



ANALYSIS OF REGIONAL FINANCIAL CONSTRAINTS AND MANAGEMENT

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ARTICLE INFORMATION

Article History:

Received: December 14th 2023

Accepted: December 14th 2023

Published: April 1st 2023

Keywords:

Innovation
Regional Financial Management
Unsustainability Constraints

ABSTRACT

This research aims to identify the inhibiting factors affecting the sustainability of the innovation in the Electronic Financial Monitoring Information System (SiMOLEK) application at the Ministry of Home Affairs, particularly in the management of local finances and the evaluation process of accountability for the implementation of the Regional Budget. The study employs a qualitative descriptive approach, gathering data through observations and interviews with key informants who have authority, tasks, and functions related to the operation of SiMOLEK. The inhibiting factors analyzed are based on the results of studies conducted by Deloitte and KPMG, adjusted for relevance to the research object, including politics, lack of finance, leadership, technology, culture, and insufficient technical skills. The research findings indicate that the inhibiting factors causing the unsustainability of the SiMOLEK application innovation are politics, lack of finance, leadership, and technology.

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INTRODUCTION

Public sector innovation is important to improve government performance so that it is more effective and efficient and increases public trust in the government. There are many innovations in the public sector carried out by the central government and local governments that can be considered as a commitment to improve government performance. Public sector innovation can be categorized into 3 forms, namely [1] services, products, policies, [2] processes or organizations, and [3] governance (Chen et al., 2020).

As an effort to encourage innovation policies and regional financial management management reforms, in 2018 the Ministry of Home Affairs (Kemendagri) made an innovation in the regional financial management process. The innovation is in the form of building an application to facilitate online regional financial management services under the name of the Financial Electronic Monitoring Information System (SiMOLEK). SiMOLEK was created so that regional financial management can be more orderly, efficient, economical, transparent, and responsible and is an answer to the wishes of the community demand for a government that is responsive, productive, and provides solutions in accelerating development so that it is expected to be able to meet the needs of the community without exception (Kemendagri: 2018).

Referring to Article 3 Paragraph 2 of Government Regulation Number 12 of 2019 concerning Regional Financial Management, Regional Financial management is carried out in an orderly, efficient, economical, effective, transparent, and

responsible manner with due regard to a sense of justice, appropriateness, benefits for the community, and compliance with statutory provisions. Then the Regional Financial Management is realized in the Regional Budget (APBD).

APBD is a regional financial instrument that is used as a basis for financing the operations of local government activities. In addition, the APBD is a tool that ensures the creation of discipline in the decision-making process related to regional revenue and expenditure policies, which in its preparation must follow established administrative procedures (Yulianti: 2017). When the APBD has been stipulated as a Regional Regulation, normatively its implementation starts on January 1 to December 31 of the relevant fiscal year, so that at the end of the fiscal year the accountability process for the implementation of the APBD begins.

Accountability for the implementation of the APBD is a manifestation of local government realizing transparency and accountability for the implementation of the APBD. The mechanism for accountability for the implementation of the APBD is carried out after the process of preparing the APBD draft (RAPBD), approval of the RAPBD by the DPRD, ratification of the RAPBD by the Central Government, determination of the APBD, implementation of the APBD has been completed (Malinda and Andrianto, 2013). Accountability for the implementation of the APBD is agreed upon jointly by the local government and the DPRD in the form of a draft regional regulation (ranperda) which then before being

stipulated as a regional regulation, will first be evaluated by the Ministry of Home Affairs (Kemendagri) through the Directorate General of Regional Financial Development (Ditjen Bina Keuda) which is one of the Directorates General at the Ministry of Home Affairs which has the task of organizing the formulation and implementation of policies in the field of regional financial development per the provisions of laws and regulations.

The evaluation process by the Directorate General of Bina Keuda of the regional budget accountability draft refers to Article 195 of Government Regulation Number 12 of 2019 concerning Regional Financial Management which states that the evaluation process is carried out for 15 working days after the regional budget draft is received by the Ministry of Home Affairs. In the implementation of the evaluation, the Ministry of Home Affairs will assess whether the ranperda is per the Perda on the APBD, Perkada on the elaboration of the APBD, and follow up on the findings of the Supreme Audit Agency. The assessment indicators referred to, according to Permendagri Number 11 of 2017 concerning Guidelines for Evaluating the Draft Regional Regulation on Accountability for the Implementation of the APBD based on 3 aspects, namely; [1] Consistency, which is to assess the suitability of the budget ceiling, budget nomenclature, and the structure and classification of the APBD with the regional regulation on

accountability for the APBD; [2] Policy, which is to assess compliance with the implementation of the APBD; and [3] Legality, which is to assess compliance with the juridical basis and presentation of information in the preparation of regional regulations on accountability for the implementation of the APBD.

Through the presence of SIMOLEK, the process of evaluating local regulations by the Directorate General of Bina Keuda, which was originally done manually or conventionally, is now done online. SiMOLEK is centralized on the Directorate General of Bina Keuda's server and will connect the Provincial, Regency, and City Governments with the Ministry of Home Affairs, so that when viewed from the relationship or interaction between users, SIMOLEK is classified as a government-to-government (G2G) innovation, namely an information system that links 2 (two) government entities, namely the central government and local governments (Hadi et al: 2022).

The use of SiMOLEK has advantages for both data contributors (LGs) and evaluators (DG Bina Keuda). The various benefits obtained by the LG when using SiMOLEK in the evaluation process are described in Table 1. which shows a comparison between the evaluation process using SiMOLEK and the conventional evaluation process from the side of the LG as a data contributor

Table 1 . Comparison of Resources Needed Between Conventional Evaluation and SiMOLEK

| No. | Comparison | Conventional | SiMOLEK |
|-----|------------|---|---|
| 1 | Cost | Expensive (data submission must be in person so that it burdens the budget for official travel) | Cheap (data submission through the application) |

| | | | |
|---|--------------------------------|--|---|
| 2 | Time | 2-3 days (including time needed for official travel) | 1 Day |
| 3 | Data Completeness and Accuracy | Identified after a face-to-face meeting with the evaluator | Automatically identified by the application |
| 4 | Document | Uses about 3-4 reams of paper (depending on budget size) | Not available |
| 5 | Data Correction Process | Cannot be corrected immediately so it is time-consuming, labor-intensive, and costly | This can be directly fixed in the application |

Source: Ministry of Home Affairs, 2023

Based on the table above, it is clearly illustrated that the use of SiMOLEK from the local government side is very effective and efficient in submitting and improving evaluation data/documents to the Ministry of Home Affairs as the evaluator. This advantage also received positive testimonials from some local government finance officials, one of which was the Head of Accounting and Reporting of the Gorontalo Provincial Government, who during a consultation with the Directorate General of Bina Keuda stated that it was greatly helped by the presence of SiMOLEK in the implementation of the evaluation of Ranperda accountability for the implementation

of the APBD. In line with this, the Head of Accounting and Reporting of the South Kalimantan Provincial Government during a consultation to the Directorate General of Bina Keuda stated that the existence of SiMOLEK greatly saved office budget expenditures, especially in printing documents.

The benefits of SiMOLEK are not only felt by local governments but also by the Directorate General of Bina Keuda as the evaluator gets some conveniences in carrying out the evaluation process when compared to the evaluation process carried out conventionally, as described in the following Table 2

Table 2. Comparison of APBD Accountability Evaluation Conventional with SiMOLEK

| No | Comparison | Conventional | SiMOLEK |
|----|---|---|--|
| 1 | Evaluation processing time | 4-5 days/local government | 1-2 days/region |
| 2 | Number of evaluators | 3-4 people/local government | 1-2/region |
| 3 | Identification of completeness and accuracy of data/documents | Can be identified during the evaluation process | Can be identified before evaluation work |
| 4 | Decree determination time | 15 days | <15 days |

Source: Ministry of Home Affairs, 2023

Based on the table above, it can be seen the benefits obtained by the Directorate General of Bina Keuda Kemendagri as the evaluator in

conducting evaluations, where the evaluation process can be more effective. This was also recognized by the Evaluation Coordinator for

Sumatra Region I who said that with the existence of SiMOLEK, the evaluation process became very easy to identify data, easy to work on, and fast and timely. The existence of SiMOLEK is largely an innovation in the field of regional finance that provides benefits and creates positive changes for the organization (Drucker: 1985). The implementation of the evaluation of regional regulations on the implementation of APBD accountability, which is very heavy and takes a long time, becomes easy and cheap at the same time and can create solutions to challenges and obstacles at the same time for both users.

However, in 2022, the operation of SiMOLEK was discontinued in the process of evaluating regional regulations for APBD accountability. The results of innovations have provided benefits and positive testimonials from some local government finance officials, but their use must be stopped. The implementation of these innovations should be continued to deal with needs or problems in the future as well as a form of implementing good and reliable governance.

There have been several studies related to barriers that are generally a challenge in implementing

innovation in the public sector. Some that affect the success and failure of innovation include bureaucratic capacity and budget availability, government political support, the role of leadership, the presence of talented human resources, and the level of knowledge and skills (Trivellato et al., 2021), innovation does not match the real needs of the community and the reward and punishment system is not clear (Deby et al., 2018), risk governance (Adywarman, 2021), lack of integration of one system with another (Lukman, 2021); lack of collaboration between public organizations, private actors, and non-profit organizations (Pratama, 2019).

Based on these things, the author is interested in examining the factors that caused the SiMOLEK application to stop its operation and looking for alternative solutions to solving problems that arise as a result of the termination of SiMOLEK's operation. In addition, this research also intends to enrich existing studies on public sector innovation, especially specifically examining the obstacles encountered in public sector innovation.

THEORY

Innovation dan Constraints

The euphoria of producing innovations in the public sector or government has become a trend in itself that is the subject of discussion and research for bureaucrats, politicians, and academics (Bekkers and Tummers: 2018). However, innovation in the public sector often lacks essence because its presence

is just there, just a style and just a differentiator but not a solution to solving public problems. Unlike the private sector which prioritizes innovation as a necessity for survival because it determines the exit or death of a company (Khasali: 2018), the public sector without innovating will feel that it always exists as long as there is political support and the

availability of a financial budget (Hadi et al: 2022).

To cultivate innovation in the public sector, it is not enough just to hold innovation competitions such as Sinovik by Kemenpan RB or IGA by the Ministry of Home Affairs, a culture of innovation can grow and develop with the diffusion of innovation that ensures that innovation is not only implemented but also survives, continues and always improves its quality (Dearing and Jeffrey, 2018). The various factors that become obstacles to innovation are at least influenced by the process, idea, development, and design (Cinar, Trott, and Simms, 2018). To make an innovation survive in its use is determined by one of the financial capabilities in financing its operations and development (Crammer, Dewulf, and Fordick, 2014).

Barriers and constraints to innovation are often categorized in two ways, the first being internal aspects (including the change process within the organization) and external aspects (including resources and knowledge as well as regulations) (Madeira, 2017). In this era that encourages digital transformation, so that it demands very rapid changes which consequently create bubble innovation conditions, but paradoxically the implementation of innovation is very difficult, prone to failure, and contains many risks and obstacles (Silva et al., 2019). Based on the results of a study conducted by Deloitte and KPMG, show several factors that can inhibit innovation (Akhmadi and Tsakalerou, 2020) in Table 3:

Table 3 . Factors that Can Inhibit Innovation

| Deloitte | KPMG |
|--|---|
| 1. Sensing and scanning new technologies and trends; | 1. Politics/turf wars/no alignment |
| 2. Security Issues; | 2. Cultural issues |
| 3. Lack Of Technical Skills; | 3. Lack of budget |
| 4. Cultural Resistance to Risk Taking and Failing; | 4. Lack of strategy and vision |
| 5. Lack of Leadership and Management Skills; | 5. Recruiting/ not enough of high-demand skill set |
| 6. Uncertain demand for new goods and services; | 6. Not adopting emerging technologies |
| 7. Availability of technology providers to train; | 7. Lack of executive support |
| 8. Lack of access to funds; | 8. Other |
| 9. Lack of time to develop new ideas; | 9. Inability to pick up signals critical to future business |
| 10. Lack of government support for innovation. | |

Source: Akhmadi dan Tsakalerou, 2020

Evaluation of APBD Accountability

Evaluation is the process of providing information about the

performance or results of a policy (Dunn in Kadji: 2015). The APBD is a document that describes the financial condition of a government

organization (mardiasmo: 2002). The budget is a plan of activities carried out by the government which includes revenue, expenditure, and financing in rupiah units (Wuryan: 2007). Accountability for the implementation of the APBD is a final activity in a series of APBD management as a form of transparency and accountability of local government (Pamungkas: 2013).

METHODS

This research was conducted with a descriptive qualitative methodological approach based on case studies (Creswell, 2014) which defines case studies as research conducted specifically on certain cases in socio-political phenomena based on a scientific approach by sourcing valid data, sources, and information.

The approach through case studies is also considered very appropriate because it can answer why and how the phenomenon occurs (Yin, 2006). In line with this, this research will be carried out to answer what obstructs the operation of the SiMOLEK application and try to find alternative solutions to these problems.

DISCUSSION

To explain the factors inhibiting innovation that cause the operational cessation of the SiMOLEK application, researchers will use the analysis of factors inhibiting innovation used by Deloitte and KPMG. In this research, not all of the factors inhibiting innovation used by Deloitte and KPMG were used, but factors were selected that were

From the opinions of some experts, as mentioned above, it can be concluded that the evaluation of the accountability for the implementation of the APBD is the process of measuring the performance of the APBD implementation as a form of government responsibility for the public budget for the creation of transparency and accountability.

The data collection process was carried out in two ways, namely primary and secondary. Primary data was collected through observations and interviews with each area of the regional government regional revenue agency as key informants who have the authority, main duties and functions related to the person responsible for operating SiMOLEK. Meanwhile, secondary data was obtained from each regional government's financial reports through websites, journals and other relevant literature.

Data collected from regional financial reports is then triangulated so that only verified data is presented in this article.

considered relevant to the object of research in the public sector, this is because basically the inhibiting factors used by Deloitte and KPMG were to analyze innovation in the private sector whose conditions and circumstances are different from the public sector. Other inhibiting factors, although not fully accommodated, are substantively included in the

factors raised in the discussion of this research. The factors used as analysis tools to describe the causes of SiMOLEK's unsustainable operations are political influence, lack of regional financial reporting, regional government leadership, technology for work program support, synergy between central and regional governments, and the lack of optimal technical skills of employees.

Politics

Changes in political direction are often one of the sources that trigger the unsustainability of an innovation (Nadeem et al., 2020). Political direction becomes the basis and reference for the preparation of programs in an organization so that if the political line changes direction, the possibility of changes in programs and policies in an organization will be very large. Changes in these programs and policies have implications for the creation of the latest organizational agenda to discard or dismiss agendas that have long been carried out in an organization.

This situation is one of the answers to why the SiMOLEK application stopped operating. Leadership changes have an impact on changes in the political direction of the preparation of the Directorate General of Bina Keuda's policy agenda. Based on the narrative of the informant who developed the SiMOLEK application, it was stated that the change in leadership led to

some policy changes including the information system policy that had long been operated at DG Bina Keuda.

Not only SiMOLEK but also several similar financial information systems were stopped operating because there would be a fusion of financial applications into one general financial application. This policy is known as microservices application where all monolithic financial applications will be combined into one super app with integrated cloud-based server services. This is believed to make applications run more optimally, easier to maintain, and minimize the risk of data security. Later, SiMOLEK, which has been discontinued, will be reactivated in the application called the Regional Government Information System (SIPD), which in terms of business processes will not change but the application performance will be improved.

Lack Of Finance

The funding factor plays a vital role in the development of innovation. The availability of costs can support the process of implementing research and development (RnD), with this RnD making the sustainability of the information system built by an organization (Yin et al., 2023). Limited funds for innovation incubation in the public sector are not new but have become a very common phenomenon, which has implications for the unsustainability of a policy because it is considered that there are still more priority policies.

The head of the technical and technological support section revealed that the creation, operation, and development of SiMOLEK did not receive a single injection of funds from the DIPA Directorate General of Bina Keuda. The idea of creating SiMOLEK is an innovation that is carried out independently with a positive spirit to improve the performance of DG Bina Keuda services. However, over time, the need for funds for the operation of SiMOLEK becomes a necessity that must be available. Server management and site maintenance certainly require funds that cannot always be sourced from personal funds but there must be support from the organization.

Efforts to propose funds for the development and maintenance of SiMOLEK have been made but were not granted due to the reason that there are still programs and activities that are far more priority to be funded. Likewise, efforts to find funds through collaboration with the private sector, namely the World Bank, but the results were also zero so over time the absence of site development and maintenance caused SiMOLEK to stop by itself.

Leadership

Leadership plays a very central role in creating an innovative and collaborative organization. Leadership resonance will greatly affect the creative stimulation of apparatus resources in creating innovative works to create more

value in achieving the organization's mission (Mihaela: 2021). Leadership operationally will be seen from the vision and mission carried out by a leader, which from the vision and mission will determine what policies will be pursued, continued, improved, or terminated.

The change of leadership at the Directorate General of Bina Keuda is the reason for the unsustainable operation of the SiMOLEK application. The reason is quite logical and brilliant, namely SiMOLEK will be converted into a super app, which not only provides APBD accountability process services but regional financial processes from upstream to downstream, even the correlation of budget absorption and performance achievement will be presented in the new application. The SiMOLEK business process in the latest application will be simplified so that it is easier to use. As expressed by the computer officer who developed SiMOLEK, the presence of the new Director General brought a breath of fresh air to the creation and development of regional financial information systems. With the hashtag #keudagoesdigital, his leadership jargon has become a lens for all apparatus within the Directorate General of Bina Keuda to be more creative and innovative in creating the best service. So in this context, SiMOLEK is not in the literal sense of stopping its operation but improving its performance by

integrating it into a general application of regional finance.

Technology

The pattern of the relationship between technological disruption and innovation disruption is the center of attention of researchers today. Much literature shows that the disruption of information services is due to their failure to adopt the latest technological advances (Li et al., 2018). This technological factor is one of the causes of the unsustainability of the SiMOLEK application as a regional financial accountability evaluation information system that should adopt the latest technological developments for performance maintenance.

From the results of interviews with the Head of the Technical Support and Technology Section, it was stated that the application of information systems in the government sector should be standardized according to the Electronic-Based Government System (SPBE) architecture, one of which requires information system management to no longer be monolithic but must be microservices. From this standard, SiMOLEK is not included in the SPBE qualification because it is still monolithic. SiMOLEK server updates are also not carried out regularly, causing SiMOLEK to be neglected and not develop as it should. Data security in the SiMOLEK application is still very vulnerable due to the absence of cyber security capacity in overseeing

the SiMOLEK operation process, even though this application is a regional financial information system that contains vital information not only for local governments but also cumulatively very risky for state security. From this series of descriptions, the existence of SiMOLEK became "reluctant to live, unwilling to die", which in the end its existence stopped itself.

Culture

Organizational culture can be an obstacle to the sustainability of innovation if the values contained in it are not well-maintained organizations that have a democratic culture will greatly provide a positive influence on the growth of creativity and innovation and vice versa rigid and highly hierarchical organizational culture will inhibit the birth of innovation (Jan et al, 2014). The Directorate General of Bina Keuda has a positive aura in encouraging its apparatus to innovate and try to break away from the patronage of bureaucratic shackles which are considered rigid and too oriented towards traditional rule-based organizational patterns.

This positive culture is what drove the birth of SiMOLEK, as explained by the technology development staff involved in the development of SiMOLEK. He explained that SiMOLEK was born from the inner drive of the employees without any financial intervention. This can be so because the spirit of innovation and competition between employees is

created enthusiastically and harmoniously. Even to motivate employees to innovate, the Directorate General of Bina Keuda provides incentives for employees who have innovations that have an impact on increasing the added value of organizational performance. However, the sustainability of an innovation, and cultural factors are not enough, many factors participate in influencing such as funding factors and so on.

Lack Of Technical Skill

The sustainability of innovation is highly dependent on the technical capabilities of officials in the public sector (OECD, 2011). Not only technical issues of technology or application development, but technical capabilities in specific

knowledge become the leverage of an innovation.

The existence of SiMOLEK as a regional financial application is inseparable from the collaboration process between employees who have information technology skills and employees who have good regional financial technical skills. The Head of the Technical and Technology Support Section shared that the birth of SiMOLEK was the result of collaboration between technical support staff who developed the programming through the translation of business processes made by other DG Bina Keuda staff. So he concluded that the unsustainability of the SiMOLEK application had nothing to do with the skill set of the employees.

CONCLUSION

SiMOLEK is one of the regional financial information systems that is an innovation in regional financial accountability evaluation process services. From the results of the research that has been carried out, some factors were found that hinder the sustainability of the implementation of SiMOLEK, namely politics, finance, technology, and leadership.

Changes in the political direction of policymaking cause changes in organizational orientation in the sustainability of SiMOLEK. Limited funds are also very influential because other programs are considered a priority. The technology adoption process that is not going well causes SiMOLEK to be replaced

with a newer and more capable application. Then the leadership, in this case, there is a change of leadership in the Directorate General of Bina Keuda, makes a policy so that SiMOLEK will be converted into a super app, which not only provides APBD accountability process services but regional financial processes from upstream to downstream.

Meanwhile, cultural factors and technical skills are not inhibiting the sustainability of SiMOLEK these factors are the embryo for the birth of SiMOLEK.

To anticipate the need to evaluate APBD accountability without SiMOLEK, the steps, and efforts

taken by the Directorate General of Bina Keuda are considered appropriate, namely by creating applications that are microservices and are by the standards set in SPBE. In the application, the function of evaluating APBD accountability has been accommodated. However, things that need to be input points for the Directorate General of Bina

Keuda, so that in replacing or transitioning technology, an "intermediate application" is prepared in advance so that there is no vacuum in the information system that is used as an instrument in the implementation of services which are the duties and functions of the Directorate General of Bina Keuda.

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