

## STATE AND REGIONAL FINANCIAL DEVELOPMENT PLANNING MECHANISM



Darwin H. L Tobing<sup>1</sup>  
Institut Pemerintahan Dalam Negeri, Sumedang, Indonesia  
[htobing1967@gmail.com](mailto:htobing1967@gmail.com)

Zubakhrum Tjenreng<sup>2</sup>  
Institut Pemerintahan Dalam Negeri, Sumedang, Indonesia  
[zubakhrum\\_tjenreng@ipdn.ac.id](mailto:zubakhrum_tjenreng@ipdn.ac.id)

### Abstract

This study examines the mechanism of national and regional financial development planning within Indonesia's decentralized governance system. Employing a qualitative approach, the analysis is grounded in the concept of development planning as a structured and anticipatory process, public policy as a deliberate governmental intervention, and fiscal theory as institutionalized rights and obligations. The findings reveal suboptimal integration of planning and budgeting frameworks—RPJMN, RPJMD, RKP, and RKPD—resulting in fragmented policy execution and fiscal inefficiencies. Implementation challenges include limited technocratic capacity in regional planning bodies (Bappeda), politicization of development priorities, and weak deliberative effectiveness of Musrenbang forums. Digital systems such as SIPD and KRISNA remain underutilized due to technical and human resource constraints. To address these gaps, the study advocates for performance- and data-based planning reforms, fiscal alignment between central and local governments, and institutional strengthening toward adaptive and accountable governance. The study highlights the imperative for coherent policy and fiscal instruments to realize inclusive, competitive, and results-oriented national development aligned with the Vision of Golden Indonesia 2045.

**Keywords:** Development Planning, Public Policy, National and Regional Finance, Fiscal Decentralization, Planning-Budget Integration, Technocratic Approach

## INTRODUCTION

The vision of Indonesia Emas 2045 is crucial in the effort to achieve the status of a developed country and avoid the middle-income trap. To realize this goal, comprehensive national development is required, supported by solid planning and budgeting from all elements of government, including regional governments in Indonesia. Sulistiawan et al. (2019) emphasize the importance of planned, measurable, and sustainable national and regional development within the framework of a unitary state. The implementation of this development must be carried out in an integrated and cohesive manner. To support the success of this grand plan, the management of state and regional finances must adhere to principles of transparency, integrity, and be free from corruption, collusion, and nepotism.

The State Revenue and Expenditure Budget (APBN) and the Regional Revenue and Expenditure Budget (APBD) are concrete manifestations of state finances that must be implemented in an organized, transparent, and responsible manner. To ensure the optimal management of state finances in accordance with applicable regulations, comprehensive oversight is required on the implementation of state finances by government apparatus at both central and regional levels (Nasution et al., 2023). Law Number 1 of 2022 explains that the financial balance between the Central Government and Regional Governments is a system of fair, proportional, democratic, transparent, and efficient financial distribution. This aims to fund decentralization implementation by considering regional potential, conditions, needs, and funding amounts.

In practice, the APBN and APBD concretely reflect the results of the development planning process. They are not merely budget documents but fiscal instruments that explicitly reflect the development policies formulated in medium- and annual-term planning (Patarai, 2016). Therefore, the quality of planning strongly determines the effectiveness of public spending in terms of allocation, distribution, and stabilization. Failure to link planning with budgeting often causes mismatches between development needs and resource allocation, ultimately impacting the low performance of government program outputs and outcomes (Ginting et al., 2024).

Law Number 25 of 2004 mandates that the national development planning system must ensure the creation of comprehensive integration, synchronization, and synergy, covering aspects between regions, spaces, times, government functions, between central and regional governments, as well as among programs and activities. Therefore, the preparation of the Regional Medium-Term Development Plan (RPJMD) must align with the National Medium-Term Development Plan (RPJMN) and the Regional Long-Term Development Plan (RPJPD). In line with this, Regional Work Units (SKPD), Ministries, and Agencies are also required to prepare their work plans and strategic plans based on the RPJMD, RPJMN, and relevant Ministry Strategic Plans to achieve coherence in development implementation (Fadillah et al., 2020).

In accordance with Government Regulation Number 17 of 2017, elaborated by Fadillah et al. (2020), synchronization of national development planning and budgeting is realized through four main strategies. First, tightening program control by detailing priorities down to the project level to facilitate supervision. Second, integrating financial resources by consolidating plans for the use of central budgets, regional transfers, and non-APBN funds to improve priority funding effectiveness. Third, enhancing coordination among agencies

and between central and regional governments to formulate priorities earlier and create synergy among development actors. Lastly, unifying systems and documents for planning, budgeting, and performance evaluation electronically to optimize control.

The implementation challenges in synchronizing the RPJMN, National Government Work Plan (RKP), and Regional Government Work Plan (RKPD) represent a strategic issue rooted in the complexity of multilevel governance in Indonesia. Within the context of fiscal and administrative decentralization, vertical synchronization between central and regional governments is often hindered by differences in development priorities, institutional technical capacity, and local political dynamics (Kompas, 2018). The RPJMN as a guide for national medium-term development is often not fully or consistently translated into regional planning documents, either at the RPJMD or RKPD level. This is exacerbated by fragmentation in planning and budgeting processes, where planning is often not aligned with budget preparation, resulting in gaps between program plans and funding realization.

Therefore, optimizing customer experience is becoming increasingly important in automotive companies' marketing strategies. With a maximized customer experience, there will be a positive impact on revenue growth and market share for the business, as customer experience plays a vital role in building trust, fostering brand loyalty, and encouraging repeat purchases (Peña García et al., 2020 in Susiang et al., 2023). In responding to current market dynamics, companies need to focus on the subjective nature of consumer experiences, which allows for a more unique and personalized marketing approach, rather than relying solely on product specifications that can be easily imitated by competitors (Kotler et al., 2024). This is because the experience perceived by consumers is crucial for positioning and differentiating business offerings in a competitive environment (Schmitt, 2015). Thus, consumer experience can provide a competitive advantage through brand positioning and differentiation amid the intense competition in the automotive industry.

One strategy to make marketing feel "closer" to consumers is through the immersive customer experience strategy. Along with technological developments and the increasingly intense use of digital spaces as marketing platforms, the theoretical framework of marketing has now entered the era of Marketing 6.0. Immersive customer experience refers to a company's efforts to deliver consumer experiences by combining physical and digital interactions in a personalized manner (Kotler et al., 2024). Through immersive customer experience, marketing can be carried out by providing deep (immersive) experiences for consumers in both the physical and digital worlds (Kotler et al., 2024). In the Marketing 6.0 concept proposed by Kotler et al. (2024), there are five technological components that can enhance digital experiences, namely the Internet of Things (IoT), Artificial Intelligence (AI), Spatial Computing, AR and VR, and Blockchain.

Consumer experience is a key element that determines customer satisfaction and loyalty toward a company. Therefore, consumer experience is also an important component of marketing strategies. Customer experience enables the engagement of a consumer's subjective experiences and behaviors, thereby encouraging the realization of customer loyalty (Kelvin & Adiwijaya, 2018 in Setiawati & Susanti, 2022).

Customer loyalty may arise because customer experience shapes customer satisfaction (Ramadhani & Kusumawardhani, 2024). When customer expectations are met or exceeded through such experiences, customers will feel satisfied and become loyal customers (Arliyah & Vania, 2025). This satisfaction may stem from positive experiences

felt by customers, such as pleasant and fulfilling interactions with the products or services offered (Ramadhani & Kusumawardhani, 2024). When a company is able to consistently deliver positive experiences, it can build trust and increase customer preference toward the business. Ultimately, these positive experiences can encourage customers to remain loyal.

Thus, it is undeniable that consumer experience determines the effectiveness of marketing strategies. This is because managing consumer experience allows companies to assess, observe, and study consumers' responses and perceptions toward the offerings provided by the company (Lemon & Verhoef, 2016). This, in turn, can help improve customer satisfaction through a comparative analysis between consumer expectations and the actual implementation by the company. Such insights can serve as the main source of information for determining future marketing strategies that align with current consumer preferences, identifying which aspects of existing marketing strategies need evaluation, deciding on the media or channels that can be leveraged to make marketing "closer" to consumers, and defining how marketing efforts should be carried out.

In the case study of HC3 Astra Motor Yogyakarta, the HC3 sub-department integrates physical and digital experiences in an effort to enhance customer satisfaction. The implementation of immersive customer experience is supported by the company's integrated information system. For the physical experience, HC3 Astra Motor Yogyakarta provides after-sales services, as well as service reminders and regular service bookings to deliver a personalized experience for each customer. For the digital experience, HC3 offers an application called *Motorku X*, which features convenient services such as order tracking, promotional voucher offers, digital insurance, and service booking. *Motorku X* is also equipped with an Artificial Intelligence (AI) chatbot, reflecting the use of technology to improve customer satisfaction.

This case study is important to discuss because the immersive customer experience strategy is highly crucial in the context of modern marketing. It is essential for companies to remain relevant to both existing and potential customers and to sustain their business in the long term by being adaptive through the use of marketing based on both physical and digital experiences. Customer experience is important for companies because it can determine competitive advantage in the market (Chauhan & Sarabhai, 2018 in Suriانشa, 2023). By providing customer experiences such as exclusive discounts, special promotions, loyalty points, and other programs, companies can encourage customers to choose their business over competitors (Susiang et al., 2023). A positive customer experience can also lead customers to recommend the business to their acquaintances, thereby expanding the customer base (Susiang et al., 2023).

This research is expected to help conceptualize the practical implementation of the Honda Customer Care Center (HC3) Astra Motor Yogyakarta programs as a form of immersive customer experience strategy, while also identifying how the implementation of this strategy affects customer satisfaction and loyalty at Astra Motor Yogyakarta.

Furthermore, the weak integration of information systems between the central and regional governments exacerbates coordination barriers across levels of government. This lack of synchronization creates inconsistencies in policy implementation and development financing, which ultimately impacts the effectiveness and efficiency of the use of state and regional finances. To address this challenge, it is necessary to strengthen integrated performance-based planning systems through thematic, holistic, integrative, and spatial

approaches (THIS), as well as the utilization of information technologies such as the Regional Government Information System (SIPD) and KRISNA (Collaboration for Planning and Budget Performance Information) (Setyawan & Tjenreng, 2024). Moreover, political commitment, capacity building for planners, and adaptive bureaucratic reform in response to changes in central policies are important prerequisites for achieving synergistic development planning between the RPJMN, RKP, and RKPD.

Development planning holds a central position in the modern government system because it serves as a strategic foundation for determining the direction, priorities, and stages of national and regional development. In the context of Indonesia, development planning cannot be separated from the management of state and regional finances, as both mutually influence and determine the effectiveness of public policies. State and regional finances, through fiscal planning mechanisms, serve as the main instrument to drive the achievement of development goals established in planning documents such as the RPJPN, RPJMN, and RPJMD (Rasyid, 2013). Without integrated and needs-based planning, financial management will merely become an administrative routine that does not support structural transformation and improvements in community welfare.

Therefore, the integration between planning and budgeting systems needs to be continuously strengthened normatively, institutionally, and technocratically. Reforms in the management of state and regional finances should be directed toward a performance- and outcome-based approach so that every public expenditure has a strong justification within the context of development planning. In addition, harmonization between central and regional fiscal policies is needed to achieve optimal development synergy. Within the framework of a unitary state, the integration of planning and finance must become the primary tool to create more adaptive, inclusive, and results-oriented development governance (Patarai, 2016).

## REVIEW OF LITERATURE

### Concept of Development Planning

Planning is an integrated activity designed to optimize the overall effectiveness of efforts within a system, aligned with the organization's goals (Syafiie, 2019). Its main function is to set directions, strategies, and starting points for activities. This is important to guide processes and provide benchmarks for supervision in order to prevent waste of time and other production factors.

Tjokroamidjojo (1990) defines development planning as an anticipatory process to establish alternative activities aimed at achieving a desired future, accompanied by supervision to ensure implementation remains aligned with objectives. The implementation of development planning requires a basic strategy that includes development goals, directions, and priorities. It is also essential to have a planning framework illustrating the interrelationships among development variables and their implications. Finally, consistent and harmonious policies—covering fiscal, monetary, budgetary, sectoral, and regional development aspects—are needed to ensure coherence in implementation.

In a more specific context, development planning is defined by Law Number 25 of 2004 as a structured process to produce long-term, medium-term, or annual development plans. This process involves participation from various government and community elements

at both central and regional levels. According to Bratakusumah and Riyadi (2005), development planning is a fundamental initial step in the development process, functioning as a guide for activities. Therefore, it is essential for the planning to be applicable and implementable.

According to Minister of Home Affairs Regulation No. 86/2017, the implementation of national development planning must consider the following:

- Technocratic
- Participatory
- Political
- Top-down
- Bottom-up

The application of development planning must align with efforts to strengthen monitoring and evaluation of implementation performance. As explained by Supriyatno (2009), the technocratic approach in this process relies on the use of scientific methods and frameworks of thought. It is carried out by institutions or work units functionally responsible for integrating scientific aspects and technological developments. In the context of development planning, the availability of quality data and statistics is a key success factor because policy formulation, plan preparation, and the monitoring and evaluation process depend heavily on the accuracy of the available data and statistics.

### **Concept of Public Policy**

According to Anderson, policy can be understood as a set of consciously designed actions by individuals or groups of actors to address specific problems. He distinguishes policy into two main categories: substantive policy and procedural policy. Substantive policy refers to the content or substance of the policy that determines what the government should do, while procedural policy relates to the authorities involved and the procedures for implementing the policy. Thus, public policy can be defined as a series of decisions and actions formulated and implemented by government institutions or officials (Tahir, 2020).

William Dunn identifies four main characteristics of public policy issues, as follows (Anggara, 2014):

- Interdependence among issues: Policy problems do not exist as isolated entities but are systemically connected with other issues in the broader policy environment.
- Subjective dimension: An external condition becomes a policy problem when it is selectively defined, interpreted, and assessed by policy actors based on their perceptions, interests, and values.
- Social construction: Policy problems are the result of social constructions that can be maintained, changed, or even eliminated through social and political interactions.
- Dynamic nature of policy problems: Perceptions and interpretations of an issue significantly determine the direction of solutions formulated, indicating that every policy is contextual and open to change.

### **Implementation of Public Policy**

Public policy implementation refers to the stage where formally formulated policies are translated into concrete actions by the authorized administrative apparatus. Eminue defines implementation as the process of transforming various inputs—such as human resources, materials, information, and political support—into outputs in the form of public goods and services. This process involves a series of executive decisions and actions aimed

at realizing the policy mandate into tangible results on the ground. Agbazuere emphasizes that the tangible form of implementation can be seen through the distribution of funds and the provision of public services. The effectiveness of implementation largely depends on the clarity of policy formulation, the institutional capacity of implementers, the accuracy in defining target groups, and a supportive environmental context. If these elements are neglected, the policy is highly likely to encounter serious obstacles in its implementation, ultimately resulting in implementation failure as a concrete manifestation of public policy failure (Kristian, 2023).

### **Theory of State and Regional Finance**

The achievement of state objectives, which is the essence of governance, inherently gives rise to a series of fiscal rights and obligations for the state. This set of rights and obligations requires a comprehensive and systematic framework for managing state finances. In accordance with constitutional mandates, particularly those enshrined in the 1945 Constitution, the management of the nation's financial resources must be implemented by upholding principles of professionalism, transparency, and accountability (Rahayu, 2010).

The adoption of these principles is crucial to ensure that the allocation and utilization of state finances are oriented towards the optimal enhancement of the people's welfare. Practically, this system is realized through macro-fiscal policy instruments, namely the State Budget (Anggaran Pendapatan dan Belanja Negara, APBN) at the central government level and the Regional Budget (Anggaran Pendapatan dan Belanja Daerah, APBD) at the regional government level (Yuswanto, 2014).

In the discourse of state finance law, Riawan Tjandra (2006) conceptualizes state finance as a quantitative plan of future activities, generally within one fiscal year, realized through financial estimations. This definition is further expanded and detailed by Law Number 17 of 2003, which comprehensively outlines the scope of state finance, including:

- Fiscal rights of the state: This includes the authority to levy taxes, issue and circulate currency, and incur debts.
- Fiscal obligations of the state: These cover the provision of public government services and the settlement of obligations to third parties.
- Revenue and expenditure flows: Covering receipts and expenditures both at the central (state) and regional levels.
- Assets and wealth: Including all state or regional assets managed directly or through other entities. This category encompasses cash, securities, receivables, inventory goods, as well as other rights with monetary value, including assets separated within State-Owned Enterprises (BUMN) or Regional-Owned Enterprises (BUMD).
- Third-party assets: Comprising the wealth of other parties under government control in the context of government duties and/or for public interest, as well as assets obtained by third parties utilizing facilities provided by the government.

Mardiasmo (2002) defines regional finance as the quantitative manifestation of the local government's work plan within a certain period, typically one fiscal year. In this context, the Regional Budget (APBD) serves as a fundamental policy instrument for local government administration. Furthermore, the management of regional finance by local governments is essential to be optimized within the framework of regional autonomy. This aims to enhance the efficiency and effectiveness of resource allocation in the regions, which

in turn contributes to the improvement of welfare and the quality of public services for the local community.

According to Yunus and Rabina (2021), the scope of regional finance encompasses several crucial aspects. These include the regional government’s right to levy regional taxes and levies, as well as to incur loans. In addition, there is the regional government’s obligation to administer regional governmental affairs and fulfill payments to third parties. Furthermore, the scope of regional finance also details regional revenue and expenditure.

It also includes regional assets managed independently or by other parties, such as cash, securities, receivables, physical assets, and other rights with monetary value, including assets separated within regional enterprises. Lastly, this scope also covers the assets of other parties under the control of the regional government in the context of carrying out regional governmental duties or for public interest. It should be emphasized that this entire scope is based on Government Regulation Number 12 of 2019 concerning Regional Financial Management.

Regional financial management involves a comprehensive series of activities, starting from planning, implementation, administration, reporting, and accountability, to supervision at the regional level. This process involves two main categories of management: general administrative management and treasury management, which focuses on specific financial aspects. The preparation of the Regional Budget (APBD) must comply with the fundamental principles of public sector budgeting. These principles include conformity with the needs of regional government administration, timeliness in planning, transparency, and participatory nature (Halim, 2004). Furthermore, the APBD must be prepared with regard to the principles of fairness and propriety, and must not conflict with the public interest.

**Related Regulatory Framework**

**Table 1.**  
**Related Regulatory Framework**

No.	Regulation	Description
1.	Law No. 1/2022	Financial Relations between the Central Government and Regional Governments
2.	Law No. 23/2014	LOCAL GOVERNMENT
3.	Law No. 25/2004	National Development Planning System
4.	Law No. 17/2003	State Finance
5.	Government Regulation No. 6/2023	Preparation of Work Plan and Budget
6.	Government Regulation No. 12/2019	Regional Financial Management
7.	Minister of Home Affairs Regulation no. 86/2017	Procedures for Planning, Controlling and Evaluating Regional Development, Procedures for Evaluating Draft Regional Regulations on Draft Regional Regulations on Regional Long-Term Development Plans and Regional Medium-Term Development Plans, as well as Procedures for Changing Regional Long-Term Development Plans, Regional Medium-Term

		Development Plans, and Regional Government Work Plans
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## RESEARCH METHOD

This study applies a qualitative method to analyze the mechanism of national and regional financial development planning in Indonesia. Meleong (1989) defines qualitative research as an approach aimed at comprehensively understanding the subject's experiences, such as behavior, perceptions, and actions, through descriptions in words and language within a natural context.

The qualitative approach seeks to present an in-depth depiction through descriptive data in written or oral form based on observations of the research object. In this method, the researcher acts as the primary instrument who must possess theoretical understanding and broad insight to analyze and interpret the phenomena studied comprehensively. Qualitative methods are applied when the research problem is still exploratory, to uncover hidden aspects, understand the dynamics of social interactions, develop theories, verify data validity, and trace the historical development of a phenomenon (Bogdan & Taylor, 2012).

Data collection is conducted through primary and secondary sources, including literature studies and academic documents such as books and journals. To ensure validity, this study applies triangulation methods to verify data, theories, and phenomena occurring in the field (Sugiyono, 2018).

## RESULT AND DISCUSSION

### National-Level Development Planning

National development planning is a strategic process that determines the direction and priorities of the country's medium- and annual-term development. This mechanism not only serves as a normative guideline for all government sectors but also forms the fundamental framework for managing state finances. National development planning in Indonesia is regulated through a hierarchical and integrated planning system, based on principles of continuity, efficiency, effectiveness, and responsiveness to global and domestic dynamics (Hasan, 2018). In this context, planning documents such as the National Long-Term Development Plan (RPJPN) and the National Medium-Term Development Plan (RPJMN) serve as primary guides outlining the vision, mission, goals, and strategies for national development for a given period.

At the operational level, this planning mechanism materializes through the preparation of the Government Work Plan (RKP), which functions as an annual document. The RKP is prepared by considering policy directions and development targets in the RPJMN, while also reflecting the real needs and demands of society and challenges faced by the country in regional and global contexts. Within a results-based development framework, this mechanism demands integration between macro policies, priority sectors, and optimal distribution of fiscal resources (Kuntadi et al., 2022). Here lies the important role of the State Budget (APBN), which serves not only as a budget document but also as a fiscal instrument representing the entire national development strategy.

The national development planning mechanism consistently upholds good governance principles, especially in integrating planning and budgeting. This is reflected in systematic government efforts to align the planning and budgeting cycles through various policy reforms, including the implementation of the money-follows-program approach. Under this approach, budget allocation is not merely based on the continuity of previous programs but closely linked to priority programs stipulated in planning documents. Moreover, emphasis on the effectiveness and efficiency of public fund usage is also reflected in government efforts to promote performance-based budgeting, which places development outcomes and impacts as the primary benchmarks, rather than mere administrative outputs (Khofi et al., 2025).

The national development planning process involves strategic actors at various government levels. The National Development Planning Agency (Bappenas) acts as the central institution responsible for formulating and coordinating national development planning, while the Ministry of Finance is responsible for preparing and managing fiscal and macroeconomic frameworks. Synergy between planning and budgeting at the central level is pursued through various policy instruments, including the Macro-Economic Framework and Fiscal Policy Framework (KEM-PPKF) and the Finance Note. Cross-sector involvement and public participation are integral parts of this process, realized through public consultation forums, the National Development Planning Deliberation (Musrenbang), and the involvement of business and civil society in drafting planning documents (Azizah, 2024).

An important dimension in the national development planning mechanism is maintaining consistency and cohesiveness between long-, medium-, and short-term planning. This not only covers continuity between planning documents but also alignment between central and regional planning. Fiscal decentralization in Indonesia requires strong harmonization between the RPJMN and Regional Medium-Term Development Plans (RPJMD), so that national priorities can be internalized in regional programs without neglecting local needs and potentials (Galela, 2016). Challenges in maintaining this continuity often arise from differences in political interests, uneven institutional capacities, and a lack of integrated information systems between the center and regions.

In the context of bureaucratic modernization, digitalization of planning and budgeting systems has become an inseparable element in the national development planning mechanism. The Indonesian government has developed various digital platforms such as KRISNA, which integrate the planning and budgeting processes at the ministry and agency levels (Kemen-PANRB, 2019). The use of information technology aims to accelerate policy formulation, improve transparency and accountability, and facilitate monitoring and evaluation. These innovations are expected to address classic problems such as document delays, program overlaps, and budget allocations not based on development priorities.

It is also important to note that political aspects play a strategic role in the national development planning mechanism. Changes in national leadership can influence development priorities and adjustments to planning documents, although normative efforts exist to maintain continuity through cross-administration RPJPN and RPJMN. On the other hand, political dynamics can also create space for innovation and rapid responses to changes in the strategic environment (Latif, 2019). Therefore, the national development planning system must be designed not only to be rigid and normative but also adaptive and resilient to change.

## **Regional Financial Development Planning Mechanism**

Financial development planning at the regional level is a fundamental instrument in realizing effective fiscal decentralization and governance in Indonesia. Within the framework of regional autonomy, local governments are granted authority to develop and implement development plans tailored to their local potentials, needs, and characteristics (Rizki et al., 2023). This aims to ensure that regional development is not uniform but reflects the aspirations of the community and the dynamics of each region. However, such planning must still be integrated with the national development framework to ensure alignment between national development targets and regional achievements.

Regional development planning mechanisms are based on the Regional Long-Term Development Plan (RPJPD) and Regional Medium-Term Development Plan (RPJMD). These documents serve as references for preparing the Regional Government Work Plan (RKPD), which is further translated into the Regional Budget (APBD). This planning process is not only technocratic but must also reflect participatory, political, and accommodative principles towards community needs (Yandra, 2016). Musrenbang at various levels—from village to district/city—is a formal mechanism ensuring community and local stakeholder involvement in formulating regional development priorities.

A critical dimension in this mechanism is the strong linkage between planning and budgeting documents. At the regional level, development planning cannot stand alone but must be integrated into the budgeting process so that priority programs receive adequate financial support (Taufiqurrahman, 2014). A performance-based approach is increasingly relevant to ensure every rupiah spent by local governments yields tangible benefits for the community. Therefore, regional development planning must consider principles of efficiency, effectiveness, accountability, and focus on long-term results and impacts.

In practice, local governments often face structural and capacity challenges. One major obstacle is the limited capacity of regional planners, which weakens the quality of needs analysis, target setting, and program prioritization. Moreover, vertical synchronization between RPJMD and RPJMN at the central level is often suboptimal, causing fragmentation in planning and overlapping programs between central and regional governments (GeloraJatim, 2025). This disharmony results in inefficient budget use, weak development target achievements, and insufficient support for the national priority agenda.

Strengthening information systems and digitalization is also a key factor supporting more integrated and transparent regional development planning. The central government has developed the Regional Government Information System (SIPD) to encourage data and planning harmonization between central and regional governments.

Nevertheless, adoption and utilization of these systems at the regional level still face technical and human resource constraints. Digital transformation in local government sectors requires not only software but also institutional capacity building, technological literacy, and political commitment from regional stakeholders (Maulani et al., 2024).

The financial development planning mechanism at the regional level is a complex, multidimensional, and dynamic process that requires synergy among actors, technology utilization, and institutional capacity strengthening. The success of regional development planning depends not only on budget availability but also on system maturity, community participation, and close integration with the national development framework.

## Challenges and Implementation Issues

The implementation of financial development planning, both at the national and regional levels, faces a number of complex structural, normative, and technocratic challenges. One fundamental problem lies in the weak integration and synchronization between planning and budgeting, which often creates a gap between strategic planning documents and budget realization (Directorate of Regional Autonomy, 2015). This policy fragmentation is not merely caused by differences in regulations or systems but also by limitations in human resource capacity at both central and regional levels, affecting the quality of planning document preparation and its accurate translation into fiscal policy.

Another challenge arises from inconsistencies among planning documents across government levels. Differences between the RPJMN, RKP, and RPJMD often cannot be optimally harmonized, resulting in development policies operating in isolated silos. This inconsistency is further exacerbated by differing priorities between the central and regional governments. The relatively short political cycles dominated by electoral interests often intervene in the planning process, causing shifts in priorities that do not always align with the long-term development framework. This leads to policy disorientation and inefficient budget allocation, where populist programs are prioritized (Aisen & Veiga, 2013).

On the other hand, the role of Musrenbang as a participatory deliberative forum often becomes a mere administrative formality with minimal impact on determining substantive budget priorities (LPKN, 2025). Although Musrenbang formally opens space for participation, in reality, domination by local elites, limited access to information, and low community capacity in formulating development needs turn this participation into a mere facade. As a result, the planning process often fails to reflect the real needs of the community and instead serves as formal legitimacy for policies already determined by a small group of ruling elites.

Furthermore, implementation problems also stem from planning and budgeting information systems that are not yet fully integrated. Despite various digitization initiatives such as the development of systems like SIPD and KRISNA at the national level, adoption barriers and technical capability limitations in many regions cause planning and budgeting processes to remain manual, partial, and vulnerable to errors and data manipulation. Limitations in digital infrastructure and low technological literacy in certain regions significantly hinder strengthening the accountability and transparency of regional financial planning systems (CIPS, 2025).

In addition, from an institutional perspective, the role and capacity of Regional Development Planning Agencies (Bappeda) across many regions remain far from optimal. Limitations in the quantity and quality of human resources, weak coordination among Regional Work Units (SKPD), as well as minimal analytical skills and mastery of technocratic tools cause regional development planning to often be a mere copy-paste from previous years without updates based on evidence-based policy. This results in low policy innovation and failure to address real community problems contextually and specifically (LPKN, 2024).

## CONCLUSION

The mechanism of national and regional financial development planning is a strategic pillar in governance aimed at realizing measured, effective, and sustainable national development. Within the framework of fiscal decentralization, development planning at the central and regional levels must be harmonized to create synergies that support the achievement of Indonesia's Golden Vision 2045.

However, the implementation of this public policy still faces various substantive challenges, including weak integration between planning and budgeting systems, limited institutional capacity, fragmentation among planning documents, and the dominance of short-term political agendas that often shift strategic development priorities. Inconsistencies between the RPJMN, RKP, RPJMD, and RKPD create policy disorientation, which impacts inefficient budget use and low development leverage.

On the other hand, modernization efforts through digitalization of planning and budgeting systems such as SIPD and KRISNA, although promising, still face implementation obstacles at the regional level due to limited technical capacity and infrastructure. Therefore, financial development planning must be continuously strengthened through improving the quality of human resource planners, reinforcing data- and performance-based information systems, and creating governance that is adaptive, accountable, and results-oriented, to deliver real benefits to society and strengthen the foundation of inclusive and competitive national development.

Below are policy recommendations to encourage the optimization of the implementation of financial development planning mechanisms at both central and regional levels:

- Encourage the unification and harmonization of development planning documents and budgeting documents at all levels of government through strengthening regulations and governance.
- Conduct ongoing technology-based training, policy analysis, and performance-based planning to strengthen the capacities of Bappeda and SKPD.
- Increase the utilization and interoperability of digital platforms such as SIPD and KRISNA to support transparency, accountability, and efficiency in regional financial management.
- Ensure substantive integration of RPJMN, RPJMD, RKP, and RKPD by improving communication, coordination, and consultation mechanisms between central and regional governments.
- Revitalize Musrenbang to become more participatory, representative, and based on real community needs by strengthening community capacity in the planning process.
- Require that every program and activity is supported by measurable and relevant performance indicators, as well as strengthen data-based evaluation and feedback mechanisms.
- Develop fiscal award or incentive schemes for regional governments that demonstrate good performance in planning-budget integration and achieving development outcomes.
- Ensure that regional leaders and institutional heads have strong commitments to consistent implementation of long-term oriented planning and budgeting, rather than merely short-term political agendas.

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