

# DECENTRALIZATION AND DEMOCRACY: EVALUATING THE PERFORMANCE OF REGIONAL AUTONOMY IN IMPROVING PUBLIC WELFARE

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## Abstract

*This study evaluates the relationship between decentralization, local democracy, and public welfare improvement in Indonesia through a systematic literature review of 38 academic studies published between 2015 and 2024. The findings indicate that regional autonomy has expanded democratic spaces and stimulated public service innovation, particularly in regions with strong fiscal capacity and progressive leadership. However, regional performance disparities remain evident, characterized by fiscal inequality, bureaucratic weaknesses, and patronage politics that hinder equitable welfare outcomes. This study highlights the need to strengthen local government capacity, enhance budget transparency, and promote meaningful public participation. It offers conceptual contributions by integrating governance and regional economic dimensions, and provides policy recommendations to ensure decentralization functions as an effective instrument for public welfare improvement.*

**Keywords** : accountability, decentralization, local democracy, public welfare

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## 1. Introduction

Decentralization is one of the most significant governance reforms in Indonesia's post-1998 Reform history. The implementation of regional autonomy through Law No. 22/1999, which was later updated by Law No. 23/2014, aims to strengthen local democracy, accelerate economic development, and improve public welfare through public service management that is closer to the community. Theoretically, decentralization is believed to increase government effectiveness through the transfer of fiscal, administrative, and political authority to local governments (Faguet, 2019). At the global level, decentralization has become a governance strategy adopted by many developing countries as a means to strengthen democracy and promote regional development (World Bank, 2020). In this context, Indonesia is one of the countries with the most extensive decentralization model in Southeast Asia, making it important to scientifically evaluate its performance in improving public welfare.

Two decades of regional autonomy implementation have shown complex dynamics. Data from the Central Statistics Agency (BPS, 2023) shows an increase in the number of autonomous regions to 514 districts/cities, with the national Human Development Index (HDI) growing from 66.53 in 2010 to 73.87 in 2022. Macroeconomically, this indicator shows progress in public welfare. However, the distribution of this increase is uneven across regions. Provinces such as DKI Jakarta, DIY, and Bali recorded an HDI above 78, while Papua and Papua Pegunungan remained in the low category with an HDI below 60 (BPS, 2023). This disparity between regions indicates that decentralization has not been fully optimal in promoting equitable public welfare.

To provide a clearer empirical comparison across studies, Table 1 synthesizes key research findings by year, geographic scope, focus area, and welfare outcomes. This comparison highlights significant variation across regions and shows that the success of

decentralization depends not only on institutional design, but also on fiscal capacity, bureaucratic strength, political leadership, and community participation.

Author & Year	Location	Focus	Key Insight
Mietzner, 2018	National	Local elections & governance	Direct elections increase political legitimacy, but elite capture persists
Buehler, 2020	Java & Outside Java	Decentralization & patronage	Autonomy expands opportunity for patronage in weak-capacity regions
Prasojo & Kurniawan, 2020	National	Bureaucratic reform	Strong bureaucratic capacity leads to better governance outcomes
Lewis, 2022	National	Fiscal decentralization	Regions with higher PAD achieve stronger development outcomes
Suhardono et al., 2022	Banyuwangi	Innovation in local government	Innovation-driven leadership improves public services and welfare indicators

The table confirms that decentralization in Indonesia has produced asymmetric outcomes. Progressive and resource-rich regions demonstrate stronger democratic performance and welfare improvement, while regions with weak administrative systems and limited fiscal capacity struggle to realize the benefits of autonomy. These differences illustrate that decentralization requires not only authority transfer, but also institutional strengthening, fiscal equity, and governance innovation to achieve equitable welfare distribution.

This finding is reinforced by the UNDP (2021), which highlights spatial inequality in welfare in Indonesia as a major challenge to decentralization transformation. From a fiscal perspective, fund transfers from the central government to regions through the General Allocation Fund (DAU) and Special Allocation Fund (DAK) have increased significantly, reflecting the state's commitment to fiscal decentralization.

A report by the Ministry of Finance (2022) shows an increase in transfer funds to regions from IDR 556 trillion (2015) to IDR 770 trillion (2022). However, the effectiveness of the utilization of this budget is still questionable. A study by Lewis (2022) shows that even though regional transfer funds have increased, improvements in public services such as education, health, and basic infrastructure have not always increased in equal proportion. This shows a gap between fiscal inputs and public welfare outputs, which could potentially be influenced by the capacity of local government governance, transparency, and accountability. In the context of local democracy, regional autonomy is expected to strengthen community participation and expand the space for public deliberation in policy-making. A study by Mietzner (2018) shows that decentralization encourages more open local political contestation, strengthening Indonesia's democratic foundation. However, other studies indicate that decentralization also opens up opportunities for elite capture and patronage politics at the regional level (Buehler, 2020). This phenomenon can be seen in the increasing number of cases of corruption involving regional heads each year. The Corruption Eradication Commission (KPK, 2022) recorded that more than 120 regional heads have been implicated in corruption cases since the Reformation era. This condition confirms that even though local democracy has developed procedurally through direct elections, the quality of

governance is not yet fully in line with the principles of substantive democracy that guarantee transparency, integrity, and accountability.

From a public service perspective, decentralization provides opportunities for regions to innovate in the provision of services according to the local context. A study by Prasojo and Kurniawan (2020) shows that several local governments have succeeded in innovating public services based on technology and community participation. Banyuwangi Regency, for example, has gained national recognition through the reform of service digitalization, the improvement of the tourism sector, and the strengthening of the local economy (Suhardono et al., 2022). Similarly, the city of Surabaya has demonstrated the success of smart governance-based administration, which has led to improvements in the quality of health and education services (Setiyono & McLeod, 2020). However, this success is not evenly distributed. Many regions face obstacles in terms of bureaucratic capacity, low competence of officials, and ineffective local development planning (Yulianto & Nugroho, 2021). This variation in performance illustrates that the success of decentralization is highly dependent on the capacity of local institutions and regional leadership.

Although many studies highlight aspects of decentralization, there are a number of relevant research gaps that need to be further explored. First, Faguet's (2019) study emphasizes the dynamics of decentralization in a cross-country theoretical framework, but does not specifically evaluate micro-level changes in public welfare in the Indonesian context. Second, Lewis's (2022) study examines the fiscal aspects of decentralization but does not integrate local democracy and governance quality as explanatory variables for welfare performance. Third, Setiyono & McLeod's (2020) study focuses on innovation in one city (Surabaya) and does not discuss comparative patterns between regions on a national scale.

Therefore, this study closes the gap by combining the perspectives of democracy and local political economy to evaluate the impact of decentralization on public welfare nationally through a systematic literature review approach. Based on these gaps, the novelty of this article lies in its evaluative approach to the relationship between decentralization, local democracy, and improved public welfare throughout Indonesia, rather than in specific regional units.

This study combines the dimensions of democratic governance, regional fiscal performance, and the effectiveness of public service provision simultaneously to provide a comprehensive analysis of the effectiveness of regional autonomy after more than two decades of implementation.

In line with this, the objective of this study is to analyze the extent to which the implementation of decentralization in Indonesia has contributed to improving public welfare by examining the dynamics of democratic governance in the regions, fiscal performance, and public service achievements based on empirical literature.

To address the theoretical space in which previous studies have primarily emphasized fragmented aspects of decentralization, either through institutional analysis, fiscal mechanisms, or leadership dynamics, this study positions itself as an integrative reflection that connects democratic performance, administrative capacity, and local governance innovation. Rather than claiming to replace existing explanations, this work complements and enriches them by offering a conceptual synthesis that highlights how multidimensional governance elements collectively shape welfare outcomes in decentralized settings. Through this approach, the study does not merely re-state earlier findings but provides a broader interpretive lens that re-positions decentralization as a relational process rather than a purely administrative mechanism. Accordingly, this paper seeks to answer the following guiding question: *How can an integrated governance perspective better explain the variation in welfare outcomes across decentralized regions in Indonesia?*

In addition to the aspects of democracy and fiscal transfers, the academic debate on the effectiveness of decentralization also covers the extent to which regional autonomy policies are able to strengthen inclusive development and reduce inter-regional disparities. The concept of regional development emphasizes not only economic growth but also social welfare, such as health, education, employment, and community participation (UNDP, 2021).

In the Indonesian context, regional development tends to be concentrated in urban areas and economic growth centers, while disadvantaged regions such as Eastern Indonesia still face serious challenges in accessing basic services. BPS (2023) data shows that the index of development inequality between regions (Williamson index) remains high, with the largest economic concentration located on the island of Java, which contributes around 57% of the national GDP. This phenomenon shows that decentralization has not fully addressed long-standing structural regional economic inequalities.

The literature suggests that the success of decentralization is greatly influenced by the institutional capacity of local governments. Local governments with institutional capacity, professional human resources, strong planning systems, and effective oversight mechanisms tend to be successful in achieving public welfare targets (Prasojo & Kurniawan, 2020). Conversely, regions with bureaucratic weaknesses experience development stagnation despite receiving significant fiscal transfers. A study by Yulianto and Nugroho (2021) shows that low capacity of the apparatus in several districts has led to inefficient public spending, so that capital expenditure has not had a significant impact on local economic growth. This finding is in line with World Bank (2020) research which highlights the issue of the implementation gap, namely the gap between decentralization policies at the central level and technical implementation in the regions.

In the context of local democracy, decentralization provides opportunities for increased community participation in public decision-making. Normatively, this is reflected in the development planning consultation mechanism (Musrenbang) as a participatory instrument in the preparation of regional development plans. However, its effectiveness is still questionable. Buehler's (2020) research shows that the Musrenbang process in several regions tends to be procedural and elitist, dominated by local political actors rather than representing the aspirations of the community in a substantive manner. In many cases, regional development programs are determined more by short-term political interests than long-term public needs. This condition is in line with Mietzner's (2018) findings, which state that post-autonomy regional political contestation opens space for political patronage practices, shifting the democratic agenda towards elite competition, which has the potential to hinder welfare objectives.

In addition to local political dynamics, there is also the issue of fiscal fragmentation due to regional expansion. Regional expansion was carried out with the hope of bringing public services closer to the community, but academic findings show mixed results. According to Lewis (2022), many regions resulting from expansion are actually dependent on central transfer funds, have low fiscal capacity, and are not yet able to provide public services effectively. In some regions, expansion has not improved public welfare; instead, it has increased the burden on the state budget due to the formation of new government structures. This condition requires an in-depth evaluation of the governance of expansion, including economic, administrative, and social feasibility.

Meanwhile, local government innovation is one of the important indicators of the success of decentralization. As noted by Suhardono et al. (2022), regions such as Banyuwangi have successfully utilized autonomy to encourage innovation in the tourism sector, public services, and MSME empowerment through the smart village and digital governance approaches. This success shows that decentralization can be successful when there is progressive political leadership, multisectoral collaboration, and the use of technology as an instrument of development. However, this sporadic success confirms that decentralization in Indonesia produces asymmetric outcomes, the success of some regions does not represent the overall national picture (Setiyono & McLeod, 2020). Thus, the evaluation of regional autonomy performance must consider interregional variability, including local social, economic, and political characteristics.

Furthermore, attention also needs to be given to the role of civil society in promoting democratic governance in the regions. The theory of participatory governance emphasizes collaboration between the government, the community, and the private sector in the decision-making process (Faguet, 2019). In the Indonesian context, the role of civil society organizations and local media still varies, depending on the level of local democratic

development and freedom of information. Several studies have found that the existence of an active civil society can increase the accountability of local governments and ensure that budget allocations are directed towards basic services such as education and health (UNDP, 2021). However, in some other regions, community involvement is still weak due to limited advocacy capacity, a paternalistic political culture, and limited access to public information (Yulianto & Nugroho, 2021).

From a research perspective, although studies on decentralization in Indonesia have grown rapidly, there is a need to strengthen a comprehensive understanding of the relationship between local democracy, fiscal decentralization, and public welfare. Previous studies have focused on economic or political aspects separately without looking at the interrelationship between the two simultaneously (Lewis, 2022; Buehler, 2020). This study offers an integrative approach to evaluating the impact of decentralization on improving public welfare through a systematic literature review covering economic indicators (regional growth, HDI, poverty), quality of public services (education, health), and quality of local democracy (public participation, accountability).

By examining the complexity of the challenges and achievements of decentralization over more than two decades, this research is important for providing an in-depth understanding of the future direction of regional governance policies in Indonesia. A comprehensive evaluation will help identify the factors behind the success and failure of regional autonomy implementation, while providing evidence-based recommendations for improving the performance of regional governments in order to achieve social justice and public welfare. With a systematic academic approach, this study contributes to the literature on public governance and regional development in Indonesia, and provides an empirical basis for more effective and socially just decentralization policy-making.

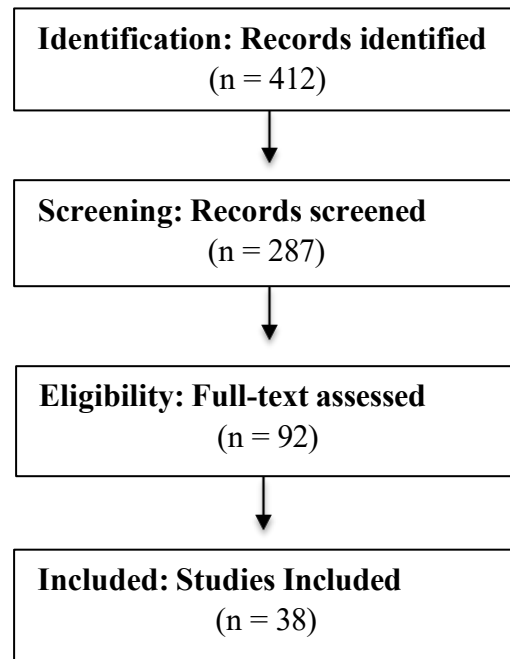
## 2. Method

This study uses a Systematic Literature Review (SLR) approach to evaluate the implementation of decentralization and regional autonomy in improving public welfare in Indonesia. This method was chosen to obtain a comprehensive understanding based on empirical and theoretical findings that have developed over the past ten years. SLR allows researchers to systematically identify, assess, and synthesize scientific evidence to produce strong data-based conclusions (Snyder, 2019). The review process was conducted with reference to the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines, which provide standards for transparency and accuracy in reporting literature research (Page et al., 2021).

The literature search was conducted through reputable academic databases, namely Scopus, Web of Science, Google Scholar, SAGE, and Taylor & Francis. The search keywords included a combination of terms such as “decentralization,” “local governance,” “regional autonomy,” “public welfare,” and “democracy in Indonesia.” Included articles had to meet the following inclusion criteria: (1) research published between 2015 and 2024, (2) focused on the Indonesian context, (3) discussed decentralization, local democracy, and/or public welfare, and (4) reputable scientific publications in the form of indexed international and national journals. Meanwhile, articles that did not go through the peer review process, policy papers without empirical data, and articles focusing on other countries were excluded from the analysis.

The literature selection process was carried out in four stages: identification, screening, eligibility assessment, and final inclusion. Of the total 412 articles identified in the initial stage, 287 articles were screened based on their titles and abstracts, then 92 articles were analyzed in full, and finally 38 articles met the criteria for further analysis. Each article that passed was mapped based on: public welfare indicators (e.g., HDI, poverty, public services), aspects of local democracy (public participation, accountability, regional leadership), and regional economic variables (fiscal capacity, public spending). The analysis was conducted using a thematic approach to identify important patterns of findings related to the effectiveness of decentralization in Indonesia (Braun & Clarke, 2021). This methodological approach makes a significant contribution by bringing together the perspectives of

governance and regional development economics within a single critical analytical framework. By applying PRISMA-based SLR, this study ensures that every claim is supported by the latest empirical evidence, resulting in an in-depth understanding that is relevant to policymakers, academics, and local government practitioners.



### 3. Results and Discussion

#### The Interaction between Decentralization, Local Democracy, and Public Welfare

The implementation of decentralization in Indonesia cannot be separated from the transformation of local democracy that occurred after the Reformation. The relationship between regional autonomy and democracy is at the core of academic discourse, because the main objective of decentralization is not only government efficiency, but also the deepening of democracy and the improvement of public welfare (Faguet, 2019). In the Indonesian context, decentralization is designed to give greater power to local governments in development decision-making, so that public policies can be designed in accordance with local social, economic, and cultural characteristics (Prasojo & Kurniawan, 2020). Thus, decentralization theory places local governments as key actors in the provision of public services and regional development, as well as instruments of democracy that strengthen community participation and public accountability.

In practice, regional autonomy in Indonesia provides space for the implementation of direct regional head elections (pilkada) as an electoral democracy mechanism that strengthens the political legitimacy of local governments (Mietzner, 2018). Direct elections open up opportunities for citizens to elect local leaders who are expected to bring about change through pro-people programs, transparency, and governance innovation. However, research shows that electoral democratization alone does not guarantee the achievement of substantive democracy. Buehler (2020) found that local political competition is often characterized by patronage, money politics, and the dominance of local elites, so that regional development orientation can be trapped in narrow political interests rather than the public interest. This explains why some regions have succeeded in improving welfare, while others have experienced stagnation despite having the same autonomous authority.

Nevertheless, a number of regions have shown that local democracy can be a driver of public welfare improvement. The city of Surabaya, for example, has successfully utilized community participation and the digitization of public services to improve health, city cleanliness, and administrative services (Setiyono & McLeod, 2020). Similarly, Banyuwangi Regency has demonstrated success through digital bureaucratic innovation, MSME

inclusion, and the development of community-based tourism (Suhardono et al., 2022). This study shows that when democratic governance is combined with visionary local leadership, strong institutional capacity, and public participation, decentralization can produce tangible benefits for the community. In other words, the quality of local democracy acts as a mediating variable between decentralization and public welfare.

However, not all regions achieve similar results. Performance disparities between regions reflect inequalities in bureaucratic capacity, leadership quality, and regional fiscal capacity. Lewis (2022) emphasizes that regions with low local revenue (PAD) and high dependence on central transfers tend to be less capable of promoting significant economic development and public services. Limited fiscal capacity affects the ability of local governments to build basic infrastructure, improve school quality, increase access to health services, and encourage community economic participation. Meanwhile, regions with a strong economic base are able to develop high-quality public services and attract investment, widening the national development gap (BPS, 2023).

On the other hand, the dynamics of local governance also determine the effectiveness of public services. Research by Yulianto and Nugroho (2021) shows that regions with good development planning, effective budget oversight, and professional civil servants tend to be more successful in improving community welfare indicators, especially in the fields of education and health. Conversely, regions with weak bureaucracies and minimal budget transparency experience problems with budget absorption, inefficient capital expenditure, and low quality of public services. These findings reinforce global literature stating that decentralization is only effective when regional institutional capacity is adequate (World Bank, 2020; UNDP, 2021).

In addition to internal government factors, community participation is an important element in overseeing democratic governance. Decentralization opens up space for citizens to participate in development planning deliberations (Musrenbang), public forums, and social oversight. However, the effectiveness of public participation is highly dependent on citizens' political awareness, access to information, and the quality of the deliberative process (Buehler, 2020). The UNDP survey (2021) shows that citizen participation in the policy process at the regional level is still formal and not yet fully substantive in many regions, especially those with low social capacity or those facing a strong culture of patronage. This condition creates a gap between the idealism of participatory democracy and the implementation of decentralization in the field.

In the context of public welfare, indicators such as the Human Development Index (HDI), poverty rates, access to education, and health services are the main measures for evaluating success. Although there is a national trend of increasing HDI, there are still significant disparities between regions. DKI Jakarta, DIY, and Bali rank highest with an HDI > 78, while Papua and Papua Pegunungan remain < 60 (BPS, 2023). This disparity confirms that decentralization does not automatically create equity, so affirmative action and strengthening local institutional capacity are necessary in the framework of sustainable decentralization.

Thus, the interaction between decentralization, local democracy, and public welfare in Indonesia shows a pattern of asymmetric governance performance. Decentralization provides great opportunities to improve public welfare, but its effectiveness depends on bureaucratic capacity, the quality of local democracy, regional leadership, public participation, and governance integrity. Literature studies confirm that decentralization does not guarantee uniform results; it creates "winners" and "losers" in local development, making it a research and policy agenda that needs to be continuously evaluated in a multidisciplinary manner.

### **The Effectiveness of Regional Fiscal Policy and Public Services in the Framework of Regional Autonomy**

The evaluation of the effectiveness of regional autonomy in improving public welfare cannot be separated from regional fiscal policy as an indicator of governance performance. Fiscal decentralization is intended to give financial authority to local governments to design

and manage budgets in accordance with the needs of local communities. This principle is based on the theory of fiscal federalism, which states that local governments understand local needs better than the central government, enabling them to allocate resources more efficiently (Oates, 2019). In the Indonesian context, fiscal transfers through the General Allocation Fund (DAU), Special Allocation Fund (DAK), and Village Fund have increased significantly since 2015, reflecting a strong commitment to supporting regional autonomy (Ministry of Finance, 2022). However, the increase in budget allocations has not been fully proportional to the improvement in the quality of public services in all regions.

Several studies show that differences in fiscal capacity between regions are one of the causes of disparities in the implementation of decentralization. Lewis (2022) notes that regions with high Local Own-Source Revenue (PAD), such as West Java, DKI Jakarta, and Bali, are able to develop more progressive public services than regions with low PAD, especially in Eastern Indonesia. PAD is a key factor for regions to finance innovative programs beyond the basic needs already covered by central fiscal transfers. This has resulted in gaps in the development of social infrastructure such as health facilities, schools, and digital-based administrative services. Similar conditions were also found by the World Bank (2020), which emphasized that fiscal decentralization in Indonesia has not been able to reduce regional dependence on the central government, especially in regions with limited local revenue capacity.

To illustrate these disparities in fiscal capacity and public service outcomes across regions, a comparative table is presented below

Region/City	Fiscal Capacity (PAD Share)	Key Service Strengths	Public Development Indicators	Notes
Jakarta	High (~55% PAD)	Health services, digital bureaucracy, education quality	HDI: 79.73 (BPS, 2023)	Strong fiscal autonomy enables innovation and public investment
Surabaya	High-moderate (~30% PAD)	E-government, waste management, public health programs	HDI: 82.20 (Setiyono&McLeod, 2020)	Model of participation & tech-based governance
Banyuwangi	Moderate (<20% PAD)	Tourism development, village empowerment, digital public services	Poverty reduction 8.8% □ 6.5% (2015-2021)	Strong leadership & local innovation despite limited PAD
Makassar	Moderate (<20% PAD)	Public health centers modernization, smart city initiatives	HDI: 79.63 (BPS, 2023)	Mixed performance, innovation varies across programs
Papua Province	Very low (<5% PAD)	Limited access to education & healthcare	HDI: <60 (BPS, 2023)	Geographic & governance challenge hinder service delivery

As shown in Table X, fiscal strength alone does not determine success, leadership quality and governance innovation remain critical factors shaping public welfare outcomes.

In addition, the effectiveness of public spending is an important indicator for assessing the success of regional autonomy. Budget allocation in the education, health, and basic infrastructure sectors should be a priority in order to promote public welfare. However, research by Yulianto and Nugroho (2021) shows that many local governments still have unproductive spending patterns, with a large portion of the budget allocated to personnel expenses rather than productive capital expenditure. This condition hinders improvements in the quality of public services and the efficiency of regional development. A UNDP study (2021) also confirms that suboptimal public spending is one of the main challenges in the implementation of decentralization in Indonesia, where most regions are still struggling with issues of budget effectiveness, transparency, and accountability.

On the other hand, there are also examples of regions that have successfully utilized fiscal flexibility to significantly improve public services. The city of Surabaya has become a national reference in the development of an information technology-based public health system, community sanitation programs, and improving the quality of education through school digitization (Setiyono & McLeod, 2020). Banyuwangi Regency has also shown significant improvement in tourism and local economy indicators through its smart village strategy, support for MSMEs, and digital public service transformation (Suhardono et al., 2022). The success of these regions shows that fiscal autonomy can result in tangible improvements in public services when accompanied by institutional capacity, innovative leadership, and the use of technology.

Despite the existence of developed regions, gaps in the quality of public services remain widespread. Health indicators are an important reflection of this. BPS (2023) data shows that life expectancy in developed provinces such as DKI Jakarta reaches 74.96 years, while in Papua it is only 65.02 years. This reflects a significant gap in access to and quality of health services between regions. Meanwhile, education indicators show a similar pattern. The average length of schooling in Yogyakarta reaches 10.92 years, while in Papua it is only 6.73 years (BPS, 2023). This disparity reinforces the fact that decentralization has not yet fully resulted in equitable development outcomes. This condition is also mentioned in the OECD (2021) report, which states that fiscal and institutional capacity factors cause variations in public service performance between regions.

In addition to fiscal capacity, the aspects of transparency and accountability in public budget management are determining factors in the effectiveness of decentralization. Prasajo and Kurniawan (2020) emphasize that local governments with a culture of bureaucratic transparency and strong oversight systems tend to have better public spending efficiency and higher service quality. Conversely, practices of corruption, collusion, and nepotism (KKN) at the local level pose a real threat to the success of decentralization. The Corruption Eradication Commission (KPK, 2022) reports that more than 120 regional heads have been implicated in corruption cases since the Reformation era, mostly related to misuse of public budgets and bribery in regional projects. This phenomenon shows that decentralization without governance integrity has the potential to distort policies and worsen the quality of public services.

In the context of infrastructure, decentralization also aims to accelerate the development of connectivity and public facilities. However, evaluations show that the achievements in basic infrastructure development are uneven. The World Bank (2022) states that although access to electricity and clean water has increased nationally, disadvantaged regions still face limitations in important infrastructure such as village roads, health facilities, and internet networks. This condition has an impact on the quality of life and economic opportunities of residents in remote areas, thus requiring a stronger and more targeted affirmative policy approach. In addition, the effectiveness of the Village Fund as an instrument for villages to improve local development also varies. Some villages are able to use it for economic empowerment and basic infrastructure programs, but others experience governance and misuse issues (UNDP, 2021).

The role of public participation in monitoring regional services and budgets is also crucial. The concept of social accountability encourages the community to actively monitor and provide input on public budget management. Buehler (2020) shows that the success of decentralization depends on the role of civil society actors in promoting transparency and public control. However, the level of political literacy and access to information varies between regions, resulting in varying degrees of effectiveness in public oversight. In some regions, community involvement in the Musrenbang (Development Planning Consultation Forum) is procedural and does not fully reflect democratic deliberation (Mietzner, 2018). This explains that the success of fiscal decentralization requires community empowerment through increased capacity for participation, political education, and access to public information that is easy and transparent.

Thus, it can be concluded that the effectiveness of regional fiscal policy within the framework of regional autonomy depends on three key elements: fiscal capacity, governance accountability, and the quality of public service management. Regions with strong fiscal capacity, innovative leaders, transparent governance, and active community participation tend to show better improvements in welfare. Conversely, regions with low revenues, weak bureaucracies, and minimal oversight face stagnation or even regression in public services. Therefore, the implementation of fiscal decentralization needs to be supported through institutional capacity building, a performance evaluation system based on welfare indicators, and central policies that are responsive to the needs of different regions.

### **Challenges in Implementing Regional Autonomy and Policy Strengthening for Public Welfare**

Although decentralization in Indonesia has been underway for more than two decades, structural and institutional challenges remain major obstacles to achieving the goal of regional autonomy in improving public welfare. These challenges stem not only from technical administrative and fiscal aspects, but also include political, social, and cultural factors in local governance. The literature shows that the success of decentralization in developing countries depends heavily on institutional readiness and the quality of local democracy, and not solely on the transfer of administrative authority (Faguet, 2019).

In the Indonesian context, the process of regional expansion, bureaucratic capacity, the quality of local leadership, and democratic practices that still face political patronage pressures characterize the dynamics of the imbalance in the implementation of regional autonomy (Mietzner, 2018). One of the most crucial problems in the implementation of regional autonomy is the practice of political patronage and elite capture, namely the domination of local political elites' interests over public policy.

Buehler (2020) notes that some regional heads use fiscal power and access to public programs as tools for political consolidation, rather than as a means of public service. At a practical level, this phenomenon is reflected in the allocation of the regional budget (APBD) in favor of short-term projects that are symbolic and political in nature, rather than long-term development programs based on public needs. The Corruption Eradication Commission (KPK, 2022) also reports that the majority of corruption cases involving regional heads are related to bribery in the procurement of goods and services, indicating that political control over public spending is often exploited for personal and crony political gain. This condition undermines the spirit of local democracy and hinders the achievement of equitable public welfare.

Another closely related issue is the capacity of the regional bureaucracy. Many local governments have weaknesses in planning, budgeting, and implementing data-based programs. Yulianto and Nugroho (2021) assert that a bureaucracy with low competence contributes to poor budget absorption and inefficient capital expenditure. This problem is exacerbated by a bureaucratic culture that is still hierarchical, resistant to innovation, and lacks incentives for officials to improve their professional capacity. In fact, within the framework of modern governance, bureaucratic professionalism is an important determinant of the quality of public services, especially in the education, health, and social welfare sectors (World Bank, 2022). Without adequate institutional capacity, the delegation of

administrative authority risks increasing the inability of local governments to provide quality services.

Regional expansion is also a central issue in the evaluation of decentralization. Although expansion is designed to accelerate public services and equitable development, many studies have found mixed results. Lewis (2022) shows that most expanded regions have high dependence on central transfer funds, low economic capacity, and minimal fiscal innovation. This causes the state's fiscal burden to increase without a significant contribution to public welfare. Conversely, some subdivided regions with strong economic bases are able to grow faster and provide more effective public services. These findings indicate that subdivision policies should be based on economic, social, and administrative feasibility studies, rather than being purely political agendas or identity demands.

In addition, the capacity gap between developed and underdeveloped regions also creates challenges in the provision of basic services. BPS (2023) data shows that although the national poverty rate fell to 9.57% in 2022, the poverty rate in Papua and Papua Pegunungan remains above 26%. Similar disparities are reflected in education and health indicators, where eastern and remote island regions generally perform lower than western and urbanized provinces. These inequalities are not solely due to fiscal capacity, but also stem from differences in government quality, geographic accessibility, and institutional stability. Regions with limited transportation networks, difficult topography, and lower bureaucratic competence face greater obstacles in translating decentralization into improved welfare outcomes. The OECD (2021) also notes that governance quality and geographic remoteness significantly influence the success of regional development policies in Indonesia. Thus, decentralization without affirmative policies, institutional strengthening, and tailored support for geographically disadvantaged and administratively weak regions risks producing asymmetric development outcomes and widening regional disparities.

From a socio-political perspective, the level of community participation in public policy oversight is still not optimal. Participatory democracy in the form of development planning meetings, community forums, and digital aspiration mechanisms has been regulated, but their implementation is often merely a formality (Buehler, 2020). UNDP (2021) emphasizes that social challenges, such as low political literacy, unequal access to information, and the influence of patronage culture, hinder substantial community participation. In fact, public participation is a pillar of local democracy as well as an instrument of social control over the abuse of authority by local governments. Without active community participation, internal oversight mechanisms are insufficient to maintain public accountability.

Given these challenges, strengthening regional autonomy policies has become a national priority. First, it is necessary to strengthen bureaucratic capacity through technical training, meritocracy reform, and performance-based governance. Prasojo and Kurniawan (2020) state that competency-based capacity building programs for civil servants will strengthen the effectiveness of public policies. Second, governance integrity must be strengthened through budget transparency, service digitalization, and data-based audit systems. The experiences of advanced regions such as Surabaya and Banyuwangi show that digital innovation strengthens transparency and service efficiency (Setiyono & McLeod, 2020; Suhardono et al., 2022).

Third, public participation mechanisms must be improved through civic education, strengthening local communities, and utilizing technology as a platform for deliberative participation. Fourth, the central government needs to improve the design of fiscal transfers through performance-based grants, namely budget allocations based on public service achievements. This is relevant to the World Bank's (2020) recommendation, which emphasizes the need for performance incentives for local governments to improve service quality.

Fifth, regional expansion policies must be reformulated by strengthening objective evaluation mechanisms, tightening eligibility requirements, and ensuring fiscal and administrative readiness before approving expansion. Sixth, it is necessary to strengthen the independent oversight system for the use of the regional budget, including the use of AI-based audit technology to prevent corruption (KPK, 2022).

Overall, the success of regional autonomy is not only determined by the delegation of authority, but also by the quality of institutions, leadership, organizational culture, governance integrity, and community participation. Decentralization is a dynamic process that requires policy updates to ensure its continued benefits for public welfare. When democratic governance and effective fiscal management go hand in hand, regional autonomy has the potential to become a powerful instrument for inclusive development and equitable welfare in Indonesia.

#### 4. Conclusions and Suggestions

This study set out to answer how an integrated governance perspective can better explain the variation in welfare outcomes across decentralized regions in Indonesia. The findings demonstrate that decentralization succeeds only when political democratization, bureaucratic capacity, fiscal autonomy, and local leadership innovation work in concert. Regions that combine strong local institutions, competent governance systems, and strategic resource management such as Surabaya and Banyuwangi, show improved public services and welfare. Conversely, regions with weak administrative capacity, geographical disadvantages, and entrenched patronage networks particularly in eastern Indonesia, experience stagnation despite formal autonomy.

The analysis confirms that decentralization alone does not guarantee equitable development gains. Its effectiveness depends on institutional strength, equal access to resources, and affirmative strategies to support lagging regions. At a conceptual level, the study reinforces that decentralization should be approached not as a mechanical transfer of authority, but as a multi-dimensional governance process shaped by structural, political, and territorial variables. Thus, an integrated perspective offers a more robust explanation of Indonesia's asymmetric welfare outcomes than siloed institutional or fiscal models.

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