

Dynamic Governance and Good Governance: Synergy in Regional Financial Management

*Dynamic Governance
in Regional Financial
Management*

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ABSTRACT

Regional financial management plays a central role in realizing good governance and effective public service delivery. In Indonesia, the performance of regional financial management is measured through the Regional Financial Management Index (IPKD), which serves as an accountability tool and a benchmark for improving governance quality. This study aims to identify and analyze the application of dynamic governance in regional financial management, including its inhibiting and supporting factors, as well as to formulate an implementation model of dynamic governance within the Bekasi City Government. The objective is to improve the IPKD as mandated by the Ministry of Home Affairs Regulation Number 19 of 2020. A qualitative research design was employed using a governmental science methodology. Data were collected through observation, interviews, and documentation, with the Bekasi City Government serving as the research locus. The results indicate that dynamic governance, based on the dynamic capabilities framework, has not been carried out optimally, resulting in a suboptimal IPKD score.

Keywords: *Dynamic Capabilities, Dynamic Governance, IPKD, Innovation, Regional Financial Management.*

ABSTRAK

Manajemen keuangan daerah memainkan peran sentral dalam mewujudkan tata kelola pemerintahan yang baik dan pemberian layanan publik yang efektif. Di Indonesia, kinerja manajemen keuangan daerah diukur melalui Indeks Pengelolaan Keuangan Daerah (IPKD), yang berfungsi sebagai alat akuntabilitas dan tolok ukur untuk meningkatkan kualitas tata kelola. Penelitian ini bertujuan untuk mengidentifikasi dan menganalisis penerapan tata kelola dinamis dalam manajemen keuangan daerah, termasuk faktor penghambat dan pendukungnya, serta merumuskan model implementasi tata kelola dinamis di lingkungan Pemerintah Kota Bekasi. Tujuannya adalah untuk meningkatkan IPKD sebagaimana diamanatkan oleh Peraturan Menteri Dalam Negeri Nomor 19 Tahun 2020. Desain penelitian kualitatif digunakan dengan menggunakan metodologi ilmu pemerintahan. Data dikumpulkan melalui observasi, wawancara, dan dokumentasi, dengan Pemerintah Kota Bekasi sebagai lokus penelitian. Hasil penelitian menunjukkan bahwa tata kelola dinamis, berdasarkan kerangka kapabilitas dinamis, belum dilakukan secara optimal, sehingga menghasilkan skor IPKD yang kurang optimal.

Kata kunci: *Kemampuan Dinamis, Tata Kelola Dinamis, IPKD, Inovasi, Manajemen Keuangan Daerah.*

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INTRODUCTION

Rapid global social and economic changes, driven by advances in information and communication technology, have posed significant challenges to government institutions. These developments underscore the need to assess whether institutions are sufficiently adaptive and whether good governance alone can meet the demands of sustainable development. Dynamic governance offers a complementary approach, emphasizing continuous learning, reviewing outdated policies, and adapting global knowledge to national contexts (Neo & Chen, 2007; Wasistiono & Polyando, 2017). While good governance remains essential for improving living standards, it is insufficient on its own; dynamic governance enhances responsiveness to globalization and change (Kasim et al., 2015). In Indonesia, regional governments handle concurrent affairs alongside the central government, forming the basis of regional autonomy and financial management (Labolo, 2023). Effective regional financial governance requires flexibility and adaptability to respond to external changes and optimize the use of resources. Therefore, examining the application of dynamic governance in regional financial management is both necessary and timely (Alim, 2022; Cuadrado-Ballesteros et al., 2022)

Regional financial management involves the planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finances, primarily reflected in the Regional Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah/ APBD*) as established by regional regulations (Santoso, 2010; Mardiasmo, 2021; Warsono et al., 2023). It must be conducted in an orderly, efficient, economical, effective, transparent, and accountable manner, while adhering to principles of justice, propriety, public benefit, and legal compliance. To enhance governance performance, local governments conduct performance evaluations measuring effectiveness, efficiency, transparency, and accountability using the Regional Financial Management Index (*Indeks Pengelolaan Keuangan Daerah/ IPKD*). The index is based on weighted dimensions, including alignment of planning and budgeting documents (15), expenditure allocation (20), transparency (15), budget absorption (20), regional financial condition (15), and the Audit Board of Indonesia's opinion on financial statements (LKPD) (15).

IPKD measurement results are categorized based on the region's financial capacity into three levels: high, medium, and low, in accordance with statutory regulations. The final assessment is also classified into three performance ratings: "Good" with a score of As, "Needs Improvement" with a score of B, and "Significant Improvement Needed" with a score of C. As of now, the IPKD has been measured only twice, in Fiscal Year 2022 and Fiscal Year 2023, based on the Decree of the Minister of Home Affairs Number 900.1.15.3-387 of 2023 and Number 900.1.15.3-372 of 2024, respectively, with the following results in Figures 1 and 2.

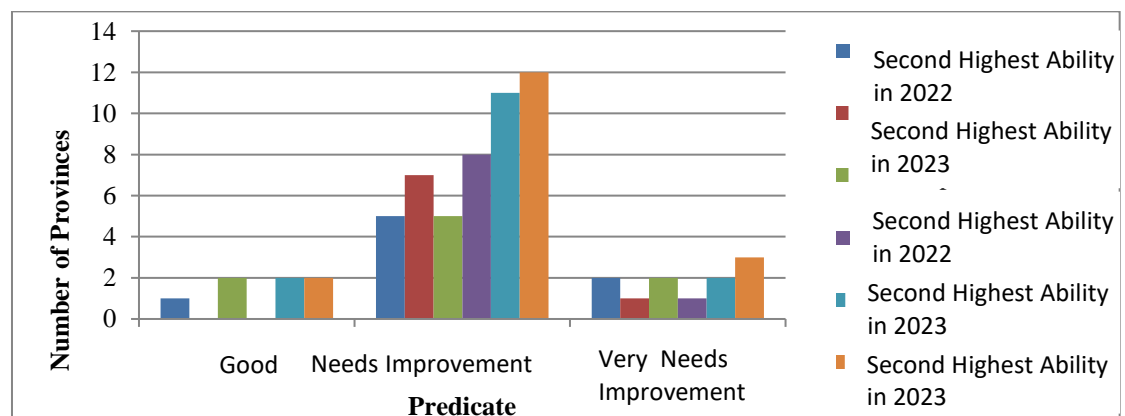


Figure 1. IPKD Results of Provincial Governments Throughout Indonesia for Fiscal Years 2022 and 2023

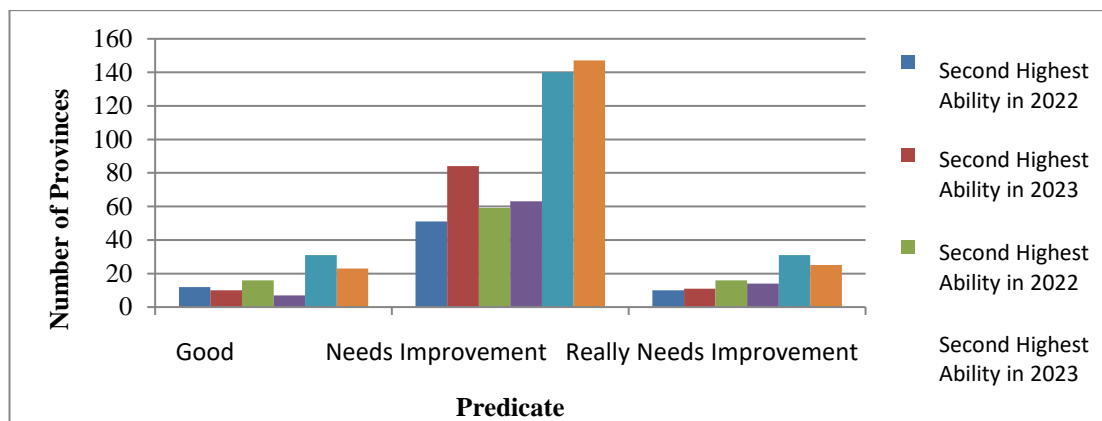


Figure 2. IPKD Results of Regency Governments Throughout Indonesia (2022 -2023)

Bekasi City Government is one of the city governments in West Java Province that, although it was able to improve its overall IPKD score in Fiscal Year 2023 compared to Fiscal Year 2022, has not yet achieved optimal results. As a result, it remains at a score of B, classified under the “Needs Improvement” rating. Previous research has shown the implementation of good dynamic governance in Siak Regency and the effect of the suitability of planning documents on financial performance in Pamekasan Regency, although the effect is less measurable (Maryani, 2019; Kusriani & Bullah, 2024; Sri Wahyuni, 2024). However, these studies have not examined the comprehensive implementation of dynamic governance in big cities such as Bekasi, including supporting and inhibiting factors as well as their implementation models in facing challenges of socio-economic dynamics, technological advances, and public service demands. Several previous studies, such as Osborn (2010), Brown and Osborne (2012), Burin (2015) and Mandasari (2023) have explored the application of the concept of dynamic governance in regional financial management.

Examining the performance of regional financial governance, as measured by the IPKD, is essential to promoting effective, efficient, transparent, and accountable financial management across all activities, including planning, budgeting, implementation, administration, reporting, accountability, and supervision. This performance is significantly influenced by the dynamic challenges of global socio-economic conditions, advances in information and communication technology, and the increasing demands for public service performance that regional governments must deliver to the community. This study aims to identify and analyze the application of dynamic governance in regional financial management, including its inhibiting and supporting factors, as well as to formulate an implementation model of dynamic governance within the Bekasi City Government, West Java Province.

LITERATURE REVIEW

Theoretical Foundations of Dynamic Governance

Dynamic governance represents an adaptive approach to public administration that emphasizes continuous learning, policy revision, and the integration of global knowledge into local contexts to address rapid socio-economic and technological changes (Neo & Chen, 2007; Jiang & Zheng, 2024; Suprianingsih et al., 2025). This framework builds upon traditional good governance principles by incorporating dynamic capabilities, which include three core cognitive abilities: thinking ahead (anticipating future trends and opportunities), thinking again (re-evaluating existing policies and strategies), and thinking across (learning from external best practices and adapting them locally). These capabilities enable governments to remain responsive and resilient in volatile environments, moving beyond static bureaucratic structures to foster innovation and sustainability (Kasim et al., 2015; Khalil & Belitski, 2020; Rahmaddhana & Sentanu, 2020; Krisprimandoyo et al., 2025).

In the context of regional financial management, dynamic governance aligns with the need for flexible resource allocation, transparent budgeting, and accountable reporting, as outlined in Indonesia's regulatory frameworks, such as the Minister of Home Affairs Regulation Number 19 of 2020 on the IPKD (Mardiasmo, 2021). Theoretical underpinnings draw from kybernology and public policy theories, which stress the importance of adaptive systems in governance (Simangunsong, 2017; Van Assche et al., 2019; Gutierrez-Jauregi et al., 2025). Furthermore, Luna-Reyes et al. (2020) highlights the role of IT governance in bolstering dynamic capabilities, ensuring that financial systems are efficient and adaptable. Overall, the theoretical foundation posits dynamic governance as a strategic tool for improving indicators like IPKD by promoting orderly, economical, and transparent financial practices. This approach counters limitations in traditional models by emphasizing proactive adaptation to global challenges, ultimately leading to enhanced public welfare and institutional resilience (Amin & Wahyunengseh, 2022; Rizki et al., 2022).

Factors Influencing Dynamic Governance in Regional Financial Management

The implementation of dynamic governance in regional financial management is shaped by a range of supporting and inhibiting factors, which directly impact performance metrics such as the IPKD (Yuesti et al., 2020; Kusriani & Bullah, 2024). Supporting factors include strong leadership commitment from regional heads and legislative bodies, adequate budgetary allocations for capacity building, and robust regulatory frameworks that provide technical guidance for transparency and accountability (Fuad & Winarsih, 2021; Masdar et al., 2021; Nurcahyani & Muhammad, 2023; Suharto et al., 2023; Sari et al., 2025). For example, the reinforcement of internal audit roles (APIP) and infrastructure development fosters innovation and collaboration, enabling better alignment between planning documents like the Regional Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Daerah/RPJMD*) and APBD (Ikhsan et al., 2020; Setyaningsih et al., 2021).

Participation from stakeholders, including community involvement in budgeting, enhances responsiveness and efficiency, as seen in models emphasizing joint actions and collective decision-making. Technological integration, such as digital financial applications, supports dynamic capabilities by improving reporting accuracy and audit outcomes, contributing to unqualified opinions (*Wajar Tanpa Pengecualian/WTP*) from the Audit Board (Gamayuni, 2018; Luna-Reyes et al., 2020). Conversely, inhibiting factors encompass suboptimal leadership in guiding cognitive abilities, limited civil servant competencies in financial management, and weak internal controls that hinder effective task execution (Alim, 2022; Setiawan & Nawangsari, 2023).

Studies in Indonesian contexts, such as Siak Regency's successful adaptation versus Pamekasan Regency's measurable but limited effects, underscore the need to minimize inhibitors through continuous training and innovation (Maryani, 2019; Kusriani & Bullah, 2024). Ultimately, balancing these factors through participatory and collaborative frameworks can leverage dynamic governance to achieve sustainable improvements in regional financial performance, ensuring compliance with principles of efficiency, transparency, and public benefit (Mardikanto & Soebianto, 2012; Sari & Rusli, 2023; Ariesmansyah et al., 2024; Latif et al., 2024; Thamrin et al., 2025).

RESEARCH METHODS

This study employed a qualitative research design. The researcher selected a qualitative approach based on the alignment between the characteristics of qualitative research and the overall research plan (Sugiyono, 2016; Moelong, 2017). Data were collected through observation, document analysis, and interviews with 12 informants. The data analysis process consisted of three key activities: data reduction, data display, and conclusion drawing or verification (Miles & Huberman, 1992).

To address the research objectives, the conceptual framework was derived from the theoretical foundation and used as a reference throughout the research process. This

included analysis of the implementation of dynamic governance in regional financial management within the Bekasi City Government, West Java Province, by examining the application of the dynamic governance framework, particularly the dynamic capabilities perspective, which consists of three cognitive abilities: thinking ahead, thinking again, and thinking across (Neo & Chen, 2007). These cognitive abilities were analyzed across the stages of regional financial management, including planning, budgeting, implementation, administration, and reporting of the APBD, and were linked to the dimensions and indicators of IPKD measurement. An analysis of the inhibiting and supporting factors identified in the application of the dynamic governance framework in regional financial management in the Bekasi City Government, West Java Province. Based on these analyses, the researcher constructed a model for implementing dynamic governance in regional financial management within the Bekasi City Government. The model development process involved several steps: problem definition, conceptual modeling, model formulation, and model analysis and solution (Simatupang, 1995).

RESULTS

Dynamic Governance in Regional Financial Management

Thinking ahead, thinking again, and thinking across capabilities have not yet been optimally implemented in the regional financial management of the Bekasi City Government, West Java Province.

Table 1. IPKD Assessment of Bekasi City for Fiscal Years 2022 and 2023

Year	1	2	3	4	5	6	Total Index	Rank	Score
2022	12.29	14483	13.448	15	6.938	5.01	67.17	Need Improvement	B
2023	12.541	20	15	15	3.778	5.01	71.33	Need Improvement	B

This is evident from the suboptimal IPKD scores achieved in several dimensions. Table 1, in the first dimension, which measures the alignment of planning and budgeting documents, the city scored 12.541 in Fiscal Year 2023 and 12.29 in Fiscal Year 2022, out of a maximum score of 15. In the fourth dimension, which assesses budget absorption, the score was 15 in both Fiscal Years 2023 and 2022, below the maximum score of 20. In the fifth dimension, which evaluates regional financial conditions, the city scored only 3.778 in 2023 and 6.938 in 2022, from a maximum of 15. In the sixth dimension, the Audit Board's opinion on the LKPD, the score remained 5.01 in both fiscal years, out of a maximum of 15. Despite these limitations, there have been notable improvements in the application of dynamic governance, particularly in the planning, budgeting, and implementation stages of the APBD. This is reflected in the city's performance in the second and third dimensions. In the second dimension, which measures the allocation of expenditures in the APBD, the city achieved the maximum score of 20 in Fiscal Year 2023, an increase from 14.483 in 2022.

In the third dimension, which measures transparency in regional financial management, the score improved to a maximum of 15 in 2023, up from 13.448 in 2022. Management within the Bekasi City Government, West Java Province, is a model constructed by the researcher. It is referred to as the Model for the Implementation of Dynamic Governance in Regional Financial Management. The model for the implementation of dynamic governance in regional financial management was constructed by the researcher and illustrated in Figure 3.

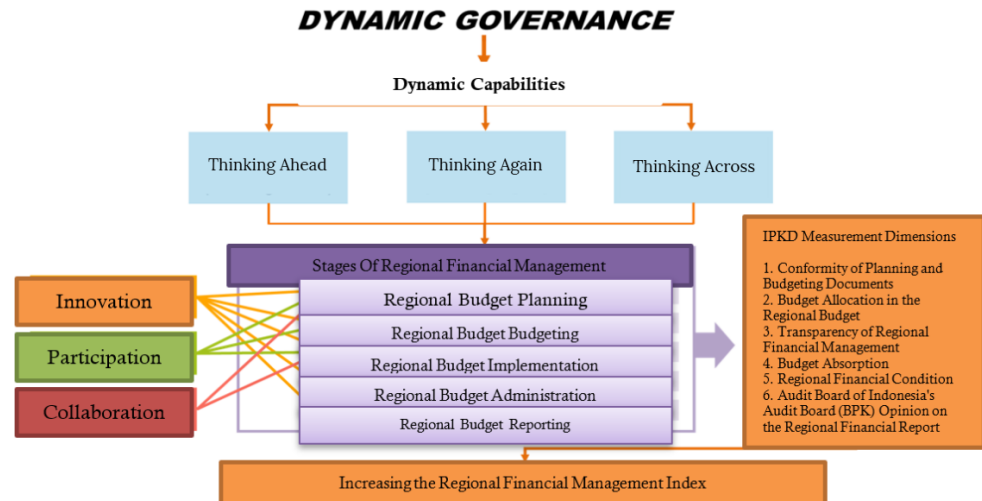


Figure 3. Model for the Implementation of Dynamic Governance in Regional Financial Management

Dynamic capabilities include thinking ahead, thinking again, and thinking across, forming the core framework for implementing effective regional financial governance, spanning all stages from planning and budgeting to implementation, administration, and reporting of the APBD (Khalil & Belitski, 2020). These capabilities are reinforced by three supporting frameworks: innovation, participation, and collaboration. The innovation framework, applied across all stages, enhances budget alignment, allocation, absorption, financial condition, and audit outcomes. The participation framework is most effective during planning, budgeting, and implementation, improving transparency, alignment, and financial performance. The collaboration framework, applied in planning and implementation, strengthens alignment, absorption, and financial condition. Together, the integrated application of dynamic capabilities and these frameworks establishes a dynamic governance structure, serving as a leverage point to improve the IPKD score, the key measure of regional financial management performance.

Dynamic Capability: Thinking Ahead

The Bekasi City Government applies thinking ahead capabilities in the planning and budgeting stages of the APBD by analyzing future trends, current issues, and community priorities to identify strategic opportunities and potential threats. These insights are reflected in planning documents such as the RPJMD, Regional Development Work Plan (*Rencana Kerja Pembangunan Daerah/RKPD*), and *Renja Perangkat Daerah*, forming the basis for APBD budgeting through General Budget Policy-Temporary Budget Ceiling Priorities (*Kebijakan Umum Anggaran-Prioritas Plafon Anggaran Sementara/KUA-PPAS*) and APBD enactment. The government has consistently met mandatory budget allocations for education, health, and infrastructure, although personnel expenditure targets remain pending for full compliance by 2027. Despite high performance in budget allocation, alignment between planning and budgeting documents remains suboptimal due to limited capacity to absorb stakeholder input and external factors during KUA-PPAS and APBD discussions. The effectiveness of thinking ahead in planning could be enhanced through participatory and collaborative frameworks, supported by innovation initiatives embedded into strategic programs and annual activities.

In the APBD implementation stage, thinking ahead is crucial for optimizing revenue realization, particularly in managing locally generated revenue (*Pendapatan Asli Daerah/PAD*), and ensuring effective expenditure management. Current limitations in evaluating strategies, policies, and programs have led to suboptimal PAD performance, affecting indicators of financial independence, flexibility, and solvency. While overall budget absorption exceeds 80 percent, capital and unexpected expenditures fall short, impacting index scores. Enhanced participation, including stakeholder information

sharing, joint actions, and support for community initiatives, can improve PAD realization and budget effectiveness. Collaboration with external parties and strategic use of regional resources further strengthen the application of thinking-ahead capabilities.

During the administration and reporting stages, thinking ahead involves exploring new opportunities to support accurate, timely, and relevant financial reporting, ensuring compliance with the Local Government Accounting System (*Sistem Akuntansi Pemerintah Daerah/SAPD*), and maintaining the quality of the LKPD (Gamayuni, 2018). Coupled with innovation frameworks in systems and procedures, these efforts enhance the Internal Control System (*Sistem Pengawasan Internal/SPI*) and aim to sustain the unqualified audit opinion (WTP) following previous qualified opinions. Consistently applying thinking ahead, together with participation, innovation, and collaboration frameworks across all stages of regional financial management, drives improvements in IPKD scores, particularly in alignment between planning and budgeting, budget absorption, regional financial condition, and transparency, while maintaining strong performance in budget allocation and financial governance.

Dynamic Capability: Thinking Again

The Bekasi City Government applies thinking again capabilities in the planning and budgeting stages of the APBD through periodic evaluations of budget realization. These evaluations review actual performance, identify unmet targets, and analyze conditions necessary to achieve goals. Based on these findings, heads of regional apparatuses and Bappelitbangda, under the coordination of the Regional Secretary and TAPD, redesign strategies, programs, activities, and performance indicators for incorporation into the revised APBD or used as references for the following fiscal year. However, the quality of revised planning documents remains suboptimal due to issues with timeliness, accuracy, and completeness. Effectiveness can be improved through participatory mechanisms that gather feedback from stakeholders, verification and harmonization of proposals, and evaluation of ongoing innovations, including the introduction of new innovations funded under the Revised APBD.

In the APBD implementation stage, thinking again is applied by assessing budget execution performance, identifying obstacles, and leveraging supportive conditions to determine whether to continue or adjust existing strategies and programs. The management of regional revenue (PAD) and expenditures still requires structured evaluation, capacity building, and more detailed analysis to ensure effectiveness, efficiency, and responsiveness to dynamic societal and external conditions. A participatory framework, including joint decision-making and collective action, enhances this process, while collaboration and the continuous assessment of innovation ensure that strategies remain aligned with evolving socio-economic, technological, and regulatory environments.

During the administration and reporting stages, thinking again capabilities are applied by assessing financial administration and reporting to ensure high-quality LKPD and the attainment of an unqualified audit opinion (WTP) from BPK. This includes internal control measures, such as reconciliations of revenue, expenditures, cash, and assets, as well as reassessing the effectiveness and efficiency of innovation initiatives implemented in these stages. Consistently applying thinking again across all stages, supported by participation, innovation, and collaboration frameworks, strengthens regional financial management and contributes to improvements in the IPKD score, particularly in alignment between planning and budgeting, budget absorption, regional financial condition, audit results, and maintaining budget allocation achievements.

Dynamic Capability: Thinking Across

The Bekasi City Government applies thinking across capabilities to expand beyond existing boundaries and competencies, aiming to enhance organizational performance through strategic, policy, programmatic, and financial management adjustments, as well as through innovation (Van Assche et al., 2019). This capability encourages heads

of regional agencies to seek different ideas, learn from other institutions, evaluate best practices, and adapt relevant solutions, taking into account available resources, local wisdom, and financial capacity. The Mayor of Bekasi has emphasized the importance of responsiveness in addressing city challenges, positioning thinking across as a tool to guide teams in formulating effective responses.

During the APBD implementation stage, thinking across focuses on generating new insights to optimize revenue and expenditure management. Regional apparatuses employ benchmarking, literature reviews, and study visits to strengthen this capability. While its application in revenue management, particularly by Bapenda and other PAD-managing units, remains limited, expenditure management has benefited from efficiency improvements in procurement and ICT-based innovations. Integrating new information, ideas, and perspectives supports collaboration, which can enhance revenue collection, optimize budget realization, and explore new local revenue sources, including the regulated utilization of regional assets to improve public services and the investment climate.

In APBD administration and reporting, thinking across capabilities has been implemented effectively through learning initiatives, leadership training, derivative regulations, and digital financial management applications. These efforts strengthen administrative processes, ensure compliance with legal standards, and support the attainment of unqualified audit opinions (WTP) on the LKPD. Consistent application of thinking across, combined with participation, innovation, and collaboration frameworks, enhances overall financial management, improving the IPKD score in planning and budgeting alignment, budget absorption, regional financial condition, audit results, and maintaining budget allocation achievements.

The implementation of dynamic governance in regional financial management within the Bekasi City Government is influenced by several inhibiting and supporting factors. Key inhibiting factors include suboptimal leadership in guiding the application of thinking ahead, thinking again, and thinking across capabilities; limited competence and understanding of financial management among civil servants; ineffective task execution according to functions and regulations; weak internal control mechanisms; underutilization of innovations; lack of integration in financial management applications; and insufficient budgeting for the maintenance or development of these applications. Conversely, supporting factors encompass strong commitment from the regional head and DPRD, budgetary support and opportunities for competency development, adequate regulations as technical guidance, sufficient infrastructure, reinforcement of APIP's oversight role, motivation for continuous innovation, and consistent efforts to foster stakeholder participation and collaboration across all levels of regional financial management. Together, these factors determine the effectiveness and sustainability of dynamic governance practices in Bekasi's regional financial management system (Fuaf & Winarsih, 2021; Saputra & Hidayat, 2024; Megiantary et al., 2025).

DISCUSSION

The application of the concept of dynamic governance in regional financial management in Bekasi City is the main focus of this research, considering the importance of the ability of local governments to adapt to rapid social, economic, and technological changes. The results of the IPKD measurement show that Bekasi City is still ranked B or "Needs Improvement", despite an increase from the 2022 to 2023 Fiscal Year. This shows that there is progress in regional financial management, but these achievements are not optimal. Thus, the application of the principle of dynamic governance is very relevant as a strategy to improve the quality of regional financial management as a whole (Amin & Wahyunengseh, 2022; Risky et al., 2022; Payapo et al., 2023). The principle of dynamic governance, which emphasizes three main cognitive abilities, namely thinking ahead, thinking again, and thinking across by Neo and Chen (2007), has been partially applied in the planning and budgeting stage of the Bekasi Regional Budget. However, the implementation has not been evenly distributed at the implementation, administration,

and reporting stages. For example, the suitability of planning and budgeting documents, which is one of the indicators of the IPKD, shows that there is room for improvement in terms of the accuracy of expenditure allocation and the alignment between the strategic plan and the realization of the APBD. These findings are in line with the results of research by Kusrini and Bullah (2024) in Pamekasan Regency, which shows the influence of the dimension of planning suitability on financial management performance, although the effect is still not measurable. Meanwhile, Maryani (2019) shows the success of implementing dynamic governance in Siak Regency, which can be used as a comparison as well as a reference in optimizing practices in Bekasi City.

In addition, supporting and inhibiting factors for the implementation of dynamic governance were also the focus of discussion. Supporting factors include adequate human resource capacity, the use of information technology for administration and reporting, the commitment of local officials, and the existence of central regulations and policies that support transparency and accountability (Ikhsan et al., 2020; Masdar et al., 2021). Meanwhile, the inhibiting factors identified include resistance to changes at the bureaucratic level, limited coordination between units, and a lack of understanding of the principles of dynamic governance. These factors need to be addressed so that the implementation of dynamic governance can result in real and sustainable performance improvements (Budi, 2015; Setiawan & Nawangsari, 2023). In the context of financial management, the IPKD provides comprehensive indicators to assess effectiveness, efficiency, transparency, and accountability. The measurement results show that although Bekasi City has made improvements, some dimensions, such as expenditure allocation and suitability of planning documents, still require further attention. This underscores the need for an adaptive and responsive approach to external dynamics, including global socio-economic challenges, technological advances, and increasing public demands on local government services (Mardikanto & Soebianto, 2012; Adiatma et al., 2023; Omweri et al., 2024; Ali et al., 2025).

Based on the identification of supporting and inhibiting factors, this study formulates a model for the implementation of dynamic governance in the financial management of the Bekasi region. This model emphasizes the importance of proactive planning (thinking ahead), continuous evaluation of existing policies (thinking again), and the ability to integrate best practices from different contexts and sources (thinking across). The implementation of this model is expected not only to increase the IPKD score but also to strengthen the transparency, accountability, and overall performance of regional financial management, so that Bekasi City can become an example for other cities in implementing the principles of dynamic governance in Indonesia. Thus, this discussion emphasizes that adaptive regional financial management based on dynamic governance is not only a response to administrative demands but also an important strategy to deal with the complexity of global change, improve government performance, and ensure efficient, transparent, and accountable use of public resources (Luna-Reyes, 2020; Zakiah & Suprayogi, 2020).

CONCLUSION

The study reveals that the implementation of dynamic governance in regional financial management in Bekasi City, using the framework of dynamic capabilities thinking ahead, thinking again, and thinking across, has not been optimally applied across the planning, budgeting, implementation, administration, and reporting stages of the APBD. This shortcoming has contributed to the suboptimal performance of the Regional Financial Management Index (IPKD). The constructed model demonstrates that the integration of innovation, participation, and collaboration frameworks alongside dynamic capabilities can serve as a leverage point for improving IPKD performance. Practically, the findings highlight the importance of addressing inhibiting factors while maintaining and strengthening supporting factors to optimize regional financial governance. The model offers a structured approach that local governments can adopt to enhance accountability, efficiency, and compliance in line with IPKD indicators. Theoretically, the study enriches

the discourse on dynamic governance by linking dynamic capabilities with regional financial management, showing how governance innovation and collaborative practices can be embedded into financial processes. This research is limited to the case of Bekasi City, West Java Province, which may restrict the generalizability of its findings to other regions with different institutional capacities and governance challenges. Additionally, the study mainly relied on qualitative and model-based analysis without extensive longitudinal data. Future studies should test the proposed model in diverse regional contexts, incorporating quantitative measurements and comparative approaches across multiple provinces. Exploring the interaction between digital governance tools and dynamic capabilities would also provide valuable insights for strengthening financial governance practices.

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