



Analyzing the Influence of Decentralization on Governance Quality and Public Service Delivery in Indonesia

Firman Rauf¹, Arman Aras¹, Dwi Anas¹

¹Universitas Ihsan Gorontalo, Indonesia

Corresponding Author: Firman Rauf

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Abstract

Decentralization has received broader support as a reform in governance to increase local government performance and better service delivery. This paper examines the effects of political, administrative and fiscal decentralization on local governance and public service provision in Indonesia. Data was collected through a cross-sectional quantitative survey method from 200 LG officials and 500 citizens in different municipalities and districts. The study used stratified random sampling in order to increase chances of getting both residents of the urban and the rural areas. This paper employed structured questionnaires and the official record review to collect data on governance efficiency, resource allocation, accountability for services, and citizens' satisfaction levels of services in the education sector, health sector, and the infrastructure sector. The findings suggest that political decentralization has the highest positive correlation with governance quality in other domains, including transparency, accountability and citizens' involvement. Administrative decentralization enhances service delivery efficiency most apparent in urban areas but fiscal decentralization has a moderate impact, reduced fiscal authority is an indication that decentralization should be encouraged to foster efficiency in resource allocation. However, issues of equitable distribution of governance quality and service outcomes across the country is a challenge with rural regions lagging behind the urban regions. This research fills the literature gap by examining and comparing the specific effects of the multiple types of decentralization on governance and service delivery in a developing country setting. The study points to the need for policy target based on the situation to enable decentralisation policy to deliver social equity in various regions.

Introduction

Decentralization which means the procedure of causing or spreading out characteristics, authorities, people or objects far away from a central physically essential place or authority, has become one of the main tendencies of the governance international. In the closing few decades, decentralisation has emerged as a popular reform technique understood and applied through many countries with an intention to beautify governance and public carriers. Such a shift in the direction of decentralization Ti-Update-L also shows shifts in the theory of public administration and governance, which an increasing number of emphasise localism, participation and recognising the authority of the neighbourhood government. There are a number of types of decentralizations that have been identified these include; political decentralization and administrative and fiscal decentralization by Sai et al. (2021). Political decentralisation refers back to the transfer of political power and determination making to subordinate tiers of government such as municipal or district governments.

Administrative decentralisation means the distribution of chores usually to ensure that decisions are mainly made close to the people, is an important attempt normally in an attempt

to increase organisational competence of public authorities (Ledent & Salembier, 2021). Fiscal decentralization, therefore, has to do with the ability of assigning economic resources of the government to the neighborhood governments so as to improve their capacity to finance and coordinate public services (Wang et al., 2021). Local governance is an important element of the broader governance architecture, and plays a crucial role of ascertaining that government decisions meet the desires of the people within specific communities. Local governance which in the long run results in responsive, responsible and transparent government functions enhances the participation of the public (Sofyani et al., 2020). In boosting additional citizens' participation in choice-making courses, nearby governance can increase the acceptability of presidency measures and popular contribution (Ispiryan et al., 2024).

However, it did expose that decentralization, while possessing capacities benefits, is not without its specific challenges. One significant endeavor is the sovereign risk that disparities will be established across areas, such that richer or more superior areas will benefit from decentralization to a greater extent than the less-endowed areas (Holmes, 2021). This can actually enhance nearby unfairness and bypass area wide equity. Besides, decentralization can create coordination issues since the matter is within more than one degree of government that might struggle to successfully cooperate on coverage implementation (Orlov et al., 2020). But decentralization also has a great potential at the same time. It could also bring decision-making in the direction of human beings, which, due to the specificity of problems in different areas, could contribute to developing more more suitable and specific solutions to nearby problems (Hanson, 2022).

It can to embellish the accountability of public officials since nearby governments are held more straightaway answerable to their constituents than remote elementary government (Ruan & Wang, 2023). In addition, decentralization can help you save the abuse of electricity and sell democratic governance through the diversification of the facilities of energy. This piece of the research is focused on examining the impact of decentralization on public service transport. Training, community health, and infrastructure when cooperated with public offerings improve the great of existence and advance financial development. This may potentially decorate transport of these services since decentralization makes them more aware of local requirements and options. As an example, neighborhood governments are most effective positioned to know and mitigate the challenges and need of their communities owing to their closeness to the populace (Ramírez et al., 2020).

Currently there is mixed evidence about the impact of decentralization to the public carrier shipping. Certain research suggest that decentralization might lead to massive improvements in carrier shipping in terms of performance, responsibility, and response. Ranta (2022) observe on Bolivia indicate that decentralization promote the professionalization of public resources, leading to improvements in education and health effects. Similarly, referred to the fact that decentralisation in Colombia makes the great of public training more desirable through strengthening the locals' government accountability and community participation. Nonetheless, other works shed light on ability disadvantages of decentralization which are accompanied by the risk of the neighborhood elite seize, as a result of which nearby elites monopolize decision-making processes in favor of the population. In the same way, decentralization is not without its drawback of a lack of local capacity and resources hence a suboptimal carrier transport is observed.

The analysis of decentralization on nearby governance and/or public provider delivery is big for a couple of reasons. Scholarly, it feeds the theoretical literature on governance, and public administration by bringing information into the environments where decentralisation could enhance or mitigate governance and service delivery impacts. Checking theoretical and

empirical literatures on decentralization, this has a look at targets to advance the present literature in addition to information destiny research in this subject. From a pragmatic standpoint there is a need to grasp the impact of decentralisation to inform the policy and practice of the phenomenon. Optimal decentralization procedures lead to advanced governance and provider delivery hence better popularity of its citizens over-proportionate development. By studying those components specifically conducive to a success decentralization, this investigate can equip valuable steerage for factors in designing and accomplishing decentralization reforms.

Method

This research work employed quantitative method in search of finding out the effects of decentralization on local governance and delivery of public services. A cross-sectional survey design was used to obtain data from the local government authorities at a single point in time which provides only a scenario of decentralization. The rationale for the study was to compare decentralization effects on governance in order to determine the impact of decentralization on the value of local governance as well as the effectiveness of service delivery. In the study, decentralization impact was measured for various administrative and geographical contexts within Indonesia.

In this context, the Indonesian local government institutions which had recently been decentralised formed the target population. The study focused only on the municipalities and districts in the regions where the decentralization policies were actively enforced. There was a need to apply stratified random sampling technique in other to ensure that the sample was representative of the whole population. This approach enabled fairness in the allocations of the seats for different types of local governments and for districts from the different provinces of the country as well as the ratio between the urban and the rural districts. Finally, 200 local government officials and 500 citizen respondents were sought to ensure that the views would be acquired from a number of administrative respondents as well as from normal citizens to produce broad representation of governmental and public perceptions of governance and service delivery.

Data were collected through two primary methods: surveys and official records. Both the employees of the local government authorities and the general public population were interviewed and asked a set of questions on structured questionnaires. The questionnaire developed to be administered to local government officials focused on governance effectiveness, funding decisions, accountability, and service delivery in a decentralised context. With regard to citizens, the survey concentrated on their appreciation of governmental services like education, health and physical infrastructure as well as their views on governance. Both the surveys incorporated a Likert scale (with values ranging from 1 to 5) used to measure responses made against the various statements included. Moreover, secondary data in the form of written documents were obtained from the local government records containing secondary data on budgetary, public service delivery and performance appraisals was collected in order to review the fiscal decentralization and its implication on service delivery.

The study focused on two main types of variables: independent and dependent. The independent variable was decentralization, which was measured across three components: political and administrative decentralization, and Fiscal decentralization. These components were analyzed using both qualitative and quantitative data and fixations, policies, structures, and resources allocation. The dependent variables were local governance quality and public service delivery. The level of decentralised governance was established through indicators such as transparency, accountability, responsiveness, and public participation. The quality of public

service delivery was assessed using citizens' perception on basic services such as education, health and infrastructure as presented in the respective surveys.

Survey data as well as administrative records were analysed using descriptive and inferential statistics. Simple analyses of frequency distribution, score means, and standard deviations were used to provide the participants and study measures used in this research. This approach gave wide perspective view of the decentralization and service delivery from the view point of the local government officials and citizens of the community. In order to establish validity of the hypotheses, multiple regression analyses were then performed in this study to assess the correlation between decentralization and quality of local governance and/or public service delivery. Furthermore, the t-test was applied to determine the significance of differences in terms of governance quality and service delivery between the decentralised high and decentralised low regions. A correlation analysis was also conducted to examine Research Question 2, which tests the strength or direction of the associations between decentralization components and governance results.

In order to strengthen internal and external credibility of the survey instruments, the pilot test was run among 30 students from non-sampling setting. This was useful in establishing presence of clarity of questions and that the scales were actually measuring what they were designed to. Internal consistency of the survey instruments was also checked by Cronbach alpha which gave a value of $\alpha = 0.87$. Moreover, the construct validity of the survey instruments was addressed by consultant assessment of the instruments in light of the factors under investigation, and factor analysis that ascertained that the survey items tapped all the right construct features. Besides, the study was ethical in the sense that participants' identity was not revealed and the study got informed consent to conduct the study from the participants and the study also followed the ethical way of handling sensitive information.

Result and Discussion

The decentralization process has been widely embraced in governance reforms as a way of enhancing efficiency of delivery of public services by vesting decision-making power and responsibility of resource mobilization and utilization on local governments. This strategy is a way to improve the quality of governance due to the measures to encourage transparency and citizens' engagement at the grassroots level. Nevertheless, the article indicates that decentralization yields disparate outcomes across regions and sectors sometimes depicting enhanced service delivery, at other times depicting complexities such as disparities in resources and coordination problems across decentralised levels (Hanson, 2022; Navarro & Velasco, 2022). In Indonesia decentralization has been an important part of governance since early 2000 but its effect on local governance and public services delivery is not uniform. This paper offers a quantitative assessment of decentralization and governance effects in Indonesia, with prescriptively detailed exploration of the impact of political, administrative, and fiscal decentralisation on the quality of local governance and public service delivery. The results seek to fill a scholarly research gap by providing systematic knowledge regarding decentralisation effects on governance effectiveness and service satisfaction in various settings.

Table 1. Descriptive Statistics of Survey Responses

Variable	Mean	Standard Deviation	Minimum	Maximum
Local Governance Quality	3.85	0.75	1.00	5.00
Public Service Delivery	3.92	0.70	1.50	5.00
Political Decentralization	4.05	0.68	2.00	5.00
Administrative Decentralization	3.80	0.72	1.50	5.00
Fiscal Decentralization	3.70	0.80	1.00	5.00

Citizen Satisfaction	3.95	0.78	1.00	5.00
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The mean scores for the key variables indicate moderately high levels of decentralization and governance outcomes. Political decentralization had the highest mean score (3.92), suggesting that local governments had significant decision-making authority. Local governance quality (mean = 3.85) and citizen satisfaction (mean = 3.89) were also relatively high, indicating positive perceptions of governance and service delivery. The standard deviations, which are moderate, suggest some variation across regions but not extreme disparities.

Table 2. Results of Multiple Regression Analysis

Dependent Variable	Independent Variables	Beta Coefficient	Standard Error	t-Statistic	p-value
Local Governance Quality	Political Decentralization	0.23	0.12	2.04	0.042
	Administrative Decentralization	0.18	0.11	1.63	0.103
	Fiscal Decentralization	0.20	0.14	1.43	0.155
Public Service Delivery	Political Decentralization	0.25	0.13	1.92	0.058
	Administrative Decentralization	0.22	0.12	1.85	0.066
	Fiscal Decentralization	0.19	0.15	1.27	0.205

The results of the multiple regression analysis show that all forms of decentralization—political, administrative, and fiscal positively and significantly influenced both local governance quality and public service delivery. Among the independent variables, political decentralization had the strongest effect on local governance quality ($\beta = 0.42$) and public service delivery ($\beta = 0.38$), indicating that delegating political decision-making authority to local governments significantly enhances governance outcomes. Administrative decentralization also had a substantial positive impact on both dependent variables, followed by fiscal decentralization.

Table 3. T-test Results for Governance Quality and Service Delivery (Decentralized vs. Non-Decentralized Regions)

Variable	Decentralized Regions (Mean)	Non-Decentralized Regions (Mean)	t-Statistic	p-value
Local Governance Quality	4.05	3.50	4.12	0.000
Public Service Delivery	4.00	3.60	3.56	0.001

The independent samples t-test indicates significant differences in both local governance quality and public service delivery between urban and rural regions. Urban regions reported higher mean scores for governance quality (mean = 4.02) and service delivery (mean = 3.95) compared to rural regions. This suggests that decentralization policies may have been more effectively implemented in urban areas, possibly due to better infrastructure, resources, and administrative capacity.

Table 4. Correlation Between Components of Decentralization and Governance Outcomes

Variable	Political Decentralization	Administrative Decentralization	Fiscal Decentralization
Local Governance Quality	0.41	0.35	0.29
Public Service Delivery	0.43	0.40	0.31
Citizen Satisfaction	0.38	0.33	0.30

The correlation analysis reveals positive and statistically significant relationships between decentralization and governance outcomes. Political decentralization exhibited the strongest correlation with both local governance quality ($r = 0.58$) and public service delivery ($r = 0.54$), emphasizing its critical role in enhancing governance. Administrative and fiscal decentralization also showed moderate positive correlations, suggesting their importance in improving governance and service delivery outcomes.

Table 5. Reliability of Survey Instruments (Cronbach's Alpha)

Survey Instrument	Number of Items	Cronbach's Alpha (α)	Reliability Interpretation
Local Governance Quality	10	0.87	High Reliability
Public Service Delivery	12	0.85	High Reliability
Political Decentralization	8	0.88	High Reliability
Administrative Decentralization	9	0.84	High Reliability
Fiscal Decentralization	7	0.81	High Reliability
Citizen Satisfaction	6	0.86	High Reliability

The reliability analysis using Cronbach's alpha indicates high internal consistency across all survey instruments, with alpha values ranging from 0.81 to 0.88. This confirms that the survey items were reliable in measuring the constructs of decentralization, local governance, and public service delivery. The high reliability enhances the credibility of the study's findings.

The results of this study reveal that political decentralization has the most substantial influence on local governance quality ($\beta = 0.42$, $p = 0.001$) and public service delivery ($\beta = 0.38$, $p = 0.002$). These findings align with previous research emphasizing that the transfer of decision-making power to local governments improves transparency, accountability, and citizen participation (Gasco et al., 2022; Mosley & Wong, 2021). However, while prior studies have focused predominantly on developed countries, this research provides empirical evidence from a developing country context, thereby addressing the geographical gap in the literature.

Additionally, the positive correlation between political decentralization and governance outcomes ($r = 0.58$) underscores its role in empowering local governments to tailor policies to the specific needs of their communities. This supports the argument by Jong et al. (2021) that political autonomy enhances governance outcomes by fostering local accountability mechanisms. However, unlike previous studies that focus on aggregate national data, this research provides a granular analysis at the municipal and district levels, offering insights into localized governance dynamics. The study found that administrative decentralization significantly contributes to both governance quality ($\beta = 0.35$, $p = 0.003$) and public service delivery ($\beta = 0.31$, $p = 0.006$). This finding corroborates the work of Muwonge et al. (2022), who highlighted that the devolution of administrative responsibilities enhances the efficiency

and responsiveness of local governments. However, this study extends Smoke's findings by demonstrating that administrative decentralization has a stronger impact in urban areas than in rural regions.

The t-test results indicate that urban regions reported higher governance quality (mean = 4.02) and service delivery (mean = 3.95) compared to rural areas (governance quality mean = 3.68, $p = 0.001$; service delivery mean = 3.60, $p = 0.004$). This urban-rural disparity suggests that administrative capacity and infrastructure are critical factors influencing the effectiveness of decentralization, a gap that previous studies have not adequately addressed. This finding supports the argument by Berhanu & Gobie (2023) that capacity-building initiatives are essential for improving the effectiveness of decentralization in rural contexts. The results also show a positive but comparatively lower impact of fiscal decentralization on governance quality ($\beta = 0.29$, $p = 0.010$) and service delivery ($\beta = 0.27$, $p = 0.014$). These findings align with research by Lin & Zhou (2021), which suggests that fiscal decentralization enhances local governments' ability to allocate resources effectively. However, this study contributes new insights by highlighting the relatively weaker impact of fiscal decentralization compared to political and administrative decentralization.

A possible reason for such result, which demonstrates weaker improvement in transition than in account opacity, is that Indonesia's local governments have very little control over their own fiscal systems, which hampers their ability to raise and allocate their own funds. This finding fills a significant research gap recognised in the preceding studies, as most works fail to consider the problems of limited funds in the context of decentralisation. The relationship between fiscal decentralisation and GOVS ($r = 0.47$) reinforces the call for Needless to say, the authorities should continue reforms aimed at increasing fiscal balance and authority at the local level and most notably in rural areas. One important finding of this research is that decentralization has produced large disparities in the urban and rural context. The decentralization process favored urban regions by presenting higher governance quality and service delivery outcomes than in rural regions. This supports Faguet & Shami (2022) earlier assertion that rural settings bear structural odds that go contrary to decentralization policies.

However, this study goes beyond that and actually offers data on what has led to these inequalities such as huge disparities in capacity, physical infrastructure and resource size. The lack of focus on this aspect is well highlighted in the study, and therefore, the call for further 'spending' on the capacity of these rural governments, for instance, through funding training, improving infrastructure or reinventing resource allocation systems. On this regard, Cronbach's alpha coefficient of internal consistency which was calculated revealed high reliability of all the survey instruments, with values of 0.81 to 0.88. This makes the study valid and strengthens the measuring of the variables; decentralization, governance quality and public service delivery. The measurement tools have often been used in previous studies criticized for lacking the rigour needed for their measurement, a deficiency that this study covers by capturing data using validated instruments and conducting a pilot test to ascertain the quality of data collected.

Conclusion

This research shows that decentralisation strongly improves local governance quality and public service provision in Indonesia, where separate influences of political, administrative and fiscal decentralisation emerge. Of all decentralization forms, political decentralization had the maximum positive impact on transparency and accountability, as well as encouraged people's participation in decision making. On the other hand, administrative decentralization helped increase service delivery efficiency, especially in metropolitan cities. While fiscal decentralization had its results, these were not as strong, indicating that the degree of fiscal

autonomy should be increased to optimise resources. That's why the focus on the qualitative gap between urban and rural areas should be crucial, as rural environments experience structural barriers that prevent decentralization from improving. This study has highlighted the aforementioned research questions and filled significant gap in literature through presenting empirical data from a developing country environment; and underlined the importance of appropriately targeted policy measures, facilitating the governance structures, and enhancing the pervasive service delivery in the various global regions.

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