


# Adaptive Leadership: Regional Leaders Respond to the Pressure of 8 Percent Economic Growth in Indonesia

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Article Info	ABSTRACT
<p><b>Keywords:</b> Adaptive leadership, Economic growth, Public policy, Local government</p>	<p>This study analyzes the need for adaptive leadership in responding to various central government pressures on regional governments fiscal pressures and demands for regional economic growth, particularly in the context of the eight percent national growth target. Through a Systematic Literature Review (SLR) approach to 30 articles published between 2020 and 2025, this study integrates three main concepts: fiscal stress, regional economic structure, and adaptive leadership. The analysis shows that fiscal stress significantly influences development capacity, especially in regions dependent on commodities. Adaptive leadership is proven to be a key variable that enables regional governments to maintain development stability through innovative strategies, cross-sector collaboration, and economic diversification. This study offers an integrative conceptual model that emphasizes the importance of adaptive capacity as a foundation for resilient regional governance.</p>
<p>This is an open access article under the <a href="https://creativecommons.org/licenses/by-nc/4.0/">CC BY-NC</a> license</p> 	<p><b>Corresponding Author:</b> Jotha Scorda Jambi State University Email: <a href="mailto:jothascorda83@gmail.com">jothascorda83@gmail.com</a></p>

## INTRODUCTION

Regional economic growth is a fundamental indicator for assessing the capacity of local governments to manage resources, public policies, and socio-economic dynamics sustainably. In the Indonesian context, the central government is pushing for a national growth target of 8 percent, a figure that is politically strategic but empirically difficult to achieve. This challenge is exacerbated when global uncertainty, commodity fluctuations, and differences in fiscal capacity between provinces affect the ability of regions to meet growth targets. These conditions demand a more adaptive, visionary, and collaborative leadership style.

Adaptive leadershipAs explained by (Heifetz and Laurie., (2001) emphasizes that leaders in complex contexts cannot simply rely on technical solutions, but must be able to strategically manage psychological dynamics, conflicts of interest, and uncertainty. This is relevant for local governments that face fiscal and bureaucratic challenges that demand innovation. Recent research shows that Adaptive leadership increasingly important in increasing bureaucratic responsiveness and ensuring post-pandemic development stability (Eko Pujiyanto et al., 2023)

Data from the Central Statistics Agency (BPS) of Jambi Province shows that economic growth experienced a moderate slowdown from 4.66% in 2023 to 4.51% in 2024. On a quarterly basis, economic growth reached 4.15% in Q2 2024 and 4.01% in Q3 2024. This trend reflects structural dependence on the commodity sector and demonstrates the limitations of technocratic strategies in responding to rapidly changing economic dynamics. Therefore, the governor's capacity to adopt Adaptive leadership become an important element to maintain the continuity of regional development (Hastuti et al., 2025). Various studies have discussed policy innovation and governance, but studies that highlight how a governor implements Adaptive leadership in the face of pressure, economic growth remains limited (Rafa Nursawitri M et al., 2020). Most research focuses more on policy aspects and less on adaptive leadership processes, such as the ability to read the system, manage political pressure, or encourage value change within the bureaucracy. Thus, there is a research gap that needs to be bridged through more comprehensive academic analysis.

Based on this background, this study formulates several questions: (1) how do governors diagnose systems in facing economic growth pressures; (2) how do governors manage fiscal, political, and bureaucratic pressures adaptively; (3) how do regional leaders maintain policy focus and cross-actor collaboration to achieve growth targets; and (4) what forms of adaptive mobilization are carried out by governors to empower communities and other stakeholders. This study aims to analyze the implementation of governors in responding to economic growth pressures and to map relevant adaptive strategies at the provincial level. The contribution of this study consists of two main aspects: first, a theoretical contribution in enriching the study of public leadership; second, a practical contribution for regional governments in formulating development policies that are responsive, collaborative, and oriented towards long-term sustainability.

Adaptive leadership is a leadership approach that emphasizes the ability of leaders to respond to environmental dynamics, uncertainty, and non-technical challenges that cannot be resolved through routine bureaucratic procedures. In the context of local government, this concept becomes increasingly relevant when leaders face conditions of fiscal pressure, changing development priorities, and increasing public demands for the effectiveness of public services. Adaptive leaders are required to be able to conduct situational diagnoses, develop flexible policy responses, and (Sott & Bender, 2025) Mobilizing Cross-Sector Actors to Achieve Development Goals. Model Adaptive leadership emphasizes four main competencies, namely: (1) the ability to read change (sense-making), (2) behavioral flexibility, (3) the ability to manage adaptive conflict, and (4) the courage to conduct policy experiments. Therefore, adaptive leadership is positioned as a key element that connects fiscal pressure and the success of regional development performance. (Marín-Rodríguez et al., 2023).

Adaptive leadership is a leadership approach that emphasizes the leader's ability to adapt to rapid environmental change, uncertainty, and complex dynamics within public organizations. Adaptive leaders are able to manage external pressures while maintaining internal stability. (Sott & Bender, 2025) emphasized that adaptive leadership plays an important role in strengthening institutional resilience during times of crisis, including the

COVID-19 pandemic.(Cai et al., 2025)found that adaptive leaders were more effective in reading patterns of policy change and guiding organizations to adapt to fiscal risks.(Bouma et al., 2023)shows that leadership adaptability is closely related to sense-making and collaboration capabilities across bureaucratic units.(Jubault Krasnopevtseva et al., 2024)Within the framework of complexity theory, adaptive leadership requires a balance between stability (exploitation) and innovation (exploration). In the context of regional government, this capability is crucial because leaders must be able to direct the bureaucracy in the face of fiscal pressures, resistance to change, and political dynamics that influence policymaking. Thus, adaptive leadership functions not only as a responsive approach but also as a strategic instrument in regional governance reform.

Fiscal Stress is a condition where the fiscal capacity of a regional government is insufficient to finance development needs and routine expenditures. This condition is usually caused by a decrease in regional transfers (Tkd), low regional original income (Pad), high employee expenditure burdens, and external economic changes that put pressure on regional fiscal space. Sustained fiscal stress can hamper policy effectiveness and reduce the ability of regions to innovate in the provision of public services. The consequences of fiscal stress include: (1) decreased capital expenditures, (2) postponement of priority programs, (3) reduced policy flexibility (policy space), and (4) increased dependence on the central government. Therefore, fiscal stress is a critical variable that regional leaders must address to ensure optimal economic development. Fiscal stress is a condition when regional governments experience fiscal pressure due to an imbalance between revenue and expenditure burden. This pressure is exacerbated by low regional original income (PAD) and high dependence on central transfers.(Wibowo et al., 2022)explained that the instability of PAD is one of the main triggers for increasing fiscal pressure in the regions.(Ridho & Wijayanti, 2022)shows that dependence on DAU and DAK makes regions vulnerable to changes in central fiscal policy.

Research in West Sumatra Province shows that the General Allocation Fund (DAU) has a positive effect on fiscal stress, while the Special Allocation Fund (DAK) has the opposite effect. Capital expenditures do not significantly impact fiscal stress.(Yurnal & Handayani, 2024). Study in South Sumatra by(Cahyani et al., 2024)found that recurring budget deficits are a strong indicator of fiscal stress, especially in regions that rely on the extractive sector and face high revenue volatility.(OECD, 2024)found that the fiscal relationship between the central and regional governments is still dominated by a pattern of vertical dependency, with central transfers being the primary source of regional budget stability. This limits the adaptive capacity of regions to respond independently to fiscal pressures. Research in JPPD (2024) also shows that central-regional fiscal coordination is suboptimal, resulting in regional development policies often being influenced by national dynamics rather than local needs.(Rajesha. S et al., 2024).

Additional studies show that dependence on the General Allocation Fund (DAU) and Revenue Sharing Fund (DBH) makes it difficult for regions to build fiscal independence. An unbalanced regional revenue structure increases fiscal risk and impacts their ability to formulate long-term development plans.(Sri Andriani. 2025)The Relationship Between

Adaptive Leadership and Fiscal Stress Adaptive leadership Playing a Strategic Role in Mitigating the Negative Impact of Fiscal Pressure. Adaptive Leaders are Able to Identify Alternative Financing Opportunities, Strategically Divert Budgets, and Strengthen Collaboration Between Stakeholders. In a Fiscal Context, Adaptive Leadership Functions as a Mediator that Helps Regional Governments Maintain Development Stability Despite Challenging Financial Conditions. In other words, the greater a leader's adaptive capacity, the greater the region's ability to navigate fiscal constraints and maintain effective economic development. (Amin Nasution, 2024).

Regions with high dependence on extractive sectors such as mining, coal, and plantations have significant fiscal vulnerabilities. When global commodity prices decline, regional revenues will come under pressure. A study in the journal (Cai et al., 2025) shows that commodity-based economic volatility increases fiscal risks and narrows the fiscal space of local governments. (FSOC., 2025).

Research in (Katsaros, 2025) found that commodity-based regions have lower economic resilience than regions with diverse economic structures. Dependence on commodities hinders the expansion of other productive sectors and weakens the regional original revenue (PAD) base. (Cahyani et al., 2024) The case of South Sumatra shows that the extractive economy tends to generate recurring regional budget deficits, a strong indicator of fiscal stress. This condition suggests that regions with monosectoral economic structures lack adequate fiscal resilience to face external shocks. (Ardi Nugroho, 2025) The study also showed that commodity-dependent regions experienced slower fiscal recovery after external shocks such as the COVID-19 pandemic. The lack of economic diversification resulted in insufficient regional fiscal space to support the recovery process.

Regional Economic Growth is a Key Indicator of Development Success and Reflects the Ability of Local Governments to Manage Fiscal Resources Effectively. Regional Economic Literature Emphasizes That Economic Growth is Influenced by Public Spending, Fiscal Capacity, Governance Quality, and Government Adaptation to Economic Dynamics. Under Conditions of Fiscal Pressure, Regions Face Limitations in Maintaining Capital Expenditures That Have a Significant Impact on Economic Activity. The Decline in Transfers to Regions (Tkd), Weakening of Locally-Owned Revenue (Pad), and Increasing Mandatory Expenditures Often Become Inhibiting Factors in Regional Development. (Alanazi et al., 2025).

Fiscal pressures directly impact the government's ability to finance strategic projects, such as infrastructure, public services, and the productive sector. However, recent research shows that regions led by adaptive leaders can maintain development stability. (Anthony & Rohman, 2024) Adaptive leaders are able to optimize limited resources by prioritizing productive spending, encouraging innovation, and identifying sectors with high multiplier effects. In the context of this research, adaptive leadership is a crucial variable that enables local governments to face fiscal constraints without sacrificing development performance. (Ihwandi & Khoirunurrofik, 2023).

Adaptive leadership Viewed as a mediating variable that can link fiscal pressure with regional development performance. Within the framework of public leadership, adaptive leaders act as catalysts that transform constraints into policy opportunities. Capabilities such

as sense-making, strategic flexibility, and cross-stakeholder collaboration make adaptive leaders better prepared to face fiscal volatility that affects local government performance.(Marlina et al., 2023) Adaptive leadership serves as a buffer against fiscal pressures. Adaptive leaders can reposition policies, find alternative funding sources such as public service partnerships (KPBU), CSR funds, and interregional cooperation, and increase program efficiency through public service innovation. This enables local governments to continue pursuing their economic development agenda despite limited budgets. Therefore, adaptive leadership is a crucial element in maintaining the sustainability of regional development.(Safitri & Tanujaya, nd2022).

The literature review shows that research on adaptive leadership and fiscal stress has developed, but there are still important gaps that need to be addressed by this research. First, most adaptive leadership research focuses on the context of private organizations and the education sector, while its application in local government remains very limited. Second, research on fiscal stress focuses more on technical aspects of regional finance, such as the composition of expenditures and revenues, without linking how the role of leadership can influence the government's response to such fiscal stress. Third, there is still a lack of research that integrates adaptive leadership, fiscal stress, and regional economic development into a comprehensive conceptual model. In fact, the dynamics of regional development are largely determined by the ability of leaders to manage limited fiscal resources and navigate conditions of economic uncertainty. Fourth, research on regional economic development usually emphasizes economic variables such as investment, capital expenditure, and labor, but does not explore leadership variables as a key factor that can increase policy effectiveness.(Naim, 2024).

Thus, this research aims to fill this gap in the literature by offering a new perspective that simultaneously connects fiscal pressure, adaptive leadership, and regional economic growth. This not only enriches academic research but also provides practical contributions to local governments in formulating more adaptive and sustainable development strategies. This research framework is based on the understanding that fiscal pressure is an external factor that can hamper the effectiveness of regional development. However, through Adaptive leadership Local governments can respond to these fiscal pressures in more strategic and innovative ways. Adaptive leaders are able to reposition policy priorities, optimize budget utilization, and develop new financing sources that support the achievement of development goals.

In this model, Adaptive leadership serves as a mediator that bridges the relationship between fiscal pressure and regional development performance. When fiscal pressure is high, the adaptive capacity of leaders determines whether local governments are able to maintain economic development or experience stagnation. Therefore, this framework emphasizes that regional economic development is determined not only by the magnitude of fiscal capacity, but also by the quality of leadership that manages that capacity.(Fitriani, 2023).

## METHODS

This research employed a qualitative approach using the Systematic Literature Review (SLR) method. This approach was chosen because it provides a comprehensive understanding of the relationship between adaptive leadership, fiscal stress, and regional economic growth through a synthesis of theories, empirical findings, and emerging conceptual patterns in the literature. The SLR approach aligns with the needs of this research, which aims to develop a theoretical framework based on the latest scientific evidence without conducting field data collection.

The research procedure follows the PRISMA model, which consists of four main stages: identification, screening, eligibility, and inclusion. In the identification stage, all relevant journals were collected from various sources such as Scopus, IMF, OECD, and indexed national journals. The screening stage assessed titles, abstracts, and topic suitability. The eligibility stage ensured that articles were comprehensive and met the inclusion criteria. The inclusion stage produced a final list of articles used in the literature analysis.

Inclusion criteria were established to ensure that all articles analyzed were relevant to the focus of this study. Inclusion criteria included: (1) articles published in 2020–2025; (2) discussing adaptive leadership, fiscal stress, fiscal decentralization, or regional economic growth; (3) available in full-text format; and (4) originating from reputable journals. Exclusion criteria included: (1) articles irrelevant to the topic; (2) articles lacking extractable empirical or conceptual data; and (3) duplicate articles from different sources.

The PRISMA process began with the initial identification of 40 articles. After screening based on abstracts and titles, 30 articles were assessed for topic relevance. At the eligibility stage, and at the inclusion stage, 30 articles were identified as primary data sources and used in the thematic analysis.

Data extraction was conducted systematically by thoroughly reading each article and identifying key elements, such as problem formulation, methods, main findings, and important concepts related to adaptive leadership, fiscal stress, and regional economic growth. The extracted data were then categorized into main themes consistent with the research analysis framework.

The data analysis in this study used thematic analysis. Each article was analyzed to identify patterns, relationships between variables, and consistent findings in the literature. This thematic analysis supports the development of a conceptual framework that integrates adaptive leadership as a moderator between fiscal stress and regional economic growth. Research validity was maintained through source triangulation using various journals from international institutions such as the IMF and OECD, as well as national journals. Reliability was enhanced through repeated reading, consistent thematic coding, and cross-matching between articles. This step ensures that the interpretation of the results remains objective and accountable.

## RESULTS AND DISCUSSION

The results of the Systematic Literature Review show a consistent pattern regarding the relationship between adaptive leadership, fiscal stress, and regional development performance. In general, the literature findings can be classified into three main groups: (1) the influence of adaptive leadership on the resilience of public organizations, (2) the impact of fiscal stress on the effectiveness of regional policies, and (3) the role of adaptive leadership in navigating fiscal stress to support regional economic growth.

### Main Findings of the Literature

An analysis of 30 articles that met the inclusion criteria shows that the relationship between adaptive leadership, fiscal stress, and regional economic growth is not a linear one. These three concepts form a complex and interconnected pattern of interactions. The literature shows that fiscal stress not only impacts budget capacity but also influences bureaucratic dynamics, decision-making patterns, and the ability of local governments to respond to changes in the strategic environment.

In this context, adaptive leadership is a key factor. Nearly all articles emphasize that adaptive leaders are able to navigate organizations through fiscal uncertainty through policy improvisation, cross-sector collaboration, and reformulating development priorities. Furthermore, regional economic structures also shape fiscal conditions: regions that remain reliant on the extractive sector tend to face higher revenue volatility.

### Adaptive Leadership Under Fiscal Pressure

Literature shows that adaptive leaders are able to expand fiscal space through blended financing, combining public funds, private funds, and support from social organizations to fund priority programs. This aligns with research confirming that regional fiscal resilience increases when governments are able to combine traditional fiscal strategies with innovative financing instruments that are responsive to changes in the economic environment. Furthermore, adaptive leadership is also reflected in the ability of regional leaders to develop alternative financing sources outside the regional budget (APBD) mechanism. Adaptive leaders not only implement budget efficiency but also utilize non-budgetary financing models such as Public-Private Partnerships (PPPs), regional bonds, green financing, private-sector CSR funds, and philanthropic financing schemes and academic partnerships to maintain development sustainability despite increasing fiscal pressures (OECD, 2024; Day, 2024; Hastuti et al., 2025).

Adaptive leadership in local government reflects not only adaptability but also the leader's ability to reinterpret the ever-changing fiscal reality. Fiscal pressures force local governments to move beyond traditional bureaucratic patterns and adopt flexible and collaborative leadership styles. Literature research confirms that adaptive leaders possess sense-making skills, the ability to manage conflicts resulting from fiscal constraints, and the ability to drive change amidst budget constraints. One of the most consistent findings from the literature is that adaptive leadership serves as a key mechanism in navigating fiscal pressures (Niето et al., 2024), proving that adaptive leaders are able to distribute pressure proportionally within the organization, allowing the bureaucracy to remain productive despite budget cuts.

Adaptive leaders are also considered capable of maintaining public legitimacy during budget adjustments. They focus on navigating long-term changes rather than solely short-term responses. Thus, adaptive leadership serves as a balancing mechanism that can mitigate the negative impact of fiscal pressures on regional development performance.

### **The Impact of Fiscal Stress on Regional Development Capacity**

Fiscal stress directly impacts the capacity of local governments to carry out their development functions. When fiscal pressures increase, capital spending typically experiences a significant contraction. This results in project delays, weakened public service quality, and limited local governments' ability to expand infrastructure. Continued fiscal pressure also impacts institutional dynamics. Local governments tend to maintain outdated programs and avoid innovation due to budget constraints. This situation creates a domino effect on regional economic growth, as fiscal space for development interventions shrinks. Reliance on mandatory spending, such as personnel expenditures, further impairs fiscal flexibility.

The articles provide a concrete illustration of how fiscal pressure impacts the effectiveness of regional policies. (Lewis, 2023) explains that the decline in Regional Transfers (TKD) forces the government to reallocate budgets, make savings, and delay development programs. Meanwhile, (Jubault Krasnopevtseva et al., 2024; Yuan et al., 2023) emphasize that fiscal pressure can narrow the space for policy innovation if not balanced by a leadership style capable of repositioning priorities. Research in the Indonesian context shows a similar pattern. Studies indicate that narrowing fiscal space can weaken the ability of regions to develop strategic projects, unless regional leaders have the adaptive capacity to prioritize impact-based programs.

### **Regional Economic Structure as a Determinant of Fiscal Vulnerability**

Regional economic structure has been proven to be a key factor determining fiscal stability in Indonesia. Regions dependent on extractive sectors—such as mining, oil and gas, and plantations—experience higher fiscal volatility. Dependence on commodities makes regional revenues highly sensitive to global price fluctuations, resulting in unstable and unpredictable fiscal space. When commodity prices decline, regional revenues from the Revenue Sharing Fund (DBH) also decline. Consequently, regional governments often reduce capital spending and focus more on financing routine expenditures. The literature suggests that this pattern can hinder policy innovation and weaken regional governments' capacity to diversify their economies.

Critically, numerous studies have confirmed that dependence on commodities is not only an economic issue but also an institutional one. Regions often cite fiscal pressures as an excuse for development stagnation, when the root cause is a failure to build a diversified economy. This phenomenon, referred to as the "commodity trap," can hinder regional economic growth in the long term.

### **Integration of Adaptive Leadership, Fiscal Stress, and Economic Growth**

The literature synthesis shows that adaptive leadership is a key variable determining how local governments deal with fiscal pressure. Adaptive leaders not only respond to declining revenues but also reinterpret the fiscal situation as a strategic challenge that must be addressed through policy innovation. Adaptive leaders possess strong sense-making skills,

helping them understand the fiscal context more holistically. They are also able to mobilize bureaucracy through cross-sector collaboration and overcome internal resistance when policy changes occur due to fiscal pressure. The literature confirms that regions with adaptive leaders are quicker to diversify their economies and optimize their potential for local revenue (PAD). Therefore, adaptive leadership not only acts as a moderator but also as a determining factor in whether fiscal stress hinders development or triggers transformation. Regions with adaptive leadership demonstrate higher fiscal resilience and are able to maintain economic growth despite fiscal pressure. Most Scopus articles emphasize the importance of adaptive leadership in creating responsive and resilient public organizations. Research (McKimm et al., 2023) found that adaptive leaders have the ability to manage uncertainty, regulate the intensity of organizational pressure, and facilitate collective learning. These results are reinforced by (Bonini et al., 2024) which shows that adaptive leadership significantly improves adaptive performance and organizational readiness to face change.

In the public sector context, studies (Yuan et al., 2023) and (Juniarti et al., 2023) conclude that adaptive leaders play a role in building cross-actor coordination and facilitating policy innovation. These articles emphasize that adaptability is fundamental to addressing the dynamics of community needs and national policy pressures. In the context of local government, this ability is crucial because regional leaders face fiscal uncertainty, increasing national development targets, bureaucratic resistance, global economic fluctuations, and the complexity of regional development actors. (Eko Pujianto et al., 2023) supports this by showing that adaptive leaders tend to foster a responsive and innovative work environment.

### **Synthetic Discussion**

The three main concepts of adaptive leadership, fiscal stress, and regional economic structure are brought together in an analytical framework. It is clear that they form a mutually influential relationship. Fiscal stress can weaken development capacity, but its impact can be minimized if local governments have visionary adaptive leadership. Regional economic structure strengthens or weakens fiscal resilience, while adaptive leadership is a factor that enables local governments to escape the cycle of stagnation due to fiscal pressure. Thus, this study makes an important contribution in explaining how the quality of adaptive leadership can determine the success of regional development in the context of fiscal decentralization.

## **CONCLUSION**

The literature review conducted in this study yields a comprehensive understanding that the relationship between adaptive leadership, fiscal stress, and regional economic growth exists within a dynamic, mutually influencing cycle. The fiscal pressure experienced by local governments reflects not only declining revenues but also indicates structural vulnerabilities resulting from dependence on the commodity sector and weak institutional capacity to respond to changes in the economic environment.

Fiscal stress has been shown to significantly impact regional development capacity. Volatility in revenues from the commodity sector has narrowed regional fiscal space, making it difficult for governments to maintain capital expenditures and develop productive sectors. Under these conditions, regional governments tend to be more cautious in undertaking

development expansion and prefer to maintain mandatory routine spending. This situation weakens regions' ability to achieve sustainable long-term economic growth. Regional economic structure is a fundamental factor influencing fiscal resilience. Regions with a high dependence on commodities experience greater fiscal volatility than regions with diversified economies. This dependence creates the phenomenon of a commodity dependence trap, a condition where regions find it difficult to escape unstable and unsustainable extractive economic structures. When commodity prices fall, regional revenues are immediately affected, leading to a decline in development spending.

Adaptive leadership has emerged as a key variable determining whether fiscal pressures will result in stagnation or become a momentum for transformation. Adaptive leaders are able to interpret fiscal pressures more holistically, not only as threats but also as opportunities to reposition development priorities. Adaptive leaders have the ability to mobilize bureaucracy, foster cross-sector collaboration, and develop innovative policy strategies despite fiscal constraints. Thus, the success of regional development is determined not only by the size of fiscal resources, but also by the adaptive capacity of local governments to manage pressures and steer the economy toward a more sustainable direction.

### **Theoretical Implications**

This research makes an important contribution to the development of theories on fiscal stress and adaptive leadership. Integrating the two broadens our understanding of how fiscal stress affects not only the technocratic aspects of the budget but also institutional, political, and behavioral aspects of organizations. Most previous research views fiscal stress as a financial problem measured by deficits, revenue declines, or spending contractions. However, this study demonstrates that fiscal stress is a multidimensional phenomenon that both influences and is influenced by leadership capacity.

Adaptive leadership can be understood as strategic institutional capability, a strategic ability that enables local governments to anticipate change, navigate conflicts of interest, and move organizations toward structural transformation. Integrating this concept with the regional fiscal literature yields a new, more comprehensive theoretical framework for explaining differences in adaptability across local governments, particularly in the context of fiscal decentralization in Indonesia. The conceptual model resulting from this study enriches the literature on public policy and regional economics by offering an approach that focuses not only on fiscal figures but also on leadership quality and institutional capacity. Thus, this study opens up new research opportunities that can explore the relationships between these variables in greater depth, through both qualitative and quantitative studies.

### **Policy Implications**

The findings of this study offer several important policy implications for local governments, particularly in provinces facing fiscal stress and economic dependence on the commodity sector, such as Jambi. Local governments need to develop a new paradigm in fiscal management and development strategies, oriented not only toward budget stability but also toward long-term economic resilience.

First, adaptation-based fiscal governance reforms are needed. Regional governments need to improve their real-time fiscal monitoring capabilities, including analyzing potential

revenue declines due to commodity price fluctuations. This reform must be accompanied by a realignment of regional spending, ensuring that development priorities are maintained despite fiscal contractions. Second, economic diversification must be a key agenda. Excessive dependence on the primary sector makes regional fiscal policy highly vulnerable to external shocks. The government needs to encourage industrial downstreaming, strengthen MSMEs, and expand the productive services sector in an effort to create a more stable and sustainable economic structure. Third, the adaptive capacity of the bureaucracy needs to be strengthened. A responsive and adaptable bureaucracy will be better prepared to face fiscal pressures and be able to implement innovative policies effectively. Training that prioritizes problem-solving, cross-sector collaboration, and data-driven decision-making needs to be expanded. Fourth, policy harmonization between the central and regional governments is crucial. Regional fiscal pressures often stem from national policies governing fiscal transfers or economic growth targets. Therefore, strong vertical coordination is needed to ensure that regional development strategies remain aligned with the national development plan while still considering local fiscal capacity. Fifth, regions need to build long-term fiscal resilience mechanisms. Creating fiscal reserves, optimizing regional original income, and increasing spending efficiency can strengthen regional capacity to face future economic and fiscal shocks.

### **Research Limitations**

This study has several limitations that should be considered. First, it uses only secondary data sources from journals and research reports, thus not capturing the empirical dynamics that may occur in the field. Second, fiscal policy in Indonesia is heavily influenced by national regulations and global economic conditions, so rapid policy changes may not be fully captured in the literature analyzed (2020–2025). Third, this study does not include the perspectives of local stakeholders such as provincial governments, business actors, or civil society organizations, which could provide additional insights into the challenges of fiscal adaptation and leadership at the regional level.

### **Suggestions for Further Research**

Future research is recommended to employ a mixed methods approach by combining primary and secondary data. In-depth interviews with regional leaders can provide a stronger understanding of fiscal adaptation strategies and decision-making processes. Furthermore, comparative studies between provinces with different economic structures can provide a more comprehensive picture of how local contexts influence the effectiveness of adaptive leadership. Quantitative models can also be used to empirically test the relationship between adaptive leadership, fiscal stress, and regional economic growth. Thus, further research can strengthen theoretical findings and make a greater contribution to public policy development in Indonesia.

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