas within the territorial scope of a country. Furthermore, fiscal decentralization is the transfer (devolution) of power from the central government to regional governments (Hidayat, 2005). Fiscal decentralization has been implemented through Law Number 32 of 2004, which has now been replaced by Law Number 23 of 2014 concerning regional government, and Law Number 33 of 2004, which has been replaced by Law Number 1 of 2022 concerning financial relations between the central government and regional governments. With fiscal decentralization since 2001, the central government has allocated a minimum of 26 percent of total state spending in the State Budget (APBN) for regional spending

Furthermore, with Law Number 33 of 2004 concerning Fiscal Balance between the Central Government and Regional Governments, the central government has allocated a minimum of 31 percent of its total budget for regional spending (Sabilla & Kirana Jaya, 2014). In Indonesia, the central government transfers the authority to use balancing funds, a form of fiscal decentralization, to regional governments. This balancing fund has four components, namely general allocation funds (DAU), special allocation funds (DAK), tax revenue sharing funds (DBHP), and non-tax revenue sharing funds (DBHBP). Furthermore, regional governments have the authority to regulate the amount of regional original income (PAD), which consists of regional taxes and levies, as well as the profits of regionally owned enterprises (BUMD) and the management of regional assets (Sabilla & Kirana Jaya, 2014).

The region has the authority to allocate the revenue budget from the balancing fund and PAD for the welfare of the community in each region, as determined by the per capita growth rate in each province. Furthermore, within the framework of government organization, which serves as a crucial tool for executing fiscal policy, the regional budget allocation policy aims to achieve several objectives (Darmayasa, 2017):

- (1) Helping to increase the efficiency of national resource utilization.
- (2) Helping to increase community accountability, transparency, and participation.
- (3) Reducing the gap between central and regional fiscal.
- (4) Increasing public services.
- (5) Being able to increase budget efficiency.

Fiscal decentralization can determine the success of regional autonomy implementation, considering that it will increase economic efficiency, improve accountability, and increase fund mobility (Manurung, 2012). Decentralization was based on Law Number 32 of 2004, which has been replaced

by Law Number 23 of 2014 about regional government, and Law Number 33 of 2004, which has been replaced by Law Number 1 of 2022 about the financial relationship between the central government and regional governments. These laws gave regions real power to manage and control resources in ways that benefit their local communities and set development priorities based on their abilities and resources. One of the fundamental changes in the fiscal management map is the increasing transfer of funding sources from the central government to regional governments, manifested in the form of annual increases in regional spending transfers to the APBN.

A journal provides the following quote (Syaefullah, 2017):

- (1) The ability of a regional government to carry out its functions depends on its ability to explore independent sources of income, such as taxes and levies. Very tight control over regional government spending will accompany the allocation of central government funds to regional governments. Regional governments with larger and more independent incomes will be in a better position than those that rely on the central government.
- (2) The relationship between regional dependence on central government fund receipts and the region's freedom to spend them is not direct.

According to this perspective, having an elastic source of income and not relying on the source of funds is crucial for regional autonomy. This perspective posits that the key to regional autonomy lies in having a flexible income source, which allows them to avoid reliance on external funding. This flexibility allows them to allocate funds to the local community within predetermined boundaries. Regional governments in implementing fiscal decentralization must be able to explore the potential that exists in their respective regions to contribute both financially in increasing local revenue (PAD) and non-economically, especially in providing quality services, customer satisfaction, and guarantees of quality of service to the public (good public). Therefore, the evaluation should not only focus on efficiency and effectiveness but also on the utilization of services, including public satisfaction with government services, and the execution of a strategic plan to enhance resource aspects.

One Italian study (Bianchi et al., 2021) examines a 1993 legislation that gave Italian towns more financial autonomy by substituting local property tax revenues for government grants. The identification takes advantage of cross-municipal variance in the level of decentralization resulting from variations in the average age of WWII bomb-damaged buildings. It was found the decentralization increased municipal services like nursery schools while decreasing local expenses. In regions where political competition is higher, these consequences are more pronounced. The impact of the reform on labor markets is also examined in the report. Decentralization reduced the gender gap in employment by increasing the supply of female labor, most likely through the expansion of nursery schools. A previous study (Martinez-Vazquez et al., 2017) went over the key conclusions regarding how decentralization affects a pertinent set of socioeconomic problems. It also takes into account how changes to fiscal decentralization may affect public policies and political institutions. Although definitive answers on the effects of fiscal decentralization are unlikely, there are generally grounds for optimism regarding the overall favorable outcome.

Fiscal decentralization is critical in determining the success of regional autonomy implementation, as it will increase economic efficiency, improve accountability, and increase fund mobilization (Padmawati, 2021). Therefore, the more intensely fiscal decentralization is implemented, the more positively and significantly it impacts the performance of regional apparatus organizations, leading to an increase in their overall performance. Fiscal decentralization has had a positive impact on Indonesia's regional autonomy throughout its journey. The existing legal instruments for regulating fiscal decentralization can be beneficial in promoting regional economic growth and serve as a foundation. Therefore, the relationship between inequality and demands for autonomy is complex and depends on regional characteristics.

4.2 Evaluation of the Readiness of Regional Apparatus Organizations (OPD) in Facing Changes in Decentralization Policy

Even not fully related to Fiscal matter, previous research on the readiness for decentralization policy was done in the agriculture and fishery sectors in Philippine (Fernandez, 2023). The results demonstrate

that key components in the successful execution of the decentralized agricultural and fishery extension services delivery are the Devolution Transition Plan (DTP), Personnel Structure and Budget, Policies and Ordinances, and Enabling Mechanisms like Strategic Action Plans and Projects.

Decentralization in Indonesia in its implementation aims to create independence, society can participate, democracy, and government accountability to society as a whole. This necessitates the provision of economic and political backing to facilitate the execution of government operations. The implementation of decentralization still faces not only one problem but several problems that do not only come from the provisions in the law; apart from that, the problems that are often faced are in its implementation. The implementation of fiscal decentralization in Indonesia must confront several issues and challenges (Palupi, 2021):

- (1) The relationship between the Decentralization Law and the Sectoral Law, which confirms the administrative and financial authority between the provincial and district/city governments, must be implemented to avoid confusion with budget provisions.
- (2) In the harmless policy to implement the allocation of general allocation funds or Dana Alokasi Umum (DAU), the hold harmless policy requires no region to receive a general allocation fund (DAU) that is smaller than the previous year.
- (3) Regional regulations have the potential to stimulate a high-cost economy and impede investment.
- (4) The community receives minimum service standards for basic services that don't generate revenue.
- (5) Regional financial management still faces challenges in terms of planning and budgeting, as well as the implementation of performance-based budgets.
- (6) The formation of new autonomous regions can cause problems if not supported by adequate economic and financial capabilities.

Despite being restricted to the role of the government's Internal Supervisory Apparatus (APIP) in the Regions in using forensic accounting in audit activities, Bobby's study (Toeweh, 2022) demonstrates that forensic accounting can be used and effectively to detect and reveal fraud in the management in the Regional Government through review activities and the implementation of investigative audits. He says his work can serve as a guide for future investigations into how forensic accounting affects the Government's Internal Supervisory Apparatus's (APIP) regional audit implementation.

4.2 Policy Implication of Fiscal Decentralization on the Performance of Regional Apparatus Organizations (OPD)

With respect to the implication in Lampung Province, with a focus on public services in the areas of education and health, infrastructure, industry, and tourism, as well as bureaucratic reform, the regional government policy implementing the APBD outlines specific actions to realize an advanced and prosperous Lampung Province. To ensure that development proceeds in a coordinated and synergistic manner, it is imperative that the province of Lampung accelerate its growth and support the national development agenda as outlined in Presidential Regulation Number 18 of 2020 concerning the National Medium-Term Development Plan for 2020–2024. Therefore, the use of regional autonomy in the form of fiscal decentralization—which gives regional governments the freedom to manage their own finances must be done so in the context of improving services, not of raising taxes that could impede economic growth. Regional governments employ a range of strategies to boost regional revenue in an attempt to meet the costs of funding their public services. First, money designated as PAD is obtained by the regional administration. Second, receive money transfers from the APBN. These transfers are distributed as balancing funds, which are made up of DAK, non-tax revenue sharing, tax revenues, and DAU.

Table 1 APBD - Regional Revenue and Expenditure of Lampung Province 2022

	Description	2024 Realization	2022 Budget	Change (%)
	(1)	(2)	(3)	(4)
	REGIONAL REVENUE	7,652,107.00	7,202,879.03	-5.87

	Regional Revenue	7,468,468.35	6,558,085.74	-12.20
	Original Income	3,249,669.85	3,447,849.16	6.10
	transfer Income	4,209,156.68	2,090,977.70	-26.57
	Other Legitimate Regional Revenue			80.96
	Financing Receipts	182,638.16	644,793.28	253.04
	REGIONAL EXPENDITURE	7,268,827.72	7,595,496.68	4.48
	Operating Expenditure	5,151,247.34	4,575,480.19	-11.18
	Capital Expenditure	849,692.11	1,488,985.08	75.24
	Unexpected Expenditure	126.40	31,500.00	24,820.89
	Expenditure Transfer	1,096,585.55	1,307,351.41	19.22
	Financing Expenditure	171,176.33	191,180.00	11.69

Source: Central Bureau of Statistics 2023, *Publication of Regional Financial Statistics of Lampung Province, Volume 9 2023*

The APBD's balancing fund is allocated with the dual goals of minimizing regional disparities in fiscal capacity and guaranteeing the APBD's revenue streams. Third, regions get money from other sources, like emergency and contingency funds. Fourth, accept loans from both domestic and foreign sources. Lampung Provincial Government typically uses PAD sources to calculate the minimum target when determining its revenue budget. The Lampung Provincial Government's targeted regional revenue for 2022 is 7.20 trillion rupiah, which is less than the revenue acquired in 2021 of 7.65 trillion rupiah, or 5.87 percent, due to the rise in the receipt of balancing funds. It may be higher or lower because it is still a draft and not always the same as the realisation. Funds from the APBN are distributed to the regions in the form of transfer income in addition to the implementation of fiscal decentralisation and regional autonomy. The central government's projected transfer income for 2022 is 3.09 trillion rupiahs, which is a 26.57 percent drop from the realization of 4.21 trillion rupiahs in 2021.

Enhancing the capacity to manage regional development is essential when it comes to putting development into action. Managing the APBD, a quantitative description of the regional government's goals and objectives as well as the primary responsibilities and functions of the work unit, is one of the management skills. This ensures that the regional budget is an integral component of the regional development planning process as a whole. The community's financial situation and decision-making are also reflected in the budget. Furthermore, programs and initiatives that directly impact the community and address its needs as well as those of regional development are given priority when it comes to spending money. The prioritization of regional budget allocation is aimed at expediting the execution of superior regional initiatives. Its administration is based on the ideas of economy, efficiency, and effectiveness. They have to pay attention to overall development performance.

In the previous study (Aulia et al., 2024), a fund budget management in one Indonesian village, Daluh Sepuluh, did not fulfill the efficiency standards in a fiscal case study conducted over a single year; nonetheless, the effectiveness ratio was 100%. Better budget planning and more open financial reporting are two examples of improvements. Nonetheless, the results can support public administration, rural development research, and local government budget management. Policymakers can learn more about Indonesian village fund management from this study. According to the findings of another study, the integrity of financial statements is positively and significantly impacted by audit quality in addition to institutional ownership, managerial ownership, independent commissioners, and audit committees, but not by the latter (Purwantiningsih & Anggaeni, 2021).

4.3 Managerial Implication

When facing the change in decentralization policy, the organization (OPD) must be prepared and understand the importance of ensuring that it can effectively and efficiently manage the resources provided. Given the growing potential for regional autonomy, the regional government must demonstrate greater initiative and creativity in creating incentives that foster the growth of regional

economic independence. Several factors need to be taken into account when evaluating the OPD's readiness to adapt to the decentralization change:

- (1) **Management Readiness:** To ensure the organization's management is prepared for the change, the management system must effectively and efficiently manage the available resources (Toeweh, 2022). We must evaluate the management system's capacity to manage resources and adapt to upcoming changes. The readiness of the management of the Regional Apparatus Organization (OPD) in the context of regional government is crucial for the effectiveness and efficiency in the implementation of local government (Ariany & Putera, 2013). Several aspects that need to be considered to assess the readiness of OPD management include 1) leadership and management; 2) planning and strategy; 3) human resource management; 4) financial management; 5) use of information technology; 6) performance measurement and evaluation; and 7) cooperation and coordination. Good OPD management readiness is an important factor in achieving regional development goals and providing quality public services to the community. On study by Tandiawan (2022) has found a managerial discretion is unaffected by institutional ownership, financial distress, the percentage of independent commissioners, or the audit committee. It disproves the theories about how managerial discretion over the identification of allowance for impairment losses is influenced by company governance and financial crisis. Nonetheless, managerial ownership positively affects managerial discretion, which suggests that managers who own stock in a company may choose to increase their portion of the cost of equity and/or capital gains.
- (2) **Resource Readiness:** The available human resources and infrastructure must be sufficient to handle the tasks assigned. We must evaluate the quality and quantity of available resources, along with their management capabilities.
- (3) **Infrastructure Readiness:** The infrastructure available must be adequate to support OPD activities. We must evaluate the quality and quantity of available infrastructure, as well as their capacity to support OPD activities. The OPD infrastructure comprises a variety of elements that support the activities and services provided by the OPD. Several important aspects of OPD infrastructure readiness are: 1) physical facilities; 2) information technology; 3) internet access; 4) security systems; 5) communication facilities; 6) other supporting facilities; and 7) accessibility (Lestari et al., 2015). Good OPD infrastructure readiness allows the organization to carry out its duties effectively, provide quality services to the community, and contribute to overall regional development.
- (4) **Information System Readiness** The information system used must be able to provide accurate and timely information to support OPD activities (Hilda et al., 2024). We must evaluate the information system's ability to provide the necessary information and adapt to changes. The OPD Information System covers various aspects, such as information technology infrastructure, software, databases, and human resources who are skilled in managing and utilizing them (Fatina Ardelia et al., 2023): 1) Technology Infrastructure; 2) Software; 3) Database; 4) Human Resources; 5) Information Security; 6) Integration between Systems. All of the above aspects have been considered and implemented properly, which will increase the readiness of the OPD Information System to support organizational operations efficiently and effectively.
- (5) **Policy Readiness:** The implemented policies must be adequate to support OPD activities. We must evaluate the implemented policies and their capacity to adapt to changes. Policy readiness in regional apparatus organizations (OPD) is critical to ensuring that the institution can operate efficiently, transparently, and in accordance with applicable laws and regulations (Damanik & Purwaningsih, 2018). Here are some important aspects that need to be considered in evaluating OPD policy readiness: 1) internal policy; 2) legal compliance; 3) transparency and accountability; 4) information technology policy; 5) risk management; 6) innovation and performance improvement policy. Ensuring that all OPD policies adhere to the principles of good governance and support the effective achievement of organizational goals will be a strong foundation for successful and sustainable operations.
- (6) **Education and Training Readiness:** The level of education and training provided must be sufficient to enhance the quality of the human resources available. We should conduct evaluations on the quality of education and training provided, as well as their potential to improve the quality of

human resources. The readiness of education and training in Regional Apparatus Organizations (OPD) is essential to ensure that staff have the skills and knowledge needed to carry out their duties effectively. Aspects that need to be considered in evaluating the readiness of education and training in OPD: 1) Need identification; 2) training planning; 3) technical training; 4. The program includes managerial and leadership training, policy and regulation training, a continuous learning approach, and evaluation and feedback. By providing appropriate education and training, OPDs can improve the readiness of their staff and the overall performance of the organization.

- (7) The implementation of community empowerment is necessary to boost community involvement in OPD activities. We should assess the effectiveness of community empowerment and its capacity to boost community involvement. The readiness of community empowerment in the context of decentralization focuses on the organization's ability to manage the resources provided effectively and efficiently. The readiness of the community to change and improve their abilities is very important. Society must possess an open mind to embrace change and a sense of unity to collaborate in the empowerment process.
- (8) The use of regional autonomy in the form of fiscal decentralization which gives regional governments the freedom to manage their own finances must be done so in the context of improving services, not of raising taxes that could impede economic growth. A range of strategies are to be built to boost regional revenue in an attempt to meet the costs of funding their public services. According to a study at, PT PLN's (Persero) financial performance varied significantly throughout the previous ten years. Although many financial ratios saw advances, there were also times when they declined as a result of both internal and external factors, including shifts in government policy, fuel price fluctuations, and regulatory changes. These results suggest that in order to enhance future financial success, more creative and flexible management techniques are required (Hidayatullah et al., 2024). The implication of fiscal decentralization in Lampung as seen in *Publikasi Statistik Keuangan Daerah Provinsi Lampung 2022, Statistik Keuangan Daerah Provinsi Lampung 2022, Volume 9 2023*, Lampung can be used as a good model as well.

Rahman (Pálné Kovács, 2015) identifies and proposes four main forms of decentralization based on categories found in UNDP and World Bank articles. Decentralization in the areas of politics, administration, finances, and markets are these. The giving of power to a subnational organization is known as political decentralization. Decentralized administration has benefits, it creates an effective and dependable administration, the acceleration and enhancement of local development, the improved protection of minorities' rights to participate in politics, and the improvement of local development are all significant considerations in favour of decentralizing government. The importance of decentralized systems is that decentralization relieves the lower-level directors of the burden of making decisions that are for the association's progress; they handle all problems independently and provide solutions for the various problems they encounter. This helps the representatives feel more certain and confident.

When assessing the preparedness of OPDs, it's crucial to remember that decentralization not only aims to distribute power but also enhances service quality and boosts community involvement. Therefore, we must conduct a comprehensive evaluation that prioritizes service quality and community participation. The central government itself must possess the capability to oversee and assess the decentralization process. Guidance is necessary for implementing a controlled and gradual fiscal decentralization process, including applying a uniform financial accounting system, audit norms, openness in loan terms, determining when to loosen spending supervision, adjusting the substitution distribution formula, and determining the loan amount limit. The regional government needs to provide technical assistance in certain areas (Mega Christia & Ispriyarso, 2019). Transparency and social control are two principles in organizing the state. Therefore, serious efforts to increase transparency and accountability are a necessity if we want to build a new and better Indonesia. The concept of transparency refers to a condition in which all aspects of the service delivery process are open and can be easily understood by users and stakeholders who require it. If all aspects of the service delivery process are expected to be transparent, the regional apparatus organization can implement one of the principles in organizing the state (Karjuno Dt. Maa, 2009).

5. Conclusion

Law-regulated fiscal decentralization empowers regional governments to independently manage budgets, including local revenues and balancing funds from the central government. Fiscal decentralization implementation aims to enhance economic efficiency, accountability, and fund mobility, thereby enhancing the performance of regional apparatus organizations (OPD) in delivering quality public services. The success of fiscal decentralization greatly determines the effectiveness of regional autonomy, with positive indications of OPD performance along with the increasing intensity of its implementation. Regional apparatus organizations (OPD) must be ready to function effectively and efficiently in managing the resources provided. With broader regional autonomy, regional governments need initiative and creativity in encouraging independent economic growth. The evaluation of OPD readiness includes various aspects: management readiness, which includes leadership and management; human resources and infrastructure readiness; information systems readiness; policy readiness; and education and training readiness. In addition, community empowerment is the key to increasing participation in OPD activities. This evaluation is important to ensure that decentralization not only provides power but also improves the quality of public services and community participation.

Limitations and Future Studies

Besides above good governance, a study from Philippine found that devolution Transition Plan (DTP), Personnel Structure and Budget, Policies and Ordinances, and Enabling Mechanisms like Strategic Action Plans and Projects also the key factors for the successful decentralization, can be a good consideration in implementing the fiscal decentralization. Even the SLR method in this study has advantages increasing evidence from previous research, being used on almost any topic, providing good information to explain something more deeply, collecting a lot of data through a database, thus minimizing costs, and creating a conceptual framework for further planning studies in a project or teaching materials. Its disadvantages include requiring a long time to find comprehensive literature and the information collected can be limited. The results of the SLR were conducted on journal publications, from 2014-2024, in order to identify the platforms or methods for developing Fiscal Decentralization System in Indonesia. The dominant platform discussed in this SLR research is web-based. Even SLR can provide valuable insights, understanding its limitations is crucial for making accurate interpretations and informed decisions based on the results.

- (1) Further research should explore how various aspects of fiscal decentralization specifically affect OPDs' operational performance and public services.
- (2) We recommend conducting comparative studies between various regions to understand the factors that affect OPD readiness.

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