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The Comparative Analysis of Local Public Finance Regulation in Strengthening Regional Governance

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Abstract

Digital *zakat* collection represents BAZNAS of Padang City's adaptation to digital public service delivery; however, the available payment channels remain underutilized because collections are dominated by civil servants, participation among non-civil servants is uneven, dedicated digital personnel are unavailable, and transaction recording depends on confirmation from *muzakki*. This study aims to analyze the management of *zakat* collection through digital channels at BAZNAS of Padang City and identify its supporting and inhibiting factors. A descriptive qualitative approach was employed, with informants purposively selected from BAZNAS officials, *muzakki* using digital channels, and non-civil servant community members who had not used these services. Data were collected through interviews and documentation and analyzed through data reduction, data display, and conclusion drawing. The findings indicate that digital *zakat* collection is managed through planning, organizing, implementation, and supervision functions. Planning is guided by the Annual Work and Budget Plan and includes the provision of websites, QRIS, official bank accounts, mobile banking, and other digital channels, although specific digital collection targets have not been established. Organizational responsibilities remain distributed across several divisions without dedicated digital personnel. Implementation involves multiple digital payment and information channels, but utilization remains uneven, particularly among non-civil servant communities. Supervision is conducted through payment confirmation, bank-statement verification, transaction recording, and receipt issuance, although incomplete payment information continues to hinder administrative accuracy. Supporting factors include the availability of digital channels and information media, internal organizational support, and the increasing adoption of cashless transactions among *muzakki*. Conversely, limited human resources, the absence of specialized digital personnel, low public digital literacy, and insufficient participation by non-civil servant *muzakki* constrain implementation. The study concludes that effective digital *zakat* collection requires specific performance targets, dedicated personnel, integrated transaction-recording mechanisms, expanded digital literacy initiatives, and broader engagement with non-civil servant communities. These findings contribute to public management and digital philanthropy research by demonstrating how organizational capacity and community readiness shape the effectiveness of digital *zakat* services.

Keywords: Digital Public Services; Digital Zakat Collection; Public Management; Zakat Institutions; Zakat Management

INTRODUCTION

Over the past two decades, the regulation of local public finance has evolved from a technical budgeting function into a strategic instrument for safeguarding fiscal sustainability, public service delivery, and regional governance (Andriani, 2023). The expansion of fiscal decentralization has transferred greater financial authority to subnational governments, increasing both opportunities for responsive public service delivery and risks associated with weak fiscal governance. The global financial crisis of 2008 exposed structural weaknesses in subnational fiscal management, revealing that inadequate regulatory oversight can threaten macroeconomic stability as severely as weaknesses in national fiscal policy (Haustein et al., 2021). Likewise, the municipal bankruptcy of Detroit in 2013, involving liabilities approaching US$20 billion, illustrated how weak fiscal supervision, ineffective monitoring, and delayed regulatory intervention may undermine not only local government finances but also broader public confidence in government institutions (Iacuzzi, 2021). Similar experiences across several European countries prompted extensive reforms of local fiscal governance, including the implementation of the European Union Council Directive

2011/85/EU to strengthen budgetary frameworks throughout all levels of government (Arintoko & Bawono, 2021). Since then, governments have increasingly recognized that effective local public finance regulation extends beyond imposing fiscal rules; it also requires coherent institutional arrangements encompassing regulatory standards, continuous monitoring, supervisory capacity, and credible enforcement mechanisms. Contemporary scholarship likewise emphasizes that the sustainability of fiscal decentralization depends not only on expanding local autonomy but also on strengthening regulatory governance capable of preventing fiscal distress, enhancing accountability, and maintaining long-term fiscal resilience (Aprila et al., 2023).

From a public administration perspective, fiscal decentralization remains one of the most debated governance reforms because greater financial autonomy does not automatically produce better public sector performance (Venni et al., 2023). Classical Fiscal Federalism argues that devolving expenditure responsibilities and revenue authority enhances allocative efficiency by allowing local governments to respond more effectively to local preferences (Danar et al., 2020). Nevertheless, Second-Generation Fiscal Federalism challenges this optimistic assumption by emphasizing the political economy of local governance, where electoral incentives, information asymmetry, agency problems, and weak accountability frequently generate deficit bias, excessive borrowing, and soft budget constraints. Under such conditions, local governments may expect financial rescue from higher levels of government, thereby weakening fiscal discipline and encouraging opportunistic fiscal behaviour (Hariani et al., 2024; Yentifa et al., 2023). Consequently, the effectiveness of fiscal decentralization is fundamentally determined by the quality of the regulatory regime governing local public finance rather than by the degree of decentralization alone (Agustina & Setyaningrum, 2021). This perspective suggests that sustainable regional governance requires an integrated regulatory architecture that combines fiscal rules, institutional supervision, monitoring systems, and enforcement instruments capable of shaping responsible fiscal behaviour across different governmental contexts (Tanjung et al., 2021).

Previous studies have substantially advanced the understanding of fiscal decentralization and local government finance; however, several important scholarly limitations remain. Research on fiscal federalism has predominantly examined expenditure assignments, revenue autonomy, and intergovernmental fiscal relations, while studies on public financial management have focused primarily on budgeting systems, accounting practices, and financial performance. More recent comparative research has expanded attention toward local fiscal rules and fiscal sustainability; nevertheless, much of this literature evaluates only the existence or numerical stringency of fiscal rules without adequately explaining how supervisory institutions, monitoring arrangements, and enforcement mechanisms interact within broader regulatory governance systems. Consequently, existing studies tend to analyse individual regulatory instruments separately rather than examining local public finance regulation as an integrated institutional regime.

The comparative volume edited by Geissler, Hammerschmid, and Raffer (2021) represents one of the most comprehensive efforts to conceptualize local public finance regulation by integrating standards, supervision, monitoring, and enforcement across European countries. However, the available comparative evidence remains primarily descriptive and provides limited explanation of how different institutional configurations influence regulatory governance under different constitutional arrangements, administrative traditions, and fiscal decentralization models. As a result, important questions remain regarding why countries implementing similar fiscal decentralization reforms often develop different regulatory architectures and achieve different governance outcomes. Addressing this issue requires a comparative government perspective that systematically analyses institutional configurations rather than focusing solely on fiscal performance indicators (Andriani et al., 2021).

Responding to these gaps, the present study offers three principal contributions. First, it shifts the analytical focus from fiscal decentralization itself toward local public finance regulation as an integrated regulatory governance regime comprising regulatory standards, supervisory institutions, monitoring mechanisms, and enforcement arrangements. Second, rather than evaluating isolated fiscal indicators, this study adopts a comparative government perspective to examine how constitutional structures and administrative traditions shape the institutional design of local financial regulatory systems across European countries. Third, the study develops a systematic comparative analytical framework using qualitative content analysis to identify institutional configurations associated with stronger regulatory capacity and regional governance. The analysis is theoretically grounded in Comparative Government Theory, Regulatory Governance Theory, and Second-Generation Fiscal Federalism, which collectively explain how institutional structures shape regulatory behaviour, fiscal discipline, and accountability within decentralized governmental systems. By integrating these theoretical perspectives, this study extends the public administration literature by conceptualizing local public finance regulation as a multidimensional governance regime rather than merely a collection of fiscal constraints.

Building upon these considerations, this study aims to analyse the institutional design of local public finance regulatory regimes through a comparative government approach, evaluate the interaction between regulatory standards, supervisory organizations, monitoring systems, and enforcement mechanisms in strengthening regional governance, and formulate policy recommendations for improving Indonesia's local financial regulatory framework following recent fiscal decentralization reforms. By providing a comprehensive comparative assessment of international regulatory practices, this study seeks to contribute both theoretically and practically to the literature on public administration, intergovernmental relations, and regulatory governance while offering evidence-based policy insights for strengthening fiscal sustainability, accountability, and regional governance in Indonesia.

METHODS

Research Design

This study adopts a qualitative research design by integrating a systematic literature review with comparative policy analysis. A qualitative approach is appropriate because the objective is to interpret institutional arrangements, regulatory mechanisms, and governance practices rather than statistically examine causal relationships (Aprila & Dwiharyadi, 2026). Specifically, the study seeks to understand how local public finance regulations are structured, implemented, monitored, and enforced across different governmental systems (Creswell, 2014).

The comparative analysis is based primarily on *Local Public Finance: An International Comparative Regulatory Perspective* (Geissler et al., 2021), which provides standardized descriptions of local public finance regulatory systems across European countries. This framework enables systematic comparison of regulatory structures, fiscal rules, supervisory institutions, monitoring mechanisms, and enforcement instruments.

Unit of Analysis

The unit of analysis comprises twenty-one European countries examined in Geissler et al. (2021). These countries represent diverse constitutional arrangements, administrative traditions, and fiscal decentralization models, thereby providing an appropriate basis for comparative institutional analysis. Purposive sampling was employed because these cases offer comprehensive and comparable information within a consistent analytical framework.

Data Collection

This study relies exclusively on secondary data obtained through document analysis. The principal source is *Local Public Finance: An International Comparative Regulatory Perspective* (Geissler et al., 2021), supplemented by official international databases, including Eurostat Government Finance Statistics, the European Commission Fiscal Rules Database, and the OECD Tax Autonomy Database.

To ensure systematic data extraction, a document analysis protocol was developed focusing on four analytical dimensions: (1) fiscal rules, (2) supervisory institutions, (3) monitoring mechanisms, and (4) enforcement instruments. The credibility of the collected data was strengthened through source triangulation by comparing information from the primary reference with official international databases.

Data Analysis

The collected documents were analyzed using qualitative content analysis following the procedures proposed by Miles, Huberman, and Saldaña (2014). The analysis consisted of five sequential stages. First, all documents were reviewed to identify information relevant to local public finance regulation. Second, the extracted information was coded into predetermined analytical categories corresponding to the four regulatory dimensions. Third, the coded data were organized into comparative matrices to facilitate systematic cross-country comparison. Fourth, recurring institutional similarities, differences, and regulatory patterns were interpreted from a comparative government perspective. Finally, the findings were synthesized to identify best practices and formulate policy recommendations for strengthening Indonesia's local public finance regulatory framework.

Research Procedure

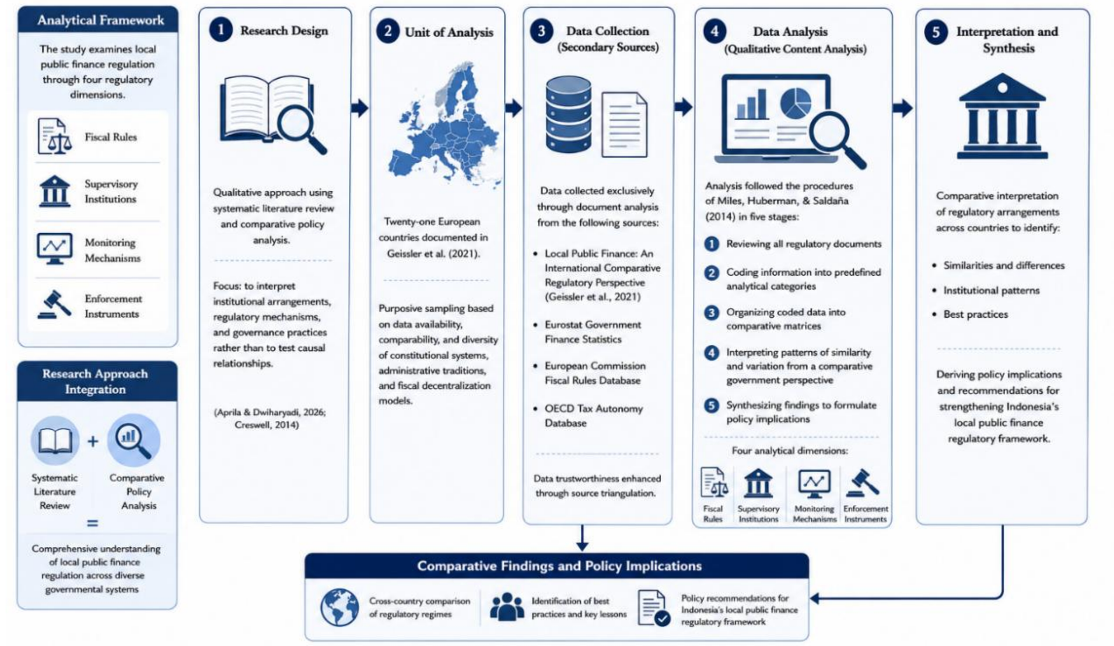

Figure 1. Methodogical process

The overall methodological process is illustrated in Figure 1. The study began with a systematic literature review to establish the conceptual foundation and define the analytical framework. Subsequently, twenty-one European countries were selected as the unit of analysis based on purposive sampling. Secondary data were then collected from the primary reference and supporting international databases through document analysis. The collected information was analyzed using qualitative content analysis and organized into comparative matrices to identify cross-country similarities, differences, and institutional patterns. The final stage involved synthesizing the findings to derive policy implications and recommendations for improving Indonesia's local public finance regulatory framework.

RESULTS

Characteristics of Local Public Finance Regulatory Regimes

The qualitative content analysis identified that local public finance regulation in the twenty-one European countries is built upon four interrelated institutional dimensions: fiscal rules, supervisory institutions, monitoring mechanisms, and enforcement instruments. These dimensions constitute the core regulatory architecture designed to maintain fiscal sustainability, ensure budgetary discipline, and strengthen financial accountability at the local government level. Although all countries establish formal regulatory arrangements, the institutional configuration, regulatory intensity, and implementation mechanisms differ considerably according to constitutional structures, administrative traditions, and fiscal decentralization models. Table 1 summarizes the principal regulatory dimensions identified from the comparative document analysis.

Table 1. Comparative Dimensions of Local Public Finance Regulation

Regulatory Dimension	Main Characteristics Identified
Fiscal Rules	Budget balance requirements, debt limits, borrowing restrictions, and fiscal deficit controls.
Supervisory Institutions	Oversight conducted by central government authorities, regional governments, or shared supervisory bodies.
Monitoring Mechanisms	Ex-ante budget approval, continuous fiscal monitoring, ex-post financial evaluation, and early warning systems.
Enforcement Instruments	Administrative sanctions, borrowing restrictions, financial penalties, market discipline, and corrective intervention mechanisms.

As shown in Table 1, the findings demonstrate that these four dimensions operate as complementary rather than independent regulatory mechanisms. Fiscal rules establish the legal boundaries of local fiscal management, supervisory institutions oversee regulatory compliance, monitoring mechanisms provide continuous assessment of fiscal conditions, and enforcement instruments ensure corrective actions when fiscal deviations occur. Consequently, local public finance regulation functions as an integrated governance system rather than a collection of isolated fiscal policies.

The comparative analysis also reveals that countries assign different levels of institutional importance to each regulatory dimension. In some regulatory systems, fiscal discipline is primarily achieved through legally binding numerical fiscal rules that restrict borrowing capacity and debt accumulation. In other systems, regulatory effectiveness depends more heavily on institutional supervision, administrative coordination, and continuous monitoring of local government finances. These differences indicate that fiscal sustainability can be achieved through multiple institutional pathways rather than through a single universal regulatory model.

Analysis of Fiscal Rules

Fiscal rules constitute the primary regulatory instrument used to preserve fiscal sustainability across European local governments. The document analysis indicates that almost all regulatory systems employ formal fiscal constraints designed to prevent excessive borrowing, maintain balanced budgets, and limit long-term debt accumulation. However, substantial variation exists regarding the scope, legal status, and enforcement of these fiscal rules.

Several regulatory systems emphasize strict numerical constraints through legally prescribed debt ceilings and balanced-budget requirements, thereby limiting fiscal discretion at the local level. Under this approach, borrowing decisions are closely associated with predefined fiscal indicators and legal compliance requirements. Other regulatory systems adopt more flexible arrangements that allow temporary fiscal imbalances provided that local governments demonstrate credible medium-term financial recovery plans. This flexibility reflects an institutional preference for balancing fiscal discipline with local policy autonomy.

Another notable finding concerns the integration of fiscal rules with broader financial planning processes. Rather than functioning solely as legal constraints, fiscal rules are frequently embedded within multi-year budgeting frameworks, medium-term fiscal planning, and performance-oriented financial management systems. Such integration strengthens the preventive capacity of fiscal regulation by encouraging local governments to anticipate fiscal risks before financial imbalances emerge.

Overall, the analysis suggests that the effectiveness of fiscal rules depends not only on their legal formulation but also on their interaction with supervisory institutions and monitoring mechanisms. Fiscal rules therefore represent one component of a broader institutional framework designed to promote sustainable local public finance.

Patterns of Supervisory Institutions

The comparative analysis identifies considerable institutional diversity in the organization of supervisory authorities responsible for local public finance oversight. Despite these differences, three broad supervisory arrangements can be distinguished based on the distribution of regulatory authority.

The first arrangement is characterized by centralized supervision, where national government institutions possess primary responsibility for reviewing local budgets, supervising borrowing activities, and initiating corrective interventions when fiscal risks become evident. This model emphasizes hierarchical administrative accountability and provides relatively strong central oversight over local fiscal management.

The second arrangement involves shared supervision between central and subnational governments. Under this institutional configuration, regulatory responsibilities are distributed across multiple governmental levels. Central authorities establish fiscal standards and national regulatory objectives, whereas regional or intermediate governments participate in monitoring compliance and providing administrative guidance to local governments. This arrangement attempts to balance fiscal discipline with decentralized decision-making.

The third arrangement reflects a more decentralized supervisory model in which local governments exercise greater fiscal autonomy while remaining accountable through transparency requirements, external auditing, and public financial reporting. In these systems, regulatory compliance depends less on direct administrative intervention and more on institutional accountability, professional oversight, and public scrutiny.

Although these supervisory arrangements differ substantially in institutional structure, all pursue the common objective of ensuring fiscal sustainability and preventing financial instability within local governments. The findings therefore suggest that supervisory effectiveness is determined by institutional coordination rather than by the degree of centralization alone.

Analysis of Monitoring Mechanisms

Monitoring mechanisms represent another essential component of local public finance regulation. Across the reviewed countries, monitoring systems are designed to identify fiscal risks, evaluate budget implementation, and provide timely information for policy intervention.

The document analysis identifies three complementary monitoring approaches. The first consists of ex-ante monitoring, which focuses on evaluating local government budgets before implementation. This preventive mechanism aims to ensure that proposed budgets comply with fiscal regulations and financial sustainability objectives.

The second approach involves continuous fiscal monitoring, whereby financial information is reviewed periodically throughout the fiscal year. This mechanism enables supervisory institutions to detect emerging fiscal risks at an early stage, allowing corrective measures before financial conditions deteriorate further.

The third approach is ex-post evaluation, which assesses financial performance after budget implementation through financial reporting, external auditing, and performance assessment. Ex-post monitoring strengthens institutional accountability by evaluating compliance with fiscal regulations and identifying opportunities for future policy improvement.

Rather than operating independently, these monitoring mechanisms generally function as sequential components of an integrated regulatory cycle. Ex-ante review reduces the probability of fiscal imbalance, continuous monitoring supports early risk detection, and ex-post evaluation provides feedback for future fiscal planning. This integrated monitoring approach enhances the resilience of local public finance systems while supporting evidence-based fiscal decision-making.

Analysis of Enforcement Instruments

The analysis further demonstrates that enforcement mechanisms constitute the final layer of regulatory governance. Their principal function is to restore fiscal discipline when local governments fail to comply with regulatory requirements or experience financial distress.

Enforcement instruments identified in the reviewed documents include administrative sanctions, borrowing restrictions, mandatory fiscal recovery plans, financial penalties, and various forms of corrective intervention. Although these instruments differ in legal design and implementation, they share the common objective of encouraging regulatory compliance while minimizing the risk of persistent fiscal imbalance.

Importantly, enforcement measures are generally applied progressively. Less severe interventions, such as administrative guidance or fiscal warnings, frequently precede more restrictive measures, including borrowing limitations or direct administrative intervention. This graduated enforcement strategy reflects a preference for preventing fiscal deterioration through institutional support before imposing coercive regulatory actions. The findings therefore indicate that enforcement mechanisms function not merely as punitive instruments but as integral components of fiscal governance intended to maintain long-term financial sustainability and institutional accountability.

Integrated Regulatory Configurations

A major finding emerging from the comparative analysis is that local public finance regulation cannot be understood by examining individual regulatory instruments separately. Instead, regulatory effectiveness results from the interaction among fiscal rules, supervisory institutions, monitoring mechanisms, and enforcement instruments.

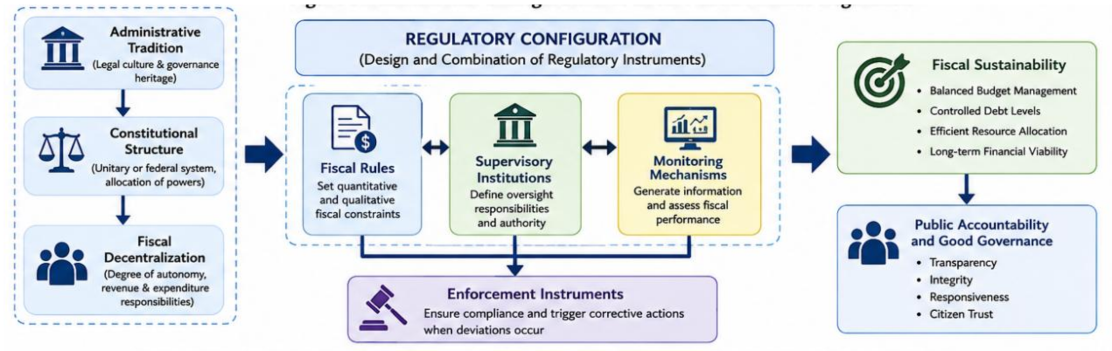

Figure 2. Integrated institutional configuration

Figure 2 illustrates this integrated institutional configuration. Fiscal rules establish the normative framework governing local financial management. Supervisory institutions oversee regulatory compliance, while monitoring mechanisms continuously generate information regarding fiscal performance and emerging financial risks. When monitoring identifies significant deviations from regulatory objectives, enforcement instruments are activated to restore fiscal discipline and safeguard financial sustainability.

This integrated governance perspective demonstrates that successful local public finance regulation depends on institutional coherence rather than the strength of any single regulatory mechanism. Countries exhibiting different constitutional arrangements may therefore achieve comparable fiscal outcomes through different combinations of regulatory instruments.

Synthesis of Comparative Findings

The document analysis generates four principal comparative findings. First, all twenty-one European countries employ integrated regulatory systems that combine fiscal rules, supervisory institutions, monitoring mechanisms, and enforcement instruments to safeguard local fiscal sustainability. Although the institutional design varies across jurisdictions, these four dimensions consistently constitute the core architecture of local public finance regulation.

Second, supervisory arrangements display substantial institutional diversity, ranging from highly centralized administrative oversight to decentralized governance models emphasizing transparency and external accountability. This diversity reflects differences in constitutional structures, administrative traditions, and fiscal decentralization arrangements rather than differences in regulatory objectives.

Third, monitoring mechanisms are increasingly designed as continuous governance processes integrating preventive review, ongoing fiscal surveillance, and post-implementation evaluation. Such integration enhances governments' capacity to identify fiscal risks early and implement timely corrective measures.

Finally, the comparative evidence indicates that no single regulatory model can be regarded as universally superior. Instead, regulatory effectiveness appears to depend on the coherence and complementarity of institutional arrangements. Countries achieve fiscal sustainability through different combinations of fiscal rules, supervision, monitoring, and enforcement that are adapted to their respective governance contexts.

These findings provide an important analytical foundation for evaluating Indonesia's local public finance regulatory framework. Rather than replicating a particular European model, future regulatory reforms should focus on strengthening institutional integration, improving coordination among supervisory bodies, enhancing continuous fiscal monitoring, and developing enforcement mechanisms capable of preserving fiscal sustainability while maintaining local government autonomy.

DISCUSSION

Regulatory Governance as an Integrated Institutional Framework

The findings of this study demonstrate that local public finance regulation should not be interpreted merely as the implementation of numerical fiscal rules. Instead, the comparative analysis reveals that regulatory effectiveness emerges from the interaction among fiscal rules, supervisory institutions, monitoring mechanisms, and enforcement instruments. These four dimensions collectively constitute an integrated regulatory governance framework that supports fiscal sustainability while strengthening financial accountability at the local government level.

This finding is consistent with Regulatory Governance Theory, which argues that regulatory effectiveness depends not only on the quality of regulatory standards but also on the institutional capacity to coordinate supervision, monitoring, and enforcement (Christensen & Lægreid, 2022; Cataldi, 2024). Rather than functioning independently, regulatory instruments operate as complementary governance mechanisms that collectively influence public sector performance. Consequently, fiscal sustainability is determined not solely by the existence of legal restrictions but by the coherence of institutional arrangements responsible for ensuring compliance throughout the budget cycle.

The findings also complement the comparative work of Geissler et al. (2021), who emphasize that local public finance regulation in Europe has gradually evolved from rule-based financial control toward integrated governance systems incorporating administrative oversight, fiscal monitoring, and corrective intervention. The present study extends this perspective by demonstrating that these institutional components should be viewed as an interconnected regulatory architecture rather than as separate policy instruments. This interpretation also supports recent public financial management literature arguing that governance quality depends more on institutional coordination than on the number or complexity of fiscal regulations (Shah et al., 2024).

From a public administration perspective, these findings suggest that strengthening regulatory governance requires institutional integration across multiple actors rather than introducing additional fiscal rules. Countries exhibiting stronger fiscal resilience generally combine clearly defined regulatory standards with effective supervisory organizations, continuous monitoring systems, and credible enforcement mechanisms. Consequently, institutional coherence becomes a more important determinant of regulatory effectiveness than regulatory density alone.

Institutional Diversity and Comparative Government Perspectives

The comparative analysis demonstrates considerable institutional diversity in the regulation of local public finance across European countries. Although all countries pursue the common objective of maintaining fiscal sustainability, they employ different regulatory configurations reflecting their constitutional structures, administrative traditions, and intergovernmental arrangements.

This finding supports the central proposition of Comparative Government Theory that institutional performance cannot be understood independently of its broader political and administrative context (Utami et al., 2026). Administrative traditions shape the distribution of governmental authority, determine supervisory relationships between central and local governments, and influence the mechanisms through which financial accountability is achieved. Consequently, countries characterized by different constitutional arrangements frequently adopt distinct regulatory models despite pursuing similar fiscal objectives.

The results also reinforce the comparative observations presented by Geissler et al. (2021), who demonstrate that European countries do not converge toward a single regulatory model. Instead, local public finance regulation reflects historical institutional development and national governance traditions. Countries emphasizing centralized administrative control generally rely more heavily on hierarchical supervision and formal fiscal approval procedures, whereas countries characterized by greater local autonomy tend to strengthen transparency, external auditing, and institutional accountability. These differences should therefore be interpreted as context-specific institutional adaptations rather than indicators of regulatory superiority.

Accordingly, the findings suggest that successful regulatory reform should prioritize institutional compatibility over policy imitation. Regulatory models that perform effectively in one administrative environment may not generate similar outcomes when transferred to countries with different constitutional structures, governance capacities, or political traditions. This observation provides further support for comparative public administration research emphasizing that institutional transfer requires adaptation rather than replication (Iszardani & Hardiningsih, 2021).

Fiscal Decentralization and Regulatory Capacity

The findings further indicate that fiscal decentralization alone cannot guarantee sustainable regional financial management. Instead, decentralization becomes effective only when supported by regulatory institutions capable of monitoring fiscal behaviour, constraining excessive borrowing, and ensuring compliance with financial regulations. This finding reinforces the central arguments of Second-Generation Fiscal Federalism, which emphasize that local governments may face incentives to overspend, under-tax, or accumulate unsustainable debt in the absence of credible regulatory oversight (Muni, 2018).

The comparative evidence also illustrates that supervisory arrangements become increasingly important when local governments possess greater fiscal discretion. Countries experiencing higher levels of fiscal decentralization generally strengthen institutional monitoring, fiscal reporting, and enforcement mechanisms to reduce the likelihood of soft budget constraints and expectations of central government financial assistance. These findings are consistent with previous studies arguing that effective fiscal decentralization requires an appropriate balance between local autonomy and regulatory accountability (Shah, 2007).

Furthermore, the results indicate that fiscal rules alone are insufficient to mitigate fiscal risks if they are not accompanied by effective institutional supervision and continuous monitoring. This observation supports recent studies in public financial management suggesting that regulatory capacity, administrative professionalism, and institutional coordination are essential prerequisites for sustainable fiscal governance (Christia & Ispriyarso, 2019).

Overall, the findings suggest that fiscal autonomy and regulatory oversight should not be viewed as competing policy objectives. Instead, they should be considered complementary institutional mechanisms through which governments balance local flexibility with long-term fiscal sustainability.

Policy Implications for Strengthening Indonesia's Local Public Finance Regulation

The comparative findings provide several important implications for strengthening Indonesia's local public finance regulation following the enactment of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (UU HKPD). While the reform has substantially improved the institutional framework governing intergovernmental fiscal relations, the comparative evidence indicates that additional institutional improvements remain necessary to strengthen fiscal sustainability and regional accountability.

First, Indonesia could reinforce ex-ante fiscal supervision by introducing more comprehensive assessments of regional borrowing proposals, fiscal risk exposure, and medium-term financial sustainability before borrowing approval is granted. Preventive supervision would enable potential fiscal risks to be identified before they affect regional financial stability.

Second, continuous monitoring mechanisms should be strengthened through integrated digital public financial management systems capable of generating real-time fiscal information, standardized reporting, and early warning indicators. Such systems would improve transparency while enabling supervisory institutions to respond more rapidly to emerging fiscal challenges.

Third, regulatory enforcement should move beyond administrative compliance by incorporating performance-based incentives, transparent recovery plans, and graduated corrective interventions. Rather than functioning solely as punitive instruments, enforcement mechanisms should support institutional learning while maintaining fiscal discipline.

Finally, the findings indicate that Indonesia would benefit from stronger coordination among the Ministry of Finance, the Ministry of Home Affairs, regional governments, the Audit Board of Indonesia (BPK), and internal supervisory institutions. Enhanced intergovernmental coordination would strengthen institutional coherence and improve the effectiveness of local public finance regulation.

These recommendations are broadly consistent with international evidence emphasizing that sustainable decentralization depends not only on fiscal autonomy but also on the quality of regulatory governance supporting local public financial management (OECD, 2023; Geissler et al., 2021).

Contributions to Public Administration

This study contributes to the public administration literature in three important respects. First, it contributes conceptually by proposing that local public finance regulation should be understood as an integrated regulatory governance regime comprising fiscal rules, supervisory institutions, monitoring mechanisms, and enforcement instruments. This perspective extends previous studies that primarily examine fiscal rules or decentralization policies in isolation by demonstrating that regulatory effectiveness emerges from institutional interaction rather than from individual regulatory components.

Second, the study contributes methodologically by demonstrating the usefulness of combining qualitative content analysis with comparative government analysis to examine institutional diversity across multiple countries. The comparative approach enables the identification of recurring governance patterns while recognising the contextual differences that shape regulatory design within different administrative systems.

Third, the study offers practical contributions by developing a comparative analytical framework that may inform future reforms of Indonesia's local public finance regulation. Rather than recommending the adoption of a specific European regulatory model, the findings emphasize the importance of institutional adaptation, governance coherence, and regulatory capacity as prerequisites for sustainable fiscal reform.

More broadly, the study reinforces the growing recognition within public administration scholarship that effective regional governance depends not only on the degree of fiscal decentralization but also on the institutional quality of regulatory governance. Strengthening supervisory capacity, improving intergovernmental coordination, enhancing fiscal transparency, and developing evidence-based regulatory systems are therefore essential for maintaining fiscal sustainability while preserving local government autonomy.

CONCLUSION

This study examined the institutional design of local public finance regulation through a comparative government perspective by analysing regulatory regimes across European countries. The findings demonstrate that effective local public finance regulation is determined not merely by the existence of numerical fiscal rules but by the coherence of an integrated regulatory governance system comprising fiscal rules, supervisory institutions, monitoring mechanisms, and enforcement instruments. The comparative analysis further reveals that regulatory configurations differ according to constitutional arrangements, administrative traditions, and fiscal decentralization models, indicating that there is no universally applicable regulatory framework. Instead, regulatory effectiveness depends on the alignment between institutional design and the governance context within which local governments operate.

The study contributes to the public administration literature by extending the understanding of local public finance regulation beyond conventional fiscal decentralization perspectives. Conceptually, it positions local public finance regulation as an integrated regulatory governance regime in which institutional coordination, regulatory oversight, and enforcement capacity jointly determine fiscal sustainability and public accountability. Methodologically, the study demonstrates the usefulness of combining comparative government analysis with qualitative content analysis to examine institutional diversity across countries. From a practical perspective, the findings provide valuable policy insights for strengthening Indonesia's local public finance regulation, particularly by enhancing supervisory capacity, improving continuous fiscal monitoring, strengthening regulatory coordination, and balancing regional fiscal autonomy with accountability.

Despite these contributions, this study is limited by its reliance on documentary evidence derived from comparative literature and secondary institutional data, as well as its focus on European regulatory systems. Future research should broaden the geographical scope by incorporating comparative evidence from Asia, Africa, and Latin America and employ mixed-method approaches, including case studies, interviews, or quantitative comparative analyses, to evaluate how different regulatory configurations influence fiscal sustainability, public service performance, and regional governance outcomes. Such studies would further enrich the comparative public administration literature while providing stronger empirical evidence for designing context-sensitive local public finance reforms.

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