The Impact of Digital and Green Innovation Strategy on Citizen Trust Towards Sustainable Financial Performance of Local Government

Siti Amerieska
Corresponding Author: Department of Accounting, Polythecnic State of Malang, Malang, Indonesia. ORCID ID: https://orcid.org/0000-0001-7512-6570

Novi Nugrahani
Department of Accounting, Polythecnic State of Malang, Malang, Indonesia

Mika Marsely
Department of Accounting, Polythecnic State of Malang, Malang, Indonesia

Santi Rahayu
Undergraduate Student on Management Accounting, Department of Accounting, Polythecnic State of Malang, Malang, Indonesia

Abstract

The unit of analysis in this study is local government data from Indonesia. The goal of this research is to identify the impact of fiscal stress and citizen trust on digital and green innovation strategies. This study also seeks to ascertain the impact of digital and green innovation strategies on the impact of fiscal stress and citizen trust on sustainable financial performance. This research uses a descriptive verification method in conjunction with a quantitative approach. Path analysis is an analytical method used in the processing of statistical data. The research samples in this study are 148 Regional Apparatus Organizations (OPD) from East Java Province. The tests showed that fiscal pressure and citizen trust have a significant impact on digital and green innovation strategies. The test results also show that fiscal stress and digital and green innovation strategies have a significant effect on sustainable financial performance, whereas citizen trust has no significant effect on sustainable financial performance. Simultaneously, digital and green innovation strategy are critical for mitigating the impact of fiscal stress and increasing citizens' trust sustainable financial performance.

Keywords: Digital Green Innovation Strategy; Fiscal Stress; Citizen Trust

JEL Classifications: G17; G21
Introduction

The Indonesian government has developed a plan through the Ministry of Industry a “Making Indonesia 4.0” strategy as a roadmap in facing global competition in the Industrial Era 4.0. This roadmap involves the collaboration of stakeholders include government agencies, industry associations, business actors, technology providers, and research and education institutions. Making Indonesia 4.0 provides a clear strategic direction for Indonesia’s industry's future movement, including five focus sectors (food and beverage, textile and apparel, automotive, electronics, and chemicals) and ten national priorities in an effort to strengthen the structure. Industry of Indonesia. On the other hand, through the Ministry of National Development Planning (PPN) or what is often known as the National Development Planning Agency (Bappenas) has also prepared government policies in particular 3 (three) things that need to be done regarding the management of an organization. First, an organization must be able to form and strengthen a good cooperative network with its human resources in the work environment (Law et al., 2016), so that they can continue to survive and be innovative. Second, the need for mastery of digital technology and the ability to be able to analyze data, in this case big data (Zavattaro et al., 2015). Third, the need for investment in human resource development (HR) to form innovative and adaptive human resources in the labor market. The development of Industry 4.0 has not only impacted the industrial sector, but also has an impact on the public service sector. The development of technology-based public services carried out by the Indonesian government, in this case including local governments, currently tends to follow the global trend that leads to an “Industry 4.0-based eGovernment System”. This development model is capable of providing public services that can be accessed via electronic devices linked to the internet network without the need to come directly to the office and make direct connection (face-to-face) (Meijer, 2018). Therefore, Local Governments in Indonesia need to pay attention again to the impact of the disruption of e-government technology on traditional public services for their citizens and local government employees who were previously public service personnel, lest there be citizens who cannot get public services because of their inability to adopt technology in fact, there are even government employees who lose their jobs because they are replaced by technology or machines.

Citizens’ intentions to use state e-government services can also be influenced by their perceptions of trust (Ma & Zheng, 2018), (Chan et al., 2021) defines trust as ‘the perception of trust in the reliability and integrity of electronic marketers’. Citizens must have faith in both the government and technology that makes it possible. According to (Merhi & Ahluwalia, 2018). However, several facts in the field show that some Indonesians are still happy and used to coming to the office, then meeting officers to get services. One of them is founded on the findings of research by (Erdinaya et al., 2017), it was found that of the 450 people of West Java who were sampled regarding the use of e-government-based public services, 13.6% had used and 86.4% had never used these electronic-based public services. Interestingly, 48.4% still prefer to be served by officers directly. 38.2% feel more comfortable with electronic-based services. Meanwhile, the remaining 13.4% did not give an opinion.

The role of digital and green innovation strategy in efficient markets and financial performance in developed and developing countries (Dinçer et al., 2017). The government makes every effort to accelerate development progress and support the increase in renewable energy (Yi et al., 2020). Achieving this target requires technology transfer and investment to encourage the transition from the use of fossil fuels to the use of renewable energy. Furthermore, it is not only the issue of green innovation, but equally important technological change in entrepreneurship and innovation in the financial sector is seen as the key to changing the path of development into a green economy (Cao et al., 2021). Coinciding with Indonesia's G20 Presidency in 2022, the Government plans to launch a center of excellence in technology or the Center of Future Knowledge.

Based on the background information and description, the authors conducted this study to learn more about the impact of fiscal stress and citizen trust on green and digital innovation strategies. How does fiscal stress, citizen trust, and green and digital innovation strategy affect the sustainable financial performance of local governments? The contribution of this study includes the following: (1) theoretically, the research contributes to the public engangement theory through strategy innovation digital and green as a factor that mediates the relationship between fiscal stress and citizen trust with sustainable financial performance, (2) empirically, this study extends previous research which is still exploratory by conducting research with causal model of the effect of digital and green innovation strategy of fiscal stress and citizen trust with sustainable financial performance; (3) if previous research on E Government wa carried out only around the perceptions of users that were micro effect (user perception, ICT (human interaction with technology), this study uses a macro
effect, such as sustainable financial performance. This study also seeks to determine whether a digital and green innovation strategy can act as a moderator between the effects of fiscal stress and citizen trust on sustainable financial performance. The goal is to understand the impact of fiscal stress and citizen trust on green and digital innovation strategies. How does fiscal stress, citizen trust, and green and digital innovation strategy affect the sustainable financial performance of local governments?

**Literature Review**

The digital revolution has changed the way people communicate, work, transact and do activities. Now, people can instantly and quickly connect with each other, especially with the increasing internet penetration (Valdez-Juárez & Castillo-Vergara, 2021). The Green Innovation Concept or Green Innovation is an effort to reform the process or human activity is running, along with an environmentally friendly lifestyle (Green Lifestyle) and a green economy and support one another (Stankevičienė & Nikanorova, 2020). At first glance it may sound ordinary, but in fact green innovation can provide extraordinary benefits not only for humans but also the earth's soil that supports sustainable life (Peng et al., 2020). Although the word "innovation" is often identified with "big reform" that can only be carried out by large institutions or companies, in fact innovation belongs to anyone, including farmers in rural areas far from urban areas. Innovation can come from anyone, no matter the level of education. Innovation comes through intense interaction between humans and the objects they handle or research. For example, farmers with agricultural crops are then able to produce innovations in environmentally friendly land management by not using chemicals. Therefore, it would be wise for groups, networks or institutions that are able to assist and facilitate individuals or groups who will become the embryos for the birth of new green innovations.

**Digital & Green Innovative Strategy**

The digital revolution has changed the way people communicate, work, transact and do activities. Now, people can instantly and quickly connect with each other, especially with the increasing penetration of the internet (Yigitcanlar et al., 2021). The Green Innovation Concept or Green Innovation as an effort to reform the process or human activity is running along with an environmentally friendly lifestyle (Green Lifestyle) and a green economy and support one another (Owen et al., 2018). At first glance it may sound ordinary, but in fact green innovation can provide extraordinary benefits not only for humans but also the earth's soil that supports sustainable life (Adegboye et al., 2020).

![Innovation Creating Value](image1.png)

**Figure 1:** Innovation Creating Value  
Source: (Stankevičienė & Nikanorova, 2020)

Innovation of creating value is often identified with "big reforms" that can only be carried out by large institutions or companies, but in fact innovation belongs to anyone, including farmers in rural areas far from urban areas. Innovation can come from anyone, no matter the level of education. Innovation comes through intense interaction between humans and the objects they handle or research. For example, farmers with agricultural crops are then able to produce innovations in environmentally friendly land management by not using chemicals. Therefore, it would be wise for groups, networks or institutions that are able to assist and facilitate individuals or groups who will become the embryos for the birth of new green innovations.
Hypothesis development based on literature findings

Fiscal Stress and Citizen Trust

Trust in government is a driver of government effectiveness and economic development (Drife, 1997), and is a measure of the outcome of government policy. The level of trust in the Indonesian government is a high number when compared to developed countries that are members of the OECD (Alif et al., 2020) (United States 30 percent, Britain 31 percent, Germany 55 percent, France 28 percent) and non-OECD developing countries (India 73 percent, Brazil 26 percent, South Africa 48 percent). The top six ranked countries are Indonesia, Switzerland, India, Luxembourg, Norway and Canada. The level of public trust in the Indonesian government in 2016 was 80 percent, an increase of 28 percent compared to 2007 which reached 52 percent. This is a sign that the government has been working well, followed by the appreciation of the Indonesian people who put their trust in their government. "Trust in government has a strong relationship with people's support for their country's leadership. When the government is seen as having high moral integrity, more people trust the government,(Chan et al., 2021),(Zavattaro et al., 2015), (Ma & Zheng, 2018) "Finally, the fact that Indonesia and Switzerland are in the top positions may also be the result of decentralization bringing the governments of the two countries closer to the people. Gallup data comes from the Gallup World Poll. / GWP) which is a survey used to measure the level of trust in the government.

Fiscal Stress, Digital & Green Innovative Strategies

The relationship between fiscal stress and digital and green innovation strategy can be related to agency theory and stewardship theory, where the principle is the community and the agent is the government. Fiscal trust is an effort for the community, while digital and green innovation is an effort for agents (Glinkowska & Kaczmarek, 2015). Research conducted by (Overmans, 2018) uncovers the right types of organizational slack for innovation. It examines how city managers understand slack, and how they create slack to facilitate innovation in the face of fiscal stress, the result is that innovation at the government level does not benefit from slack in general, but from certain types of slack. This proves that the success of innovation is strongly influenced by psychological slack factors, and can be in the form of fiscal stress.

Citizen Trust, in implementing Digital & Green Innovative Strategy

The legitimacy of an innovation in a group or community shows that it cannot be separated from the contribution made to support it (Blümel, 2020). The form of citizen trust is in the form of citizen involvement in the collaborative development of various types of scientific, professional and practical knowledge related to social needs implemented in digital innovation. The success of innovation requires the support of various types of motivation and participatory activities by citizens (Repository & Library, 2018)

Fiscal Stress and Sustainable financial performance

Fiscal stress is a pressure faced by local governments as a result of declining economic conditions or the need to improve regional welfare. As a result, local governments are required to optimize the sources of income in their regions so as to provide a greater portion of the people’s welfare improvement which is directly related to public services. Agency theory defines an agency relationship as a contract in which one or more (principal) hires other people (agent) to perform some services for their benefit by delegating some decision-making authority to the agent. A conflict of interest will arise in the delegation of tasks assigned to agents (Dutz & Sharma, 2012). The community represented by the DPRD is the principal and the government is the agent. Agents are expected to adopt financial policies that are favorable to principals. Principals have regulatory authority and provide resources to agents in the form of taxes, levies, balance funds, regional wealth management results and other legal income (Tan et al., 2017) Regional autonomy requires regions to be independent in managing finances and optimizing the potential for regional revenues. The existence of demands from the central government will cause conflict in the form of Fiscal Stress or fiscal pressure (Goldberg & Neiman, 2014). With high fiscal stress, the government tends to explore the potential of the region through tax revenue to increase regional revenue. The high rate of tax effort is identified with the Fiscal Stress condition(Gelb & Mukherjee, n.d.).
Digital & Green Innovative Strategy towards Sustainable financial performance

The results of research conducted by (Khin & Ho, 2019) show that digital orientation and digital capabilities have a positive effect on financial and non-financial performance. This has implications for innovative digital services and further enhance their business performances. It also fills the literature gap regarding the drivers of digital innovation and the mediating role of digital innovation on the relationship between the drivers and their performance. Furthermore, research conducted by (Khin & Ho, 2019), they examine the impact on financial performance with network-based technology infrastructure and a set of standards for interbank telecommunications worldwide, showing a significant network effect on performance. They used in-depth field studies to better understand the mechanisms underlying the effects of technological innovation on profitability. Digital Banking is service quality, functional quality, perceived value (PV), employee-customer engagement. There is a significant relationship between customers related to financial performance (Mbama & Ezepue, 2018).

Based on the description above, the hypotheses of this research are:

Hypothesis 1: Fiscal stress and citizen trust have a significant effect on digital and green innovation strategy.
Hypothesis 2: Fiscal stress and citizen trust and digital and green innovation strategy have a significant effect on sustainable financial performance.
Hypothesis 3: Digital and green innovation strategy can be a mediating variable on the effect of fiscal stress and citizen trust on sustainable financial performance.

Research and Methodology

The concept of the research method is presented in Figure 2, which is built based on a literature review, framework and findings of previous researchers. The model shows that the relationship and even the influence of one variable with other variables is based on previous theories or research.

![Figure 2: Research Model](image)

Source: author's own study

Description

rX1X2: The relationship between variable X1 and variable X2; PYX1: Path coefficient of variable X1 to variable Y; PYX2: Path coefficient of variable X2 to variable Y; PZX1: Path coefficient of variable X1 to variable Z; PZX2: Path coefficient of variable X2 to variable Z; PZY: Path coefficient of variable Y to variable Z; X1: Fiscal Stress; X2: Citizen Trust; Y: Digital and Green Innovation Strategies; Z: Sustainable Financial Performance; Ɛ1: Other factors influencing Digital and Green Innovation Strategies (echelon 1); Ɛ2: Other factors that affect Sustainable Financial Performance (echelon 2).

All variables in this study have a ratio scale, with a path analysis framework model, then data processing is carried out using Amos v 21.0. Based on the path analysis model built, the equations of this research model have been proposed:
DG = Pyx1FS + Pyx2CT + ε1
SFP = Pzx1FS + Pzx2CT + PzyDG + ε2

This study uses a verificative-descriptive with a quantitative approach and hypothesis testing. This research is case study research by organizing and investigating certain problems in an organized, systematic, data-based, critical and objective manner with the aim of finding solutions to existing problems. Based on the conceptual structure of the model that has been built in predicting sustainable financial performance, this research methodology is described including the operationalization of variables and research samples.

The population of this study were all 148 East Java Provincial Apparatus Organizations (OPDs). Respondents of this study were the OPD heads who had the knowledge to answer the research questions contained in the questionnaire. The OPD heads were expected to have served for at least 3 years. With 3 years of experience, it is hoped that the OPD Head who is the respondent or informant will have a deep understanding of local government governance and its environment in all regions of East Java Province.

**Operational Definition of Variables**

**Fiscal Stress (Fiscal Pressure)**

Fiscal stress in this study is the level of pressure for the achievement of tax revenues, which is proxied by the perception of the OPD Head of revenue targets, potential income, and income receivables from OPD. The quantitative data measurement instrument uses a Likert scale between 1 and 5. The qualitative data instrument uses a semi-structured interview.

**Citizen Trust (Citizen Trust)**

Citizen trust in this study is the perception of the OPD Head of citizens' compliance with applicable regulations, citizen satisfaction with services, increased nationalism of citizens. The quantitative data measurement instrument uses a Likert scale between 1 and 5. The qualitative data instrument uses a semi-structured interview.

**Digital & Green Innovative Strategy**

Digital & Green Innovative Strategy is the perception of the OPD Head of technology adoption used by local governments, innovative programs and activities related to smart and green cities. Quantitative data measurement instruments use a Likert scale between 1 to 5. Qualitative data instruments use semi-structured interviews.

**Sustainable Financial Performance**

Sustainable Financial Performance is the perception of the OPD Head of revenue realization, the results of local government performance accountability, budget fulfillment in digital and green innovation. The quantitative data measurement instrument uses a Likert scale between 1 and 5. The qualitative data instrument uses a semi-structured interview.

**Findings**

**Data feasibility test**

Path analysis has an underlying assumption, namely that the data must be normal and also linear. Based on this, the data from this study were first tested for normality and linearity.
Figure 3: Data Normality Test Results

Figure 3, the results of the data normality test (normal plot) shows that the data has been normally distributed, where the points spread close around the diagonal line, this indicates that the data has been normally distributed and has met the normality requirements.

Data linearity test

The linearity test aims to see whether the specification of the model used is correct or not, or whether the variables have a good linearity relationship or not. A good model should have a linear relationship between predictor or exogenous variables with criterion or endogenous variables.

Table 1: Summary of ANOVA table for linearity test

<table>
<thead>
<tr>
<th>Deviation from Linearity</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFPerfm* Fiscal Stress</td>
<td>801.056</td>
<td>73</td>
<td>9.647</td>
<td>.994</td>
<td>.507</td>
</tr>
<tr>
<td>SFPerfm* Citizen Trust</td>
<td>91.562</td>
<td>4</td>
<td>22.675</td>
<td>2.209</td>
<td>.069</td>
</tr>
<tr>
<td>SFPerfm* DG Innovation</td>
<td>1446.437</td>
<td>127</td>
<td>11.482</td>
<td>1.675</td>
<td>.055</td>
</tr>
</tbody>
</table>

The anova output of the linearity test of the data in table 1 shows that the significant value of each variable is greater than 0.05 (that is, the test at \( \alpha = 0.05 \)). Based on these findings, it is concluded that in this research model, there is a significant linear relationship between exogenous and endogenous variables. As a result, the requirements for data linearity have been reached.

Table 2: Model 1 – Path Coefficient

<table>
<thead>
<tr>
<th>Path Direction</th>
<th>Path Coefficient</th>
<th>( t_{\text{coun}} )</th>
<th>( t_{\text{table (tab:322)}} )</th>
<th>p-value</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Stress -- DG Innovation</td>
<td>-0.148</td>
<td>-2.695</td>
<td>1.967</td>
<td>0.007</td>
<td>0.032</td>
</tr>
<tr>
<td>Citizen trust -- DG Innovation</td>
<td>0.118</td>
<td>2.177</td>
<td>1.967</td>
<td>0.029</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal Stress-DG Innovation

From the test results in table 2, it can be seen that the \( t \) value of the fiscal stress on digital and green innovation strategy is -2.695 with a negative path coefficient value, probability at \( \alpha = 5\% \). Based on these results, it is stated that fiscal stress affects the digital and green innovation strategy. In this sense, the increase in fiscal stress will increase the digital and green innovation strategy. Fiscal Stress has no effect on Digital & Green Innovative Strategies, statistical results are not significant, this means that fiscal stress does not affect innovative digital and green implementation strategies. The pressure that occurs due to limited budget revenue revenue for local governments to finance the implementation of development, in this case digital & green, innovative implementation strategies and increasing self-reliance in the region can be
categorized as having no significant effect. Whereas the concept of Green Innovation or Green Innovation as an effort to reform human processes or activities goes hand in hand with an environmentally friendly lifestyle (Green Lifestyle) and a green economy and supports one another. The existence of fiscal stress to support the application of green innovation in local governments can provide tremendous benefits not only for humans but also the earth's soil which supports sustainable life (Archer & Jones-Christensen, 2011) (Thompson et al., 2005).

**Citizen trust-DG Innovation**

Based on the test results in table 2, it can be seen that the t-count value of citizen trust towards digital and green innovation strategy is -2.177 with a positive path coefficient value, the probability value is 0.029. The value of t count (2.177) > t table (1.967) then a = 5% it is decided that citizen trust has a significant effect on digital and green innovation strategy. This finding reflects the high tenure of citizen trust, in this case the realization of citizen satisfaction with services, which as a form of citizen trust in the government can improve digital and green innovation strategies. Citizen Trust has an effect on D&G Innovative Strategy has a significant effect, this proves that this is a sign that the government has worked well which is followed by appreciation of the Indonesian people who put their trust in their government. "Trust in government has a strong relationship with people's support for their country's leadership. When the government is seen as having high moral integrity, more people trust the government, (Carter & Bélanger, 2005) (Carter & Bélanger, 2005) (Pérez, Bolívar, & Hernández, 2008) (Thompson et al., 2005) "Finally, the fact that Indonesia and Switzerland are at the top position may also be the result of decentralization which brought the governments of the two countries closer to the people.

Table 3: Model 2 – Path Coefficient

<table>
<thead>
<tr>
<th>Path Direction</th>
<th>Path Coefficient</th>
<th>tcount</th>
<th>ttable (db:322)</th>
<th>p-value</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Stress -- SFPerf</td>
<td>0.347</td>
<td>6.750</td>
<td>1.967</td>
<td>&lt;0.001</td>
<td>0.159</td>
</tr>
<tr>
<td>Citizen trust -- SFPerf</td>
<td>-0.094</td>
<td>-1.796</td>
<td>1.967</td>
<td>0.076</td>
<td></td>
</tr>
<tr>
<td>DG Innovation -- SFPerf</td>
<td>-0.257</td>
<td>-4.813</td>
<td>1.967</td>
<td>&lt;0.001</td>
<td></td>
</tr>
</tbody>
</table>

**Fiscal Stress-SFPerf**

According to the test results in table 3, it can be seen that the t value for fiscal stress on sustainable financial performance is 6,750 with a positive path coefficient, probability value < 0.001. The value of t arithmetic (6.750) > t table (1.967), then at a = 5%. It can be concluded that fiscal stress has a significant effect on sustainable financial performance. It means that fiscal stress (X1) is an effort to receive high income which reflects a greater level of fiscal stress, that means the demand for certain development services or expenditures exceeds existing sources or income. High fiscal stress further encourages regions to increase regional spending. The increase in spending growth is a reflection of the increasing development of a region. In line with this research, Muryawan and Sukarsa (2016) with Haryadi (2002) in their results show that Fiscal Stress or budgetary pressure due to regional autonomy has a significant effect on financial performance.

**Citizen trust-SFPerf**

As shown by test results in table 3, it can be seen that the t-count value of fiscal stress on sustainable financial performance is -1.796 with a negative path coefficient, the probability value is 0.076. The negative value in tcount indicates the direction of the coefficient, which corresponds to the direction of the path. The value of t count (-1.796 < t table (1.967) then a = 5%. Thus This proves that the trust of citizens increases as the financial performance of local governments is good. In accordance with the agency theory that the principal (citizen) gives a mandate to the agent (local government), if the performance of this agent is good it can increase the trust of citizens. In line with the phenomenon in the field, this financial performance can also be assumed by the successful leadership performance of regional heads, so it is possible that the trust of citizens can increase along with the re-nomination of regional heads.
As seen by test results in table 3, it can be seen that the t value for digital and green innovation strategy towards sustainable financial performance is - 4.813 with a negative path coefficient, probability value < 0.001. The negative value in t count indicates the direction of the coefficient that is in accordance with the direction of the path. The value of t arithmetic (4.813) > t table (1.967) then α = 5%. Based on these results it is concluded that how digital & green Innovative strategies have an effect on financial performance, give insignificant results, this means that the application of digital applications & green Innovative strategies does not necessarily have a direct effect on financial performance. This is because this innovative digital and green strategy is a big investment for local governments in realizing sustainable development or sustainable development, resulting in a large amount of capital spending.

Table 4: Summary Indirect Effect Between Variables

<table>
<thead>
<tr>
<th>Indirect Effect</th>
<th>T count</th>
<th>p-value</th>
<th>T table</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital and green innovation strategy (Z) mediates the effect of fiscal stress (X1) on sustainable financial performance (Y)</td>
<td>2.348</td>
<td>0.019</td>
<td>1.967</td>
<td>Significant</td>
</tr>
<tr>
<td>Digital and green innovation strategy (Z) mediates the effect of citizen trust (X2) on sustainable financial performance (Y)</td>
<td>-1.986</td>
<td>0.047</td>
<td>1.967</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Based on the test results in table 4, the t value of the indirect effect of fiscal stress is obtained (2.348) > t table (1.967). At α = 5%. Based on the test results, it is concluded that digital and green innovation can significantly mediate the effect of fiscal stress on sustainable financial performance. This implies that the greater the potential for local taxes to be explored and meeting local tax revenue targets will have an impact on increasing digital and green innovation of a local government, so that this will support sustainability both financially and the value of local government empowerment in economic development.

Based on the test results in table 4, the t-count value of the indirect influence of citizen trust (1.986) > t-table (1.967), the negative value of t-count indicates the direction of the relationship path. At α = 5%. Based on the test results, it is concluded that the digital and green innovation strategy can significantly mediate the influence of citizen trust on sustainable financial performance. While citizen trust does not directly have a significant effect on sustainable financial performance, the existence of a digital and green innovation strategy can mediate the influence of citizen trust on sustainable financial performance. This implies that satisfaction with the services provided to citizens will increase trust that government management is carried out properly, this increases development through innovation both digitally and the application of the green economy so as to increase government sustainability.

Conclusions

This study proves the effect of mediation digital & green innovative strategies on the relationship between fiscal stress and sustainable financial performance; and (b) proving the effect of mediation digital & green innovative strategies on the relationship between citizen trust and sustainable financial performance. This study was designed using quantitative methods, which are devoted to testing empirically: (1) the influence of Digital & Green Innovative Strategy mediation on fiscal stress relationships and sustainable financial performance, and (2) the influence of Digital & Green Innovative Strategy mediation on citizen trust relationships and sustainable financial performance. And to confirm the results, qualitative methods will be used to confirm and interpret why fiscal stress, citizen trust, digital & green innovative strategies affect financial performance. In addition, the combination of methods and variables used in this study can provide more valid and comprehensive results.

According to the result of this research, fiscal stress has an impact on the long-term financial performance of local governments, where increased spending growth is a reflection of a region's increasing development, which has a significant impact on financial performance. Trust in the government, on the other hand, has a positive effect, as Citizen Trust is a driver of government effectiveness and economic development, as well as a measure of the outcomes of government policies.
Some of the limitations in this study are: first, this research is classified as a case study because it was only conducted in one province in Indonesia. The perceptions, attitudes, and behavior found in this research site may be different from other sites so that the results of this study cannot be generalized but can only be compared with other research sites that have similar conditions. The second is the limitation of the process, and the third is the limited ability of the researcher to analyze and reveal various phenomena that are encountered in the research location. Researchers are often faced with different interpretations of phenomena and informants' opinions on various problems that make it difficult for researchers to carry out analyses and make conclusions. So far the problem faced by researchers is the difficulty of collecting questionnaires, the waiting time for the questionnaire to be filled online is more than the original target, where initially the maximum time range for filling in is 1 (one) month at the time of this pandemic can be up to 2 (two) months and even then the struggle with calling informants directly.

References


