

The Impact of Regional Autonomy on Community Welfare Enhancement

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Abstract

The implementation of regional autonomy in Indonesia since the Reform Era, particularly through Law Number 23 of 2014 on Regional Government, has been expected to enhance public welfare through the decentralization of authority and the strengthening of regional capacity. However, in practice, several challenges persist, including regional development disparities, the low quality of public services, and the suboptimal management of local resources. Data from the Central Bureau of Statistics indicate that poverty rates in several underdeveloped regions remain above the national average, while the Human Development Index (HDI) in certain areas is still categorized as moderate to low. This study aims to analyse the implications of the implementation of regional autonomy on improving community welfare. This normative research employs a descriptive-analytical method and a statutory approach, drawing on literature studies and secondary data analysis from government reports and international journals. The findings reveal that regional autonomy has positive implications in improving access to public services, accelerating infrastructure development, and encouraging community participation in local development. Nevertheless, its effectiveness is still influenced by the institutional capacity of local governments, the quality of human resources, as well as the level of transparency and accountability in governance. Therefore, strengthening good governance practices and enhancing the capacity of the regional apparatus are essential to ensure that the primary objective of regional autonomy in improving public welfare can be achieved optimally.

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Introduction

The concept of regional autonomy constitutes an integral part of Indonesia's constitutional system, which adopts the principle of a unitary state combined with decentralization. Within this framework, the central government grants authority to regional governments to regulate and manage governmental affairs based on the principles of autonomy and co-administration tasks.¹ This policy emerged as a response to reform demands aimed at establishing a more democratic, effective, and responsive system of governance that better addresses local community needs.

Conceptually, regional autonomy is intended to bring public services closer to the people while enhancing community participation in the development process. Decentralization serves as a strategic instrument to promote efficiency in governance and to accelerate regional development.² From the perspective of modern governance theory, regional autonomy is also regarded as a means of achieving good governance through improved accountability and transparency at the local level.³

In the Indonesian legal system, the regulation of regional autonomy is constitutionally grounded in the 1945 Constitution, particularly Article 18, which affirms the division of regions and the principle of granting the widest possible autonomy. Its further implementation is governed by various statutory regulations, culminating in Law Number 23 of 2014 on Regional Government. This legislation emphasizes the distribution of governmental affairs between the central and regional authorities, while also strengthening the role of local governments in national development.⁴

Law Number 23 of 2014 provides a clear legal framework for the authority of regional governments to manage resources, deliver public services, and promote economic development. Through this regulation, local governments are granted broad powers to administer concurrent governmental affairs, with the expectation

¹ Cika Silalahi, "Desentralisasi Dan Otonomi Daerah: Dampaknya Terhadap Pembangunan Lokal," *Tugas Mahasiswa Fisipol* 1, no. 2 (November 2024),.

² Dennis Shoesmith, Nathan Franklin, and Rachmat Hidayat, "Decentralised Governance in Indonesia's Disadvantaged Regions: A Critique of the Underperforming Model of Local Governance in Eastern Indonesia," *Journal of Current Southeast Asian Affairs* 39, no. 3 (November 2020): 359–80.

³ Edem Lekettey et al., "Fiscal Decentralization and Local Financial Autonomy: A Bibliometric Review of Global Research Trends," *JASE: Journal of Accounting and Strategic Finance* 8, no. 2 (December 2025): 235–55.

⁴ Khasail Khosailul et al., "Membangun Otonomi Daerah Yang Efektif: Meninjau Kembali Kerangka Hukum Pemerintahan Daerah Di Indonesia," *Jurnal Kajian Konstitusi* 4, no. 1 (June 2024): 95–117.

of creating governance that is more effective and efficient. This indicates that regional autonomy is not merely administrative in nature, but also carries a strategic dimension within national development.⁵ The urgency of implementing regional autonomy is closely linked to efforts to enhance public welfare. With the authority they possess, local governments are expected to formulate policies that align with local characteristics and needs. Decentralization can improve the quality of public services, encourage greater public participation, and foster regional economic development, which ultimately contributes to the overall well-being of society.⁶

Moreover, regional autonomy provides opportunities for local governments to optimize their regional potential, including both natural resources and human resources. Locally based policies enable innovation in development and contribute to accelerating poverty alleviation. In this context, regional autonomy serves as an essential instrument in promoting equitable development and social justice across all regions of Indonesia.⁷

Nevertheless, the implementation of regional autonomy in Indonesia has not always proceeded optimally. Various challenges persist, including fiscal disparities among regions, the limited capacity of human resources within local government institutions, as well as the prevalence of corruption and abuse of authority.⁸ These issues have resulted in uneven development outcomes and have hindered the effective improvement of public welfare in several areas. In addition to inequality, the low capacity of local government personnel remains a significant obstacle in the administration of regional autonomy. Limitations in competence and professionalism contribute to the poor quality of public services and the ineffectiveness of regional policies. This situation is further exacerbated by weak coordination between the central and local governments in policy implementation

⁵ Muhamad Arya Wijaya, "Desentralisasi Dan Otonomi Daerah: Pilar Penting Dalam Membangun Indonesia," *PESHUM: Jurnal Pendidikan, Sosial Dan Humaniora* 1, no. 6 (October 2022): 702–7.

⁶ Daniel Suryadarma et al., "Objective Measures of Family Welfare for Individual Targeting: Results from Pilot Project on Community Based Monitoring System in Indonesia," *Working Papers, Working Papers*, n.d., 707, accessed April 23, 2026, <https://ideas.repec.org/p/agg/wpaper/707.html>.

⁷ Rika Santina, "Pengaruh Desentralisasi Dan Otonomi Daerah Terhadap Kesejahteraan Masyarakat Di Indonesia," *Jurnal Review Pendidikan Dan Pengajaran* 7, no. 3 (July 2024): 9496–502.

⁸ Rika Santina, "Pengaruh Desentralisasi Dan Otonomi Daerah Terhadap Kesejahteraan Masyarakat Di Indonesia," *Jurnal Review Pendidikan Dan Pengajaran* 7, no. 3 (July 2024): 9496–502.

Another equally significant issue is the widespread occurrence of corruption and abuse of authority at the regional level. Decentralization, which is intended to enhance accountability, has in some cases instead given rise to the phenomenon of “local strongmen,” where local elites misuse their power.⁹ Corrupt practices, low levels of accountability, and weak oversight mechanisms remain serious challenges in the implementation of regional autonomy.¹⁰

Meanwhile, the welfare conditions of the Indonesian population continue to face significant challenges, particularly when viewed through poverty indicators. Official data released by the Indonesian Central Statistics Agency (Badan Pusat Statistik/BPS) indicate that, as of March 2025, the national poverty rate stood at 8.47%, equivalent to approximately 23.85 million people. This figure represents a decline from 8.57%, or 24.06 million people, recorded in September 2024, indicating a positive trend in poverty reduction. Nevertheless, in absolute terms, the number of people living in poverty remains substantial, suggesting that a considerable portion of the population has not yet fully benefited from the outcomes of economic development. Furthermore, disparities in welfare remain evident between urban and rural areas. The poverty rate in rural regions reached 11.03%, significantly higher than the 6.73% recorded in urban areas. This disparity demonstrates that unequal access to economic opportunities, infrastructure, and public services continues to hinder efforts to improve public welfare comprehensively.¹¹

Moreover, despite improvements in national poverty indicators, concerns regarding economic vulnerability remain significant when broader international standards are applied. Various international assessments, including those conducted by the World Bank, have highlighted that a large proportion of Indonesia’s population remains vulnerable to falling into poverty due to limited income security and exposure to economic shocks. In addition, the national poverty line increased to approximately IDR 609,160 per capita per month in March 2025, compared to IDR 595,242 per capita per month in September 2024.

⁹ Bambang SLamet Riyadi, “The Sociology Law: Corruption and Abuse of Power in Indonesia,” *International Journal of Religion* 5, no. 7 (May 2024): 599–613.

¹⁰ Halimatus Sakdiyah, “Efektivitas Otonomi Daerah Dalam Mewujudkan Tujuan Negara: Tinjauan Kritis Desentralisasi Di Indonesia,” *Jurnal Pendidikan Sosial Indonesia* 3, no. 1 (May 2025): 1–11.

¹¹ Badan Pusat Statistik Indonesia, “Persentase Penduduk Miskin September 2025 turun menjadi 8,25 persen,” accessed April 23, 2026, <https://www.bps.go.id/id/pressrelease/2026/02/05/2536/persentase-penduduk-miskin-september-2025-turun--menjadi-8-25-persen-.html>.

This increase reflects the rising minimum expenditure required to meet basic living standards. Consequently, although poverty rates have declined, many households continue to live only marginally above the poverty threshold and remain economically vulnerable. Therefore, the implementation of regional autonomy should be directed more effectively toward reducing inequalities, expanding access to public services, and improving the quality of life throughout Indonesia.¹²

However, it should be noted that the statistical data presented in this study do not constitute the primary object of legal analysis. Rather, these data are employed solely as supporting information to provide a general overview of public welfare conditions within the framework of regional autonomy governance. As a normative legal study, the primary focus of this research remains the examination of legal norms, principles, doctrines, and regulatory frameworks governing regional autonomy and their implications for the realization of public welfare. Accordingly, statistical indicators are used only to contextualize the discussion and to illustrate the socio-economic conditions within which the relevant legal framework operates.

Based on the foregoing discussion, there is a clear gap between the normative objectives of regional autonomy, which aim to enhance public welfare, and its practical implementation in the field. Several studies indicate that regional autonomy has produced positive impacts; however, other findings reveal that it has not yet significantly improved community welfare in an equitable manner. Therefore, this research is essential to normatively examine the implications of implementing the principles of regional autonomy on the improvement of public welfare, as well as to evaluate its consistency with the objectives mandated in prevailing laws and regulations.

Metode

This research employs a normative legal research approach, focusing on the analysis of legal norms within a statutory regulatory framework.¹³ This approach conceptualizes law as a coherent system, thus requiring an in-depth examination of the legal principles, doctrines, and provisions governing regional autonomy.

¹² Badan Pusat Statistik Indonesia, "Memahami Perbedaan Angka Kemiskinan versi Bank Dunia dan BPS - Berita dan Siaran Pers," accessed April 23, 2026, <https://www.bps.go.id/id/news/2025/05/02/702/memahami-perbedaan-angka-kemiskinan-versi-bank-dunia-dan-bps.html>.

¹³ Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Kencana, 2017). 35.

Specifically, the analysis is based on Law Number 23 of 2014 concerning Regional Government and other related regulations. Furthermore, this research adopts a statutory approach to explore how the principles of regional autonomy are formulated and implemented within the national legal system, as well as their relationship to the goal of improving public welfare. Therefore, the statistical data presented in the background are not the primary research data but rather supporting data to illustrate the implementation of regional governance as mandated by the constitution, laws, and their principles.

The legal materials used in this research consist of primary legal sources, including statutory regulations; secondary legal materials such as academic books, scientific journals, and previous research findings; and tertiary materials supporting conceptual clarification. Data collection was conducted through library research, while analysis was conducted qualitatively using descriptive-analytical methods. This method involves the systematic description and interpretation of legal norms, which are then used as a basis for drawing conclusions.

Results and Discussion

The Concept of Regional Autonomy in the Indonesian Government System

The concept of regional autonomy within Indonesia's system of governance constitutes an integral component of the decentralisation policy, which aims to distribute authority from the central government to regional administrations. Regional autonomy emerged as a response to the previously highly centralised system of governance, which was considered inadequate in accommodating the diverse needs of communities across different regions. In this context, regional autonomy serves as a strategic instrument to enhance efficiency, effectiveness, and public participation in the administration of government.

Theoretically, regional autonomy represents the implementation of the concept of decentralisation in modern governance. Decentralisation is understood as the process of transferring authority, responsibilities, and resources from the central government to local governments. Its primary objective is to create a more responsive system of governance that is capable of addressing local needs while improving public welfare through policies that are contextual and adaptive.¹⁴

¹⁴ Rahmat Salam and Izzatusholekha, "Decentralization and Its Influence in Determining the Direction of Public Policy as an Effort to Improve Community Welfare," *International Journal of Science and Society (IJSOC)* 2, no. 4 (September 2020): 111

In practice, decentralisation extends beyond the mere distribution of administrative authority, encompassing political, fiscal, and developmental dimensions. Fiscal decentralisation, for instance, grants local governments the authority to manage their own finances through locally generated revenue and fiscal transfers from the central government. It has a significant relationship with the level of public welfare, although its outcomes largely depend on the quality of local governance¹⁵.

The principles of regional autonomy in Indonesia's governmental system fundamentally consist of three main pillars: decentralisation, deconcentration, and co-administration (*medebewind*). These principles are explicitly regulated under Law Number 23 of 2014 on Regional Government. Collectively, they serve as essential foundations in the administration of local governance, complementing one another in enhancing the effectiveness of public administration¹⁶.

First, the principle of decentralization in Article 1, number 8 of Law Number 23 of 2014 is a key principle in regional autonomy, granting full authority to regions to regulate and manage government affairs within the framework of a unitary state. Under this principle, regional governments have the autonomy to create policies, manage resources, and implement public services according to the needs of the local community¹⁷. Decentralization also allows for the creation of innovative regional policies that are more adaptive to local conditions.

Furthermore, the principle of decentralization also plays a role in strengthening local democracy by increasing public participation in the decision-making process. With broader authority, local governments can directly involve communities in development planning and implementation¹⁸. Thus,

¹⁵ Nuwun Priyono et al., "The Determinants of Level of Society Welfare Within Fiscal Decentralization Framework in Regional Autonomy Era," *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi Dan Pembangunan*, 2020, 60–70.

¹⁶ "Decentralization and Regional Autonomy in Indonesia: Implementation and Challenges 9789812308214," Dokumen.Pub, accessed April 23, 2026, <https://dokumen.pub/decentralization-and-regional-autonomy-in-indonesia-implementation-and-challenges-9789812308214.html>.

¹⁷ Hikmat, "Public Policy Formulation and Its Implications for Community Welfare in the Era of Regional Autonomy," *Indonesia Journal of Engineering and Education Technology (IJEET)* 3, no. 1 (August 2025): 329.

¹⁸ Bonefasius Bao and Soni Suardi, "Decentralization And Democracy: Evaluating The Performance Of Regional Autonomy In Improving Public Welfare," *MSJ: Majority Science Journal* 3, no. 4 (November 2025): 20.

decentralization can expand democratic space and increase local government accountability.

However, in practice, the implementation of the principle of decentralization still faces various challenges. Not all regions have adequate human resources and institutional capacity to exercise delegated authority. This leads to disparities in the quality of public services and development across regions¹⁹. Furthermore, governance practices that are not yet fully transparent and accountable also impact the effectiveness of decentralization, even in some cases triggering abuse of authority at the local level. Furthermore, regional fiscal dependence on the central government through transfer funds remains, indicating that regional independence has not yet been fully realized. Thus, although the principle of decentralization is normatively designed to improve public welfare, its implementation requires strengthening regional capacity, effective oversight, and synergy between the central and regional governments. So the success of decentralization is greatly influenced by the quality of institutions and regional governance.

The second principle is deconcentration, it is normatively regulated in Law Number 23 of 2014 concerning Regional Government, specifically Article 1, number 9, which defines deconcentration as the delegation of some government affairs under the authority of the central government to governors as representatives of the central government, to vertical agencies in certain regions, and/or to governors and regents/mayors as those responsible for general government affairs. This provision demonstrates that deconcentration is not a transfer of authority as in decentralization, but rather a delegation of authority that remains vested in the central government. The primary objective of this principle is to maintain uniformity of national policy, strengthen central-regional coordination, and ensure the effective implementation of national strategic programs down to the regional level.²⁰

Deconcentration plays a crucial role in maintaining national stability and integration, particularly in a unitary state like Indonesia. Through this mechanism,

¹⁹ Suci Anastasya and Arif Rahman, "Implementation of Decentralization Policy in Improving Public Health Services in Urban Areas," *Inspirasi & Strategi (INSPIRAT): Jurnal Kebijakan Publik & Bisnis* 16, no. 1 (July 2025): 15–23.

²⁰ I. Made Jyotisa Adi Dwipatna, Shadry Andriani, and Regina, "Does Governance Matter? The Conditional Impact Of Fiscal Decentralization On Public Welfare," *Buletin Studi Ekonomi*, February 28, 2026, 63.

the central government maintains control over the implementation of strategic policies in the regions, thereby preventing disintegration or policies that conflict with the national interest. Despite this, the principle of deconcentration is often viewed as a form of "semi-centralization" because the delegated authority is not fully autonomous. Therefore, a balance is needed between decentralization and deconcentration to prevent overlapping authority that could hamper government effectiveness.

In practice, the principle of deconcentration plays a crucial role in bridging central and regional interests, particularly in the implementation of national programs such as infrastructure development, inflation control, and political stabilization. However, its implementation still faces various obstacles, such as overlapping authority between the central and regional governments, a lack of policy synchronization, and limited capacity of regional apparatus implementing deconcentration tasks. Furthermore, coordination between vertical agencies and regional governments is often suboptimal, leading to inefficiencies and delays in program implementation.²¹ In some cases, the deconcentration approach is also considered too centralistic, as regions only act as policy implementers without adequate room for innovation. Therefore, strengthening coordination mechanisms, clarifying the division of authority, and increasing bureaucratic capacity are needed to ensure more effective implementation of the principle of deconcentration and support national development goals as a whole.

The third is the principle of assistance tasks (*medebewind*). The principle of assistance tasks (*medebewind*) in the Indonesian regional government system is expressly regulated in Law Number 23 of 2014 concerning Regional Government, specifically Article 1, number 11, which defines assistance tasks as assignments from the central government to autonomous regions and/or villages, and from provincial governments to districts/cities or villages, to carry out certain government affairs within the authority of the assignor. This provision is reinforced in Articles 19 and 22, which stipulate that the implementation of assistance tasks must be accompanied by adequate funding, facilities and infrastructure, and human resources. Normatively, this principle aims to increase the effectiveness of government administration while maintaining central control

²¹ Mesakh Roi Pratama Ginsu, Laura Amaria Dwiputri Julianti, and Fachry Haris, "Fiscal Strategies amid Global Uncertainty: Strengthening Indonesia's Economic and Investment Resilience through a National Supply Chain Resilience Roadmap," *Economic Military and Geographically Business Review* 3, no. 1 (July 2025): 1-22.

over certain matters, while ensuring that public services can reach the regional and village levels more efficiently.

The existence of the assistance task principle demonstrates that the relationship between the central and regional governments is coordinative and functional, rather than solely hierarchical. This reflects the synergy between the central and regional governments in achieving comprehensive national development goals.

However, in practice, the principle of assistance tasks still faces various obstacles. One major issue is the mismatch between assigned tasks and available budgets and regional capacity, resulting in suboptimal program implementation. Furthermore, coordination between the central and regional governments frequently encounters obstacles, including in reporting, monitoring, and evaluation. In some cases, regions only act as administrative implementers without room for innovation, resulting in low program effectiveness on the ground. Overlapping authority and a lack of clarity in the division of responsibilities also pose challenges. Therefore, improvements to coordination mechanisms, clarity in technical regulations, and strengthening of regional institutional capacity are needed to ensure optimal implementation of the principle of assistance tasks and contribute significantly to improving public welfare.

Overall, these three principles, decentralization, deconcentration, and assistance tasks, are an inseparable part of the Indonesian government system. They serve to create a balance between regional independence and central government control, thus fostering effective and efficient governance.

Implications of Regional Autonomy on Improving Community Welfare

The implementation of regional autonomy in Indonesia has significant implications for improving public welfare, particularly through the mechanism of decentralization of authority and resources. The devolution of authority from the central government to the regions gives local governments the flexibility to design public policies that better align with local needs. This allows for improvements in the quality of public services, such as education, health, and infrastructure, which are key indicators of public welfare. However, the positive implications of regional autonomy for welfare are not automatic but are highly dependent on the quality of local governance. In many cases, regions with strong institutional capacity are able to optimize the potential of autonomy to drive economic growth and public welfare. Conversely, regions with weak governance experience stagnation and

even decline. The success of decentralization is strongly influenced by factors such as accountability, transparency, and the quality of the local bureaucracy.²²

Furthermore, regional autonomy also increases public participation in the development process. Decentralization opens up opportunities for public involvement in the planning and oversight of public policies, resulting in more responsive and inclusive policies. This participation ultimately contributes to improved social welfare, as development programs are more targeted. Participatory decentralization can improve the quality of public services and strengthen public trust in the government²³.

On the other hand, regional autonomy also presents challenges in the form of welfare disparities between regions. Regions with abundant natural resources and high fiscal capacity tend to develop faster than those with resource-poor regions. This creates development disparities that have implications for national welfare inequality. Furthermore, the impact of regional autonomy on welfare is also linked to the potential for corruption at the local level. The delegation of authority without strong oversight can open up opportunities for abuse by regional elites. This negatively impacts the effectiveness of development programs and ultimately hinders improvements in public welfare.

1. Improving Public Service

The implementation of regional autonomy through decentralization has brought fundamental changes to the public service system, particularly in terms of the government's proximity to the community. Theoretically, decentralization allows local governments to better understand local needs and thus design more targeted service policies²⁴. This reinforces the assumption that locally managed public services tend to be more responsive than centralized systems.

In practice, regional autonomy encourages increased access to public services. With the delegation of authority, communities no longer have to rely entirely on the central government for basic services such as education, health

²² Cynthia Hadita et al., "Coherence of Regional Independence and Welfare of Regional Communities in the Perspective of the Welfare State," *Indonesian Journal of Business Analytics* 3, no. 2 (April 2023): 250.

²³ Jean-Paul Faguet and Caroline Poeschl, *Is Decentralization Good For Development? Perspectives From Academics and Policymakers* (2015), 1–28.

²⁴ Rahmat Salam and Izzatusholekha, "Decentralization and Its Influence in Determining the Direction of Public Policy as an Effort to Improve Community Welfare," *International Journal of Science and Society (IJSOC)* 2, no. 4 (September 2020): 115.

care, and population administration. International studies show that decentralization contributes to increased access to public services at the local level, particularly in rural and developing areas.²⁵

In addition to increasing access, regional autonomy also has implications for improving the quality of public services. Fiscal decentralization has a positive impact on service quality, particularly in the education sector, as demonstrated by improved student learning outcomes, an indicator of public service quality. This demonstrates that local resource management can improve service efficiency and quality.²⁶

Furthermore, regional autonomy encourages innovation in public services. Local governments have the opportunity to develop various service innovations based on community needs, such as service digitalization, integrated services, and community-based programs. These innovations are key to increasing public satisfaction with public services while accelerating the service process.²⁷

Regional autonomy also plays a role in increasing accountability and transparency in the delivery of public services. The close relationship between local governments and the public makes oversight mechanisms more effective. Communities can directly monitor local government performance, thereby encouraging improved service quality and reducing maladministration. However, improving public services within the framework of regional autonomy does not always run optimally. The success of decentralization depends heavily on the capacity of local institutions, including the quality of human resources and good governance systems. Without adequate capacity, regional autonomy can actually lead to disparities in service quality between regions.²⁸

Furthermore, there are challenges in the form of limited resources, both in terms of budget and professional staff. Recent studies have shown that while

²⁵ Natsir Malawi, "Analysis Of Decentralization Policy Implementation In Improving The Quality Of Public Services In Rural Areas," *International Journal of Economics and Management Research* 3, no. 2 (August 2024): 166.

²⁶ Qurat ul Ain, Tahir Yousaf, and Muhammad Abubakar Tahir, *Decentralization Policies and Sustainable Rural Development: A Path to Eradicating Poverty (SDG 1) and Hunger (SDG 2)*.

²⁷ Antonis Adam, Manthos D. Delis, and Pantelis Kammas, "Fiscal Decentralization and Public Sector Efficiency: Evidence from OECD Countries," *Economics of Governance* 15, no. 1 (February 2014): 17-49.

²⁸ Faguet and Poeschl, *Is Decentralization Good For Development?*

decentralization improves access to services, service quality often remains suboptimal due to limited funding and weak oversight systems²⁹. This suggests that decentralization does not automatically guarantee improved quality of public services.

In the context of the health sector, for example, decentralization has been shown to have a positive impact on service quality, but is still influenced by factors such as resource distribution and managerial capacity. Administrative and political decentralization have a significant relationship with improved health service quality, although results vary across regions³⁰.

On the other hand, regional autonomy also opens up potential risks in public services, such as increased opportunities for corruption and abuse of authority at the local level. Recent studies in international journals confirm that decentralization can increase accountability, but also has the potential to create space for elite capture if not balanced by a strong oversight system³¹.

Overall, regional autonomy makes a significant contribution to improving public services, both in terms of access, quality, and service innovation. However, this success depends heavily on the capacity of local governments, the quality of governance, and synergy between the central and regional governments. Therefore, institutional strengthening, increased apparatus competency, and effective oversight are key factors in optimizing the benefits of regional autonomy for public services and public welfare.

2. Developing Regional Economic Potential

Developing regional economic potential is one of the main implications of implementing regional autonomy in a modern government system. Regional autonomy grants local governments the authority to independently manage local economic resources according to their respective regional characteristics. From a decentralization perspective, this policy enables regions to design

²⁹ Christopher Dick-Sagoe, "Decentralization for Improving the Provision of Public Services in Developing Countries: A Critical Review," *Cogent Economics & Finance* 8, no. 1 (January 2020): 1804036.

³⁰ Suci Anastasya and Arif Rahman, "Implementation of Decentralization Policy in Improving Public Health Services in Urban Areas," *Inspirasi & Strategi (INSPIRAT): Jurnal Kebijakan Publik & Bisnis* 16, no. 1 (July 2025): 15–23.

³¹ Alan Zarychta et al., "Decentralization and Corruption in Public Service Delivery: Local Institutional Arrangements That Can Help Reduce Governance Risks," *Journal of Public Administration Research and Theory* 34, no. 2 (April 2024): 240.

economic development strategies that are more contextual and adaptive to the needs of local communities.

Theoretically, economic decentralization is rooted in the theory of fiscal federalism, which states that local governments have an advantage in allocating resources efficiently because they better understand community preferences³². Decentralization increases the efficiency of resource allocation and encourages locally driven economic growth.

In practice, regional autonomy encourages local governments to identify and develop superior potential sectors such as agriculture, tourism, the creative industry, and micro, small, and medium enterprises (MSMEs). Developing these sectors is crucial because it can create jobs and directly increase community income. Decentralization allows for more targeted economic policies, tailored to local conditions³³.

Furthermore, fiscal decentralization provides space for regions to manage their finances independently through local revenue (PAD) and fiscal transfers from the central government. This authority allows regional governments to allocate budgets to productive sectors that can drive economic growth³⁴. Regional fiscal independence contributes significantly to sustainable local economic development.

Developing regional economic potential is also closely linked to increasing investment, both domestic and international. With their authority, regional governments can create a conducive investment climate by simplifying regulations and providing incentives for investors. Decentralization can increase the attractiveness of regional investment through more flexible and responsive policies.³⁵

³² N. Yusuf, "Fiscal Decentralization and Regional Economic Growth in Indonesia: A Spatial Econometric Approach," 2020, <https://www.semanticscholar.org/paper/Fiscal-Decentralization-and-Regional-Economic-in-A-Yusuf/8941d8673d9fe8b10bd46ddf07c6ea71db2607e1>.

³³ Dr Lalit Sachdeva and Dr Ravinder Sharma, "Decentralized Local Governance And Its Impact On Promoting Economic Development And Reducing Regional Disparities," *Lex Localis - Journal of Local Self-Government* 23, no. S1 (May 2025): 164–68.

³⁴ Pandoyo, "The Role of Fiscal Decentralization in Sustainable Local Economic Development," *Sinergi International Journal of Accounting and Taxation* 2, no. 1 (February 2024): 27–40.

³⁵ Ahmad Fauzi Rahman, Rachmad Kresna Sakti, and Michael J. Thompson, "Fiscal Decentralization and Regional Economic Growth: Empirical Evidence from Indonesian Districts," *Economics Note* 2, no. 1 (January 2026): 17–23.

The economic data presented in this study are not intended to serve as the primary basis of analysis; rather, they are used solely as empirical illustrations of the relationship between the implementation of regional autonomy and efforts to improve public welfare. Economic growth indicators are employed to demonstrate that the implementation of decentralization and regional autonomy is fundamentally aimed at promoting regional development that contributes to the enhancement of societal welfare. Nevertheless, the success of regional governance should not be measured solely by economic growth indicators. According to data published by Statistics Indonesia (Badan Pusat Statistik/BPS), the Indonesian economy grew by 5.11 percent throughout 2025. Spatially, the national economic structure remained predominantly concentrated on Java Island, which contributed 56.93 percent of the national Gross Domestic Product (GDP), followed by Sumatra with a contribution of 22.22 percent. In terms of regional growth, Sulawesi recorded the highest economic growth rate at 6.23 percent, while Java achieved a growth rate of 5.30 percent, both exceeding the national average. Furthermore, all regions of Indonesia experienced positive economic growth, albeit at varying rates³⁶.

The fact that economic growth continues to be concentrated in certain regions suggests that the equitable distribution of regional development envisioned under the framework of regional autonomy has not yet fully reflected substantive equality or distributive justice. This condition indicates that disparities among regions remain a significant challenge in the implementation of decentralization policies. Therefore, the realization of regional autonomy as an instrument for achieving balanced regional development requires continuous strengthening and optimization. Ultimately, the implementation of regional autonomy should consistently be directed toward the sustainable improvement of public welfare, in accordance with the mandates of the Constitution and the laws governing regional autonomy.

However, the success of regional economic development is inseparable from the institutional capacity of local governments. Quality governance, transparency, and accountability are key factors in ensuring that economic resources are optimally managed. Transparency in regional financial

³⁶ Fitri Nurfatriani et al., *Pendanaan Pembangunan Berbasis Ekologi Di Provinsi Kalimantan Timur : Tinjauan Skema Result Based Payment Sebagai Insentif REDD+ (2020)*.

management can increase the efficiency of resource allocation and reduce the risk of corruption. On the other hand, there are challenges in developing regional economic potential, particularly related to inter-regional inequality. Not all regions have the same fiscal capacity and resources, resulting in disparities in economic growth. Decentralization has not been able to fully reduce development disparities between regions without appropriate policy interventions.³⁷

Besides inequality, another frequently occurring problem is the suboptimal utilization of regional budgets for productive activities. Regional spending allocations tend to be less effective in driving economic growth because they are not focused on strategic sectors³⁸. This shows that regional autonomy requires strengthening the capacity for better planning and budgeting.

Furthermore, the development of regional economic potential is also influenced by the quality of human resources (HR) and supporting infrastructure. Regions with qualified human resources and adequate infrastructure tend to be better able to optimally develop their economic potential. Therefore, investment in education and infrastructure is a crucial factor in supporting the success of regional autonomy.

Overall, regional autonomy offers significant opportunities for developing regional economic potential through increased authority, policy flexibility, and fiscal independence. However, this success depends heavily on the quality of governance, institutional capacity, and policy support that addresses inter-regional disparities. With proper management, regional autonomy can be an effective instrument in driving inclusive and sustainable economic growth.

3. Fast-tracking infrastructure growth

Accelerating infrastructure development is one of the important implications of implementing regional autonomy in a modern government system. Decentralization grants regional governments broader authority to plan and implement development according to local needs. In this context,

³⁷ "Making Decentralisation Work | OECD," accessed April 23, 2026, https://www.oecd.org/en/publications/making-decentralisation-work_g2g9faa7-en.html.

³⁸ Nur Farida, Agus Suman, and Rachmad Kresna Sakti, "Fiscal Decentralization, Economic Growth and Regional Development Inequality in Eastern Indonesia," *Journal of Indonesian Applied Economics* 9, no. 2 (August 2021): 1-9.

infrastructure is viewed not only as a physical facility, but also as a strategic instrument for improving community welfare and stimulating regional economic growth.

Theoretically, fiscal decentralization plays a key role in accelerating infrastructure development. By delegating financial management authority to regions, local governments have flexibility in allocating development budgets. Decentralization has positively contributed to increasing the quantity of infrastructure development, particularly in developing countries³⁹. From a development economics perspective, infrastructure such as roads, electricity, clean water, and transportation significantly contributes to increasing regional productivity and competitiveness. Basic infrastructure development impacts regional economic growth and the Human Development Index (HDI), particularly in regions with a medium level of development⁴⁰.

Furthermore, regional autonomy allows for faster decision-making and greater responsiveness to community needs. Local governments can prioritize infrastructure development based on real-world conditions, such as the need for roads, healthcare facilities, and educational facilities. This contrasts with centralized systems, which tend to be slow and less adaptable to local needs. In the context of decentralization, infrastructure development is not solely the responsibility of the central government, but also of local governments. Regional autonomy grants regions the authority to prioritize infrastructure development according to local needs. However, the implementation of this policy demonstrates variations in the ability of regions to optimally manage infrastructure development⁴¹.

In practice, decentralization also encourages increased community participation in infrastructure development. Community involvement in development planning and oversight can improve the effectiveness and

³⁹ Andi Amytia Resty Dwiyantri et al., "Fiscal Decentralization Policy and Its Impact on the Development of Underdeveloped Regions in South Sulawesi," *Jurnal Ilmu Administrasi Negara (JUAN)* 13, no. 1 (June 2025): 58–66.

⁴⁰ Riandy Mardhika Adif, Rifki Hendri, and Almizan, "Analisis Pembangunan Infrastruktur Jalan Terhadap Pertumbuhan Ekonomi UMKM Di Bukit Gado-Gado Kota Padang," *Jurnal Informatika Ekonomi Bisnis*, December 31, 2021, 165.

⁴¹ Anin Nabail Azim, Hady Sutjipto, and Rah Adi Fahmi Ginanjar, "Determinan Ketimpangan Pembangunan Ekonomi Antarprovinsi Di Indonesia," *Jurnal Riset Ilmu Ekonomi* 2, no. 1 (May 2022): 1–16.

sustainability of infrastructure projects⁴². Several studies have found that decentralization and community participation have a significant positive impact on infrastructure development at the local level, including road construction, village health services and the development of educational institutions. However, this varies from region to region depending on the quality of governance and management⁴³. Furthermore, the acceleration of infrastructure development in Indonesia is also driven by the need to improve connectivity between regions, particularly within the archipelagic nation. Transportation infrastructure such as ports, airports, and toll roads is key to connecting remote areas with economic centers. The development of maritime transportation infrastructure, for example, plays a strategic role in strengthening national integration and supporting Indonesia's vision of becoming a global maritime.

The acceleration of regional infrastructure development in the 2022–2026 period demonstrates significant dynamics as part of the post-pandemic economic recovery strategy and efforts to strengthen regional connectivity. Within a decentralized framework, regional governments have an increasingly significant role in allocating development budgets through instruments such as the Special Allocation Fund (DAK) and regional capital expenditures. Several studies indicate that increased infrastructure investment during this period contributed to the recovery of local economic activity and strengthened integration between regions, particularly in previously isolated areas.⁴⁴

The transportation sector, particularly road and bridge construction, is a top priority in accelerating regional infrastructure development. Road infrastructure directly impacts the mobility of goods and services and the efficiency of logistics distribution. Empirical research shows that improvements in road quality and length are positively correlated with regional economic growth and reduced transportation costs⁴⁵. However, several regions still face problems related to infrastructure quality due to

⁴² Shyamnal Chowdhury, Reno Dewina, and Futoshi Yamauchi, "Governance Decentralization and Local Infrastructure Provision in Indonesia," *IFPRI Discussion Papers*, IFPRI discussion papers, 2009, 902.

⁴³ Benedictus Raksaka Mahi and Budy P. Resosudarmo, "Regional Public Infrastructures and Development in Decentralized Indonesia," *Applied Economics* 57, no. 40 (2025): 6287.

⁴⁴ Fitriani Fitriani and Anindiya Hukmi, "Kajian Peran Infrastruktur Dalam Pengembangan Ekonomi Wilayah," *Economica Insight* 2, no. 1 (November 2025): 43.

⁴⁵ "Open Graph Title," SiteName, accessed April 23, 2026, <https://www.url.ie/a>.

limited maintenance budgets and dependence on fiscal transfers from the central government.

However, accelerating infrastructure development faces significant challenges, particularly in financing. Government budget constraints necessitate private sector involvement through public-private partnership (PPP) schemes. However, the majority of Indonesia's infrastructure financing needs are expected to come from the private sector to address the government's fiscal constraints. On the other hand, accelerating infrastructure development also has implications for job creation and poverty reduction. Infrastructure development at the rural level, such as village roads and irrigation, has been proven to open new economic access for communities and improve welfare through increased local economic activity⁴⁶. However, the impact of infrastructure development on economic growth is not always immediate in the short term. Infrastructure tends to provide long-term benefits, while in the short term it can create fiscal pressures and financing risks if not managed efficiently.

Furthermore, accelerating infrastructure development also faces challenges in governance. Problems such as corruption, bureaucratic inefficiency, and weak inter-agency coordination often hamper development effectiveness. Therefore, institutional reform and increased transparency in infrastructure project management are needed⁴⁷. The disparity in infrastructure development between regions is also an important issue in the implementation of this policy⁴⁸. Even though infrastructure development continues to increase, its distribution is still uneven⁴⁹, so that it has not been fully able to reduce inequality between regions significantly.

⁴⁶ Endy Arif Budyanto, "Percepatan Pembangunan Infrastruktur Di Indonesia: Menata Ulang Peran Pemerintah Dan Dunia Usaha Swasta Dalam Pembangunan Dan Pengelolaan Infrastruktur," *Konstruksia* 2, no. 1 (2010), 45.

⁴⁷ Muhammad Iqbal and Nenik Woyanti, "Peran Desentralisasi Fiskal Dan Pembangunan Infrastruktur Dalam Mempengaruhi Ketimpangan Pendapatan Di Pulau Jawa (2013-2022)," *Jurnal Ekonomi Dan Bisnis* 4, no. 4 (December 2025): 217-29.

⁴⁸ Bayu Kharisma and Hani Hanifah, "Desentralisasi Fiskal Dan Ketimpangan Pendapatan Kabupaten/Kota Di Provinsi Jawa Barat," *Jurnal Wacana Kinerja: Kajian Praktis-Akademis Kinerja Dan Administrasi Pelayanan Publik* 23, no. 2 (November 2020): 179-200.

⁴⁹ Luis Maria Carla, Wirda Andani, and Anis Fakhrunnisa, "Analisis Pengaruh Indeks Pembangunan Manusia (IPM), Ketersediaan Infrastruktur Listrik, dan Sanitasi terhadap Ketimpangan Pendapatan Antar Daerah di Kalimantan Barat: Analysis of the Effect of Human Development Index (HDI), Electricity and Sanitation Infrastructure Availability on Inter-

In a global context, accelerating infrastructure development is also linked to the development of smart city concepts and digitalization. Infrastructure is no longer solely physical, but also encompasses digital infrastructure that supports technology-based public services⁵⁰. This is important in facing the challenges of urbanization and the needs of modern society.

The success of accelerating infrastructure development depends heavily on synergy between the central government, regional governments, and the private sector. Effective collaboration will expedite project implementation and improve the quality of the infrastructure being built. Without effective synergy, infrastructure development can potentially experience delays and inefficiencies. Accelerated infrastructure development must also consider sustainability. The infrastructure being built must be environmentally friendly and capable of long-term sustainability. This is crucial to ensure that development is oriented not only toward economic growth but also toward environmental sustainability and the well-being of future generations.

Thus, accelerating infrastructure development in Indonesia is a crucial strategy for driving economic growth and public welfare. However, its success is largely determined by the quality of planning, financing, governance, and synergy between stakeholders. Therefore, comprehensive and sustainable policies are needed to ensure infrastructure development provides optimal benefits for all citizens.

Constraints in the Implementation of Regional Autonomy

The implementation of regional autonomy in Indonesia is a major reform in the government system, aimed at improving the effectiveness of public services, strengthening local democracy, and promoting equitable development. However, in practice, the implementation of regional autonomy is not without various structural, administrative, and political challenges that influence its success⁵¹. However, even though regional autonomy has provided space for regions to

Regional Income Inequality in West Kalimantan," *Jurnal Forum Analisis Statistik (FORMASI)* 3, no. 2 (2023): 100–119.

⁵⁰ Ranti Fortuna Pertiwi, "Tantangan Hukum Dalam Pelaksanaan Otonomi Daerah Di Era Digital," *Menulis: Jurnal Penelitian Nusantara* 1, no. 7 (July 2025): 402–5.

⁵¹ Shalhhakka Farrakhy and Sofia Dewi, "Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, Belanja Pegawai, Dan Belanja Modal Terhadap Kemandirian Keuangan Daerah," *Cerdika: Jurnal Ilmiah Indonesia* 5 (October 2025): 2030.

develop, its realization still faces quite complex and diverse obstacles in various regions.

One of the main challenges in implementing regional autonomy is the overlapping authority between the central and regional governments. The unclear division of government affairs often leads to policy conflicts and confusion in the implementation of development programs. This situation results in suboptimal public services and hampers decision-making at the regional level⁵². Unclear regulations and inter-agency coordination are key factors hampering the effectiveness of regional autonomy. Following the enactment of Law No. 23 of 2014, the division of functions between the central government, provinces, and districts has left confusion in strategic sectors such as licensing, mining, forestry, and maritime affairs. The return of some authorities to the central government has resulted in regions losing the right to fully manage local potential.

Another challenge frequently encountered in implementing regional autonomy is community involvement. One of the basic principles of regional autonomy is community involvement in policy formulation⁵³. However, in practice, public participation remains low. Many regional decisions are made in an elitist manner through closed-door deliberations, without the involvement of citizens, NGOs, or business actors⁵⁴. This has the potential to create policies that are non-inclusive and not well-targeted.

Furthermore, the disparity in fiscal capacity between regions is also a serious problem in the implementation of regional autonomy. Not all regions have adequate revenue sources, so many remain dependent on transfer funds from the central government. This dependence hampers regional independence in managing development and limits local policy innovation. The dominance of

⁵² Farrakhy and Dewi, "Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, Belanja Pegawai, Dan Belanja Modal Terhadap Kemandirian Keuangan Daerah."

⁵³ Dwi Apriliastuti, Abdul Aziz Nasihuddin, and Sundari Arum Kusumawati, "Public Hearing Dalam Pembentukan Peraturan Daerah: Instrumen Demokrasi Atau Sekadar Legitimasi?," *Al-Zayn : Jurnal Ilmu Sosial & Hukum* 4, no. 2 (March 2026): 4721.

⁵⁴ ML Endang Edi Rahaju, Nurharibnu Wibisono, and H. W. Darmoko, "Potret Partisipasi (Semu) Publik Sebagai Pengambilan Keputusan Representatif Dalam Penyusunan APBD," October 19, 2016, 651–60, <https://repository.ut.ac.id/8022/>.

transfer funds and low regional original revenues are indicators of weak fiscal autonomy in Indonesia⁵⁵.

The next challenge is the low capacity of human resources (HR) and institutions in the regions. Many local governments still face limitations in terms of apparatus competence, bureaucratic management, and planning and budgeting capabilities. This results in suboptimal policy implementation and impacts the low quality of public services. Research confirms that institutional weaknesses and administrative capacity are critical factors influencing the success of decentralization.

Furthermore, corruption and abuse of authority also pose serious challenges to regional autonomy. Decentralization, which grants broad authority to regions without being balanced by a strong oversight system, has the potential to increase the risk of corruption at the local level. Regional autonomy actually opens up opportunities for the emergence of "elite capture" in the regions, where power is exploited by certain groups for personal or political gain⁵⁶.

Another challenge is the disparity in development between regions. Although regional autonomy aims to create equality, in reality, there are significant differences between developed and underdeveloped regions. Regions with abundant natural resources or strong institutional capacity tend to develop faster than those with limited resources. This inequality indicates that regional autonomy has not fully addressed national development disparities. Furthermore, reliance on routine spending also poses a constraint on regional financial management.⁵⁷ Many regional budgets are still dominated by personnel expenditures rather than productive development expenditures. This situation reduces the effectiveness of regional autonomy in driving economic growth and improving public welfare. The inefficient structure of regional spending is a major obstacle to fiscal decentralization.

In terms of coordination, relations between the central and regional governments are often strained. Lack of policy synchronization between the central

⁵⁵ Nur Hasanah and Erwin Syah, "Desentralisasi Dan Tantangan Otonomi Daerah: Analisis Kebijakan Dengan Pendekatan Mixed-Method," *Perkara : Jurnal Ilmu Hukum Dan Politik* 3, no. 1 (March 2025): 769.

⁵⁶ Adam, Delis, and Kammas, "Fiscal Decentralization and Public Sector Efficiency."

⁵⁷ Muh Arpat Rasyid and Arjuna Rizaldi Azis, "Otonomi Daerah Di Indonesia: Implementasi, Tantangan, Dan Prospek Di Masa Depan," *El-Iqthisady : Jurnal Hukum Ekonomi Syariah*, December 30, 2023, 307.

and regional governments can lead to inconsistencies in the implementation of development programs. Furthermore, differing political interests between central and regional actors can also impact the effectiveness of regional autonomy implementation. This highlights the importance of improved coordination mechanisms in a decentralized governance system.

Another equally significant challenge is the low level of public participation in regional government oversight. Although regional autonomy opens up broader democratic space, public participation in the planning and oversight process remains relatively limited. This weakens social control over regional government performance, increasing the potential for policy deviation. Furthermore, globalization and national economic dynamics also place pressures on the implementation of regional autonomy. Regional governments are required to compete in attracting investment and managing resources efficiently. However, not all regions are equally prepared to face these global challenges.

Overall, these various challenges demonstrate that the implementation of regional autonomy in Indonesia still requires comprehensive improvements. Strengthening regulations, increasing human resource capacity, bureaucratic reform, and strengthening the oversight system are all necessary strategic steps. Furthermore, synergy between the central and regional governments and increased public participation are also key factors in ensuring the success of regional autonomy.

Thus, regional autonomy is not merely a matter of the distribution of authority, but also concerns institutional readiness and the quality of governance. Without improvements in these aspects, the primary goal of regional autonomy, which is to improve public welfare, will be difficult to achieve optimally.

Conclusion

In conclusion, the implementation of regional autonomy within the framework of Law Number 23 of 2014 on Regional Government, through the principles of decentralization, deconcentration, and co-administration, has been normatively designed to establish governance that is effective, responsive, and oriented toward improving public welfare. In practice, regional autonomy has demonstrated positive impacts, including enhanced public service delivery, the development of local economic potential, and the acceleration of infrastructure development, while also fostering broader community participation. However, its implementation continues to face significant challenges, such as disparities in regional capacity,

fiscal limitations, inadequate human resource quality, overlapping authorities, as well as risks of corruption and weak accountability. Therefore, the success of regional autonomy largely depends on strengthening institutional capacity, improving governance practices, enhancing central-local government synergy, and ensuring effective oversight, so that the ultimate goal of sustainable and equitable public welfare can be achieved.

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