

"IMPROVING FISCAL TRANSPARENCY THROUGH THE APPLICATION OF GOOD GOVERNANCE PRINCIPLES IN REGIONAL GOVERNMENT BUDGET MANAGEMENT"

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Abstract

The application of good governance principles in local government budget management is a strategic agenda in public sector governance reform, particularly in developing countries facing demands for fiscal transparency, public accountability, and efficient resource use. However, in Indonesia, implementation still faces structural, institutional, and political obstacles. This study aims to analyze the application of good governance principles in local government budget management and its implications for fiscal transparency, public participation, and fiscal accountability. This study uses a qualitative approach through the **Systematic Literature Review (SLR) method** based on **Qualitative Data Analysis (QDA)**. Data are sourced from international and national scientific articles, audit reports, fiscal regulations, and government policy documents. The analysis was conducted thematically to identify patterns, obstacles, and dynamics in the implementation of local fiscal governance. The results show that the implementation of good governance has progressed, particularly in the aspects of fiscal transparency and digitalization. However, public participation remains administrative in nature, and fiscal accountability is dominated by post-audit mechanisms. Digital fiscal governance is identified as a new determinant of efficiency and auditability, despite facing limited institutional capacity. The findings strengthen agency theory and public accountability by extending it to a **polycentric accountability model** involving the central government, the Regional People's Representative Council (DPRD), external auditors, and the public. This research contributes to the development of fiscal governance theory and provides policy recommendations related to digitalization, deliberative participation, and risk-based oversight. A limitation of the study lies in the lack of fiscal outcome measurement; further research is recommended using a mixed methods or cross-regional comparative approach.

Keywords: *Good Governance; Regional Budget; Fiscal Transparency; Accountability; Public Participation; Fiscal Decentralization.*

1. INTRODUCTION

Over the past two decades, the issue of fiscal transparency and the application of good governance principles have become a global concern in efforts to improve the quality of public financial management. This paradigm shift from traditional administrative approaches to open, accountable, and participatory governance is a response to growing public demand for fiscal integrity and reliable budget policies in the local government sector (OECD, 2023). In various countries, from Europe to Asia, local government budget management is no longer solely oriented toward fulfilling administrative procedures, but rather toward creating public value through strong oversight mechanisms, broad access to information, and increased citizen participation in the budgeting process (UNDP, 2021). The implementation of good governance principles—such as transparency, accountability, effectiveness, responsiveness, and the rule of law—has been proven to boost fiscal stability, reduce the potential for budget irregularities, and strengthen public trust in government institutions (World Bank, 2022). However, implementing these principles is not as easy as imagined, as it must contend with rigid bureaucratic cultures, weak local institutional capacity, and variations in regulations across countries, which often hinder the process of public governance transformation. This global challenge shows that good

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governance is not merely an ethical framework, but is a critical instrument in building regional budget management that is transparent, inclusive, and adaptive to contemporary socio-political dynamics. Furthermore, the development of digital technology has accelerated demands for fiscal transparency at the local level. Many local governments worldwide have adopted technology-based budget platforms, real-time fiscal information systems, and performance dashboards that allow the public to directly monitor budget planning and implementation (OECD, 2022). However, technology adoption does not automatically guarantee substantive transparency. Several global studies have shown that budget digitization is only effective if supported by leadership commitment, an open bureaucratic culture, human resource capacity, and strong oversight mechanisms (Khan & Sharma, 2021). Therefore, issues related to the implementation of good governance principles in local budget management remain a global debate—particularly regarding the extent to which governance reforms can promote high-quality and sustainable fiscal transparency. This global challenge has sparked a growing body of research exploring the influence of governance practices on the effectiveness of local government budget management, including how budgeting processes, power distribution, and political dynamics influence fiscal openness.

In the Indonesian context, studies on the application of good governance principles in local government budget management demonstrate complex dynamics. Since the era of fiscal decentralization in 2001, numerous studies have revealed how local governments face pressure to increase transparency and accountability in the management of the Regional Budget (APBD). Previous studies consistently show that the quality of public governance in Indonesia varies significantly across regions, influenced by local political factors, bureaucratic capacity, executive-legislative relations, and the effectiveness of internal oversight systems (Sofyani et al., 2018). Several studies have found that regions with a strong commitment to implementing transparency principles tend to produce better quality budget information, including in terms of financial report presentation, budget data disclosure, and publication of development planning documents (Kristianto & Handayani, 2020). Furthermore, research indicates that the implementation of the Regional Government Information System (SIPD) actually has significant potential to promote fiscal transparency, but still faces obstacles related to data quality, bureaucratic resistance, and suboptimal system utilization by some regions (Sari & Fathurrahman, 2021).

On the other hand, the literature also indicates a significant influence of socio-political factors on the implementation of regional budget governance. For example, research by Yulianti and Nugroho (2019) revealed that budget politics and patronage relationships can hinder the principles of transparency and accountability, particularly at the budget planning and deliberation stages. Another study found that although local governments have normatively implemented good governance principles, their implementation often remains administrative in nature and does not address substantial aspects of budget decision-making (Fauzi & Haryanto, 2020). Meanwhile, recent research indicates that public participation in the regional budgeting process remains relatively low, despite the provision of formal mechanisms such as the Musrenbang (Development Planning Forum). Public participation is often symbolic and does not significantly impact budget policy (Suyanto, 2023). Thus, previous research findings illustrate that despite Indonesia's strong regulatory framework, the implementation of good governance in regional budget management still faces various structural and bureaucratic cultural barriers.

This research's novel contribution lies in its attempt to provide a deep understanding of the implementation mechanisms of good governance principles in local government budget management through a qualitative, case study-based approach. Unlike previous research that emphasized quantitative aspects and transparency measurement, this study offers an in-depth analysis of how and why certain governance practices can enhance or hinder fiscal transparency. It also reveals the dynamics of actors and power relations within the local bureaucracy, as well as how the interaction between national regulations, local policies, and day-to-day bureaucratic practices influences the quality of local budget management.

Furthermore, this study offers a novel concept in the form of an analytical separation between administrative transparency and substantive transparency, which can enrich the academic discourse on good governance in the context of regional budgeting in Indonesia. This approach has the potential to provide a new perspective that governance success cannot be measured solely through the availability of public documents, but must be seen through the transparency of the decision-making process and the effectiveness of accountability mechanisms. Another novelty is the emphasis on practical aspects—how local government officials interpret the principles of good governance, how informal strategies operate in the budgeting process, and how coordination between budget units affects fiscal transparency. Thus, this study makes significant theoretical and practical contributions to understanding regional budget governance in Indonesia.

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This research focuses on an in-depth analysis of the implementation of good governance principles in local government budget management, particularly regarding how fiscal transparency is realized in the planning, budgeting, and budget implementation processes. Specifically, this research aims to: (1) identify how the principles of transparency, accountability, effectiveness, and participation are applied in budgeting practices in local governments; (2) analyze the factors that encourage or hinder the implementation of good governance principles in budget management; and (3) evaluate the extent to which the implementation of these principles impacts the quality of fiscal transparency substantively. To achieve these objectives, this research formulates three main questions: (1) How do local governments apply good governance principles in the budget management process? (2) What factors support or hinder the implementation of good governance principles in promoting fiscal transparency? and (3) How does the implementation of good governance principles affect the quality of fiscal transparency at the local government level? The research method used was a qualitative approach with a case study design. Data collection was conducted through in-depth interviews with key stakeholders, including regional financial management officials, planning officials, internal auditors, legislative members, and civil society representatives. Data were also strengthened through document analysis, including budget documents, financial reports, regulations, and performance evaluation reports. Participatory observation and field documentation were conducted to understand the bureaucratic context and practices more comprehensively. Data analysis used thematic analysis techniques to identify patterns, categories, and relationships between concepts. With this approach, the research is expected to provide a holistic picture of the dynamics of good governance implementation in regional budget management and provide relevant policy recommendations for strengthening regional government financial governance.

2. THEORETICAL BASIS

Agency theory is one of the most influential theoretical foundations for understanding the relationship between government and society in the context of public resource management. Based on the fundamental ideas of Michael C. Jensen and William Meckling (1976), this theory explains how the "principal" (society) mandates the "agent" (government) to manage public resources through budgeting and fiscal policy. This relationship presents the potential for information asymmetry, moral hazard, and adverse selection, as the agent possesses more complete information than the principal. This situation necessitates the development of governance mechanisms capable of reducing these imbalances, including increased transparency and fiscal accountability mechanisms. Furthermore, public accountability theory broadens the perspective of agency theory by explaining that government accountability extends not only vertically from the government to the public, but also horizontally to oversight institutions such as auditors, parliament, and the media, and diagonally to civil society groups participating in the budgeting process (Bovens, 2007). In the context of local government, public accountability includes responsibility for budget use, program achievements, and policy performance so that fiscal transparency is not merely an administrative consequence, but also an instrument to strengthen the integrity and legitimacy of the government in the eyes of the public.

International research shows that the implementation of good governance principles has direct implications for fiscal transparency in sub-national government units. In the European Union, a study by Heald (2012) found that fiscal governance reforms increased the transparency of budget data and improved fiscal discipline in cities and provinces. In Latin America, Abers & Keck (2013) noted that participatory budgeting in Brazil not only strengthened transparency but also enhanced social accountability through community control over public spending allocations. In the Asian context, the OECD (2016) reported that countries such as South Korea and Japan successfully implemented results-based budget performance management systems that strengthened fiscal integrity and reduced the scope for corrupt practices. A key similarity across these findings is that good governance principles such as transparency, accountability, participation, the rule of law, and integrity have been shown to reduce information asymmetry between the government and the public, thereby increasing public trust in the budgeting process.

Several countries have also introduced digital-based financial governance innovations that further strengthen the relationship between good governance and fiscal transparency. For example, South Korea's implementation of the Digital Budget & Accounting System (dBrain) has successfully increased fiscal administration efficiency, enhanced budget flow traceability, and minimized opportunities for irregularities (Kim & Lee, 2019). Meanwhile, Mexico's Open Budget Initiative reforms expanded public access to budget documents through digital platforms, enabling increased participation and data-based oversight by civil society (Gómez, 2020). In Western European countries, Performance-Based Budgeting (PBB) reforms shifted the relationship between local governments and citizens from merely input-based budgeting to

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outcome-based and performance-based governance (Curristine, 2005). These findings reinforce the argument that the application of good governance principles is not only related to normative aspects but also technocratic instruments to improve fiscal discipline and policy accountability. However, research also shows that the success of implementing good governance in the fiscal sector is strongly influenced by institutional structures, bureaucratic capacity, and the level of democratic maturity in each country. In Indonesia, the application of good governance principles in regional budget management has experienced dynamics along with fiscal decentralization after the 1998 reforms. Research by Mahmudi (2016) shows that the application of fiscal transparency principles in regional governments still varies, depending on factors such as the technical capacity of the bureaucracy, the political commitment of regional heads, horizontal control mechanisms such as the Regional People's Representative Council (DPRD), and the role of audit institutions. Another study by Setyaningrum (2017) observed that public participation in the development planning deliberation process (Musrenbang) normatively strengthens accountability, but its implementation is often symbolic (tokenistic), so it does not always result in substantive strengthening of fiscal transparency. These studies show that good governance principles have been incorporated into the regulatory framework, but have not yet fully become a strong institutional practice. As a result, gaps between the planning, budgeting, implementation, and evaluation processes are still evident in various regional governments.

In addition to varying levels of implementation across regions, research in Indonesia also reveals a number of cases reflecting weak fiscal transparency. Several public audit studies have found budget irregularities, limited data access, and low public control over regional public spending (BPK, 2019). A study by Wahyuni (2021) revealed that the publication of budget documents through official regional government portals often serves only as a formality, without providing easily accessible, understandable, and verifiable data. On the other hand, several regions, such as Banyuwangi, Surabaya, and Bojonegoro, demonstrate more progressive practices through the implementation of open budgets, the involvement of local CSOs, and the use of fiscal transparency dashboards to enhance public control. This variation demonstrates that the application of good governance principles in regional budget management in Indonesia is not homogeneous and is heavily influenced by local institutional and political variables. This situation also provides scope for research on how different governance mechanisms produce different fiscal transparency outcomes.

Although international and national literature has linked good governance and fiscal transparency, several gaps remain unfilled. First, many studies use quantitative approaches to examine the relationship between variables, but there is limited study that explores the mechanisms of how and why good governance principles operate in the context of regional budgeting, particularly through a public accountability perspective. Second, research in Indonesia has focused more on the regulatory compliance dimension than on institutional processes and power relations in budgeting practices. Third, limited studies examine fiscal transparency as an outcome of interactions between actors in the accountability chain, from the bureaucracy, legislature, auditors, to civil society at the sub-national scale. Fourth, there is limited comparison between regions linking variations in governance capacity to transparency performance. Fifth, previous research rarely utilizes agency theory and public accountability as primary theoretical frameworks, despite the strong explanatory power of both theories in the public fiscal context.

The novelty of this research lies in its attempt to understand transparent budgeting as an outcome of the application of good governance principles through the lens of agency theory and public accountability theory at the local government level. This approach allows the research to explain the fiscal accountability process more comprehensively, not merely as an administrative procedure, but as a mechanism that reduces information asymmetry between the government and the public. Furthermore, this research views good governance not only as a norm but also as an institutional mechanism that influences the fiscal behavior of local governments. Another novelty is the emphasis on the involvement of actors in the accountability chain and how their interactions influence fiscal transparency outcomes. The focus on the Indonesian context, with its varying degrees of fiscal decentralization, also provides a significant contextual contribution, given that Indonesia has one of the largest fiscal decentralization structures in Asia.

Based on previous literature, this study develops a theoretical framework that positions good governance as a fiscal accountability mechanism within the budgeting cycle, with fiscal transparency serving as an outcome of this mechanism. Within this framework, local government actors act as agents authorized to manage the budget, while the public, legislature, and audit institutions act as principals or sub-principals in the accountability chain. Agency theory explains the relationship between fiscal mandates and potential information asymmetry, while public accountability theory explains the multi-actor accountability structure. The principle of good governance serves as an instrument to reduce asymmetry through instruments such as budget information transparency, public audits, public participation, and

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the preparation of performance reports. The results of this interaction are expected to increase fiscal transparency, which in turn strengthens the legitimacy and public trust in regional financial management. The framework also has two implications. Normatively, good governance strengthens fiscal accountability because the public has the right to know how the budget is planned, allocated, and utilized. Empirically, the implementation of good governance allows for increased accessibility of information, traceability of budget flows, improved audit quality, and reduced opportunities for fiscal irregularities. Previous research has shown that when the budgeting process is conducted behind closed doors, the potential for budget misuse increases due to the absence of public oversight. Conversely, when fiscal transparency increases, public trust in local governments increases and incentives for irregularities decrease. This relationship is a critical point in formulating the research argument. Considering these gaps, novelties, and frameworks, it can be concluded that further research is needed to explain how governance mechanisms operate in the local fiscal context in Indonesia. The qualitative approach in this study is appropriate because it allows for a deeper exploration of the processes, actor dynamics, and institutional configurations that influence fiscal transparency outcomes. Furthermore, this research has the potential to contribute to both academic and policymaking, particularly in strengthening the design of good governance-based fiscal reforms and ensuring that local budgets not only meet legal compliance but also promote substantive public accountability.

3. RESEARCH METHODS

This research employs a qualitative approach because the issue of implementing good governance principles in local government budget management is a complex, contextual, and socio-institutional phenomenon, fraught with the dynamics of actors, policies, organizational culture, and institutional structures. This complexity cannot be easily reduced to quantitative variables or numerical indicators alone, but rather requires a deep understanding of the meanings, interpretations, power relations, and discursive practices underlying budget decisions in local government. A qualitative approach allows researchers to substantively explore how the principles of transparency, accountability, participation, and the rule of law are understood and implemented by local governments in the budget preparation, implementation, and accountability processes. Furthermore, this issue is closely related to normative and institutional changes that are not static, allowing researchers to capture temporal dynamics and contextual variations across regions. With this approach, research can produce more interpretive and richer findings, which not only answer the extent and extent of good governance implementation, but also how and why such implementation occurs within specific policy configurations.

To construct scientific arguments and map the development of knowledge related to the research theme, this study applies **the Qualitative Data Analysis (QDA) approach** combined with **the Systematic Literature Review (SLR) method**. QDA is used as a framework to extract, code, and interpret conceptual and empirical data regarding the implementation of good governance in local government budget management. The QDA process is carried out through open coding, axial coding, and thematic synthesis techniques that aim to produce consistent thematic patterns from various literature sources. Meanwhile, SLR serves as a method to systematically identify, select, and evaluate literature with measurable and transparent criteria. The SLR protocol in this study includes a process of searching for articles through reputable academic databases such as Scopus, Web of Science, ScienceDirect, SpringerLink, Taylor & Francis, Emerald Insight, and Google Scholar, using a combination of keywords related to good governance, budget management, fiscal transparency, accountability, and decentralization. Inclusion and exclusion criteria are applied to ensure the analyzed literature is theoretically and methodologically relevant, with limitations on publication year, country context, study type, and journal quality. The integration between SLR and QDA allows the research to produce a comprehensive mapping of how this topic is developed in global and national studies, as well as how its theoretical and methodological constructions have evolved.

The research stages were carried out in several systematic steps. The first stage was **the identification of phenomena and research issues**, through a review of policies, regulations, institutional reports, and developments in the public sector governance reform agenda in Indonesia and globally. The second stage was **the formulation of research questions and scope limitation**, focusing on the application of good governance principles in the local government budget management cycle, which includes budget planning, allocation, expenditure implementation, and fiscal accountability. The third stage was **the collection of literature data** through a review of scientific articles, research reports, government regulations, and policy documents using the SLR protocol. The fourth stage was **literature screening** based on inclusion-exclusion criteria, relevance assessment, and methodological quality appraisal. The fifth stage was **data analysis and synthesis** using QDA techniques through coding, thematic categorization, and the formation

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of conceptual narratives that explain patterns, relationships, and knowledge gaps. The sixth stage was **the development of a theoretical synthesis framework** to build a conceptual model of the relationship between good governance principles and increased fiscal transparency and local budget management performance. The final stage is **the conclusion and recontextualization of the findings**, namely connecting the synthesis results with the Indonesian context to produce critical understanding and explicit scientific contributions to the body of knowledge in the field of regional government and public sector governance.

4. RESEARCH RESULTS

1. Level of Implementation of Transparency Principles in Regional Government Budget Management

Research results show that the implementation of budget transparency in local governments has generally experienced an upward trend over the past decade, in line with the strengthening of the fiscal reform agenda, government digitalization, and demands for public participation. Transparency is understood not only as the provision of information on public spending and revenues, but also as openness to the planning process, allocation mechanisms, and accountability stages. At the global level, instruments such as **the Open Budget Index (OBI)** show that countries committed to open governance are able to achieve higher scores in fiscal openness. Although Indonesia has seen an increase in its OBI score in recent years, transparency variation at the regional level remains quite wide. A systematic review of national studies shows that local government budget transparency generally focuses more on the presentation of output information than on its readability and usability. While information such as the Regional Budget (APBD), Revised Regional Budget (APBD-P), Regional Work Plan (RKPD), and Government Performance Report (LKPD) is available on official local government websites, the formatting is often unfriendly and does not provide adequate narrative explanations of spending objectives, program rationale, long-term fiscal obligations, or fiscal risks. Disclosure of fiscal information is more legalistic and administrative, rather than based on substantive accountability.

Increased transparency is also influenced by digitalization, with several local governments adopting e-budgeting, e-planning, or budget monitoring dashboard platforms. However, the distribution is uneven between developed and underdeveloped regions. The technical capacity of the bureaucracy, information technology infrastructure, human resource readiness, and political commitment are key determinants. The analyzed studies also indicate internal resistance within the bureaucracy, as transparency is perceived as potentially reducing informal discretion in budget management. Thus, the research results in RQ1 indicate that fiscal transparency at the regional level is still in its maturity stage, with significant progress in information provision, but limited progress in the quality, context, and accessibility of information. This provides an important foundation for understanding the relationship between transparency and fiscal performance in regional governments.

2. Forms and Quality of Regional Government Budget Accountability

Fiscal accountability in local governments exhibits more complex dynamics than transparency, as it requires evaluation processes, justification, and accountability mechanisms that can be verified by stakeholders. The studies analyzed indicate that most local governments have implemented budget accountability through formal instruments such as the Accountability Statement Report (LKPD), the Regional Government Implementation Report (LPPD), and audits by the Supreme Audit Agency (BPK). However, these mechanisms tend to be vertical—that is, accountable to higher government authorities—rather than horizontal—to the public or independent institutions. Substantive accountability, which assesses the appropriateness of budget use against outcomes, efficiency, and social benefits, remains relatively weak. The absence of standardized performance indicators and a limited culture of public performance evaluation prevent the accountability process from generating adequate institutional learning. Furthermore, there remains a tendency to pursue an Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK) as an accountability indicator, despite research showing that WTP opinions do not always correlate with the effectiveness of public spending, the efficiency of regional programs, or increased welfare. Other findings indicate that fiscal accountability is heavily influenced by the power relations between regional heads, the Regional People's Representative Council (DPRD), and bureaucratic actors. The DPRD, as an oversight body, has a formal mandate to control the budget, but its oversight effectiveness depends on analytical capacity, integrity, and local political governance. In several regions, a tendency toward political bargaining during budget deliberations has been found, influencing allocation patterns and spending priorities. Thus, the quality of

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fiscal accountability is determined not only by the system but also by political structures, bureaucracy, and institutional governance.

3. The Role of Public Participation in the Regional Budget Management Cycle

Research finds that public participation remains the weakest principle of good governance in the local government context. Common participation mechanisms, such as the Musrenbang (Regional Development Planning Forum) are deemed to fulfill only procedural requirements rather than substantive principles of deliberative democracy. The results indicate that public participation at the budget planning level tends to be symbolic and lacks strong incentives to translate into final budget allocations.

International studies document that public participation in regional fiscal management is a strong determinant of policy innovation, government legitimacy, and spending effectiveness. Latin American countries such as Brazil and Peru have successfully established "participatory budgeting" mechanisms that allow citizens to significantly influence regional spending priorities, and this model has been proven to improve spending quality and public trust. In Indonesia, efforts toward this goal still face structural obstacles such as community capability, fiscal literacy, and the exclusivity of the political process. Beyond budget planning, research shows that public participation is limited in monitoring budget implementation due to limited information and access. Public complaint tools such as *lapor.go.id*, SP4N, or regional monitoring channels are not yet optimally connected to the budget evaluation process. Therefore, public participation is more reactive than proactive. The limited presence of representative institutions at the local level also hinders the participation process. These findings provide an important indication that the implementation of good governance cannot be defined solely in terms of transparency—public participation is a crucial factor.

4. Rule of Law and Regulatory Framework Support for Budget Governance

The rule of law is a key principle in budget governance because it ensures that fiscal processes are subject to clear legal norms, administrative standards, and enforcement mechanisms. Research shows that Indonesia has a fairly comprehensive fiscal legal framework, particularly since the issuance of the Regional Government Law, the State Finance Law, and various derivative regulations regarding government accounting, development planning, and bureaucratic reform. However, the effectiveness of the rule of law is largely determined by the consistency of its application. A literature review shows that the implementation of fiscal regulations faces three main problems: (1) regulatory inconsistency between levels of government, (2) weak fiscal law enforcement, and (3) institutional fragmentation between planners, budgeters, and supervisors. Inconsistency occurs when national regulations are not fully compatible with regional regulations, resulting in wide room for interpretation. Weak fiscal law enforcement is evident in the high number of budget misuse cases handled by law enforcement agencies, with many cases occurring in the capital expenditure, goods and services expenditure, and grants/social assistance sectors. Furthermore, the study found that fiscal regulations often only regulate the process, not the quality of the results. For example, regulations stipulate that planning documents must be prepared, but do not establish outcome standards, benefit indicators, or accountability for results. This tends to lead to public spending being input-based, rather than performance-based. This situation limits the effectiveness of the rule of law as a framework for ensuring good fiscal governance.

5. The Impact of Good Governance Implementation on Fiscal Transparency

The synthesis of findings shows that the implementation of good governance principles has a positive relationship with increased fiscal transparency. However, this relationship is not linear and is strongly influenced by institutional, political, and technological factors. Fiscal transparency is not only a consequence of administrative reforms, but also of political incentives, public pressure, and the development of information systems. The correlation between good governance and fiscal transparency is strong in regions committed to digital governance. Digitization allows the public to access real-time budget realization data, reducing information asymmetry and increasing public control. However, digitalization is not a single variable—local governments with high levels of transparency also exhibit a more open and responsive bureaucratic culture. This study also found that the implementation of fiscal accountability has a stronger impact on transparency than the implementation of participation. This can be explained because fiscal accountability directly produces accountability documents, while participation only affects the initial stage if it is not institutionalized. Within the context of the rule of law, fiscal transparency improves when fiscal regulations are implemented consistently, audits are strengthened, and sanctions for irregularities are enforced. Thus, the research results show that increasing fiscal

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transparency requires strengthening governance in four dimensions: **(i) process, (ii) capacity, (iii) institutions, and (iv) budget politics** .

6. Global–Indonesia Comparative Analysis of the Implementation of Good Governance in Budget Management

Findings from the literature synthesis indicate that the application of good governance principles to local government budget management in Indonesia is at an interesting institutional transition point compared to global experience. In countries that have successfully implemented progressive fiscal transparency, such as South Korea, Brazil, Chile, and New Zealand, fiscal reforms are driven by a combination of political leadership, digital governance, civic pressure, and strong bureaucratic capacity. Reforms in these countries extend beyond the publication of budget information to include citizen budgets, open data portals, and deliberative, participatory public audits. In the Indonesian context, post-decentralization and regional autonomy fiscal reforms significantly altered the structure of public financial management. Several regulations, such as **Law No. 17/2003 concerning State Finances** , **Law No. 1/2004 concerning State Treasury** , **Law No. 15/2004 concerning State Financial Audits** , and **Government Regulation No. 12/2019 concerning Regional Financial Management**, form the foundation of the rule of law in fiscal governance. However, the review shows that despite relatively comprehensive rule-setting, rule-enforcement and rule-compliance still vary across regions. Factors such as local political structure, the intensity of DPRD oversight, the dynamics of elite capture, and bureaucratic culture play a significant role. This comparison places Indonesia in a position that is not lagging behind normatively, but faces challenges at the implementation level. This aligns with Asian governance literature, which states that governance transitions often stop at **formal compliance** , rather than **substantive accountability** . In the context of this research, this phenomenon has a direct impact on fiscal transparency, as the quality of transparency is influenced by the depth of governance reform, not just the existence of policy instruments.

7. The Context of Fiscal Decentralization and Regional Budget Politics in Indonesia

Fiscal decentralization has become the primary institutional framework for implementing good governance in local government budget management. Fiscal transfers through the General Allocation Fund (DAU), Special Allocation Fund (DAK), Village Funds, and Locally Generated Revenue (PAD) create policy space that allows local governments to tailor public spending to local needs. However, the literature shows that fiscal decentralization in Indonesia still faces two major challenges:

1. **Financial mismatch** between service functions and regional fiscal capacity
2. **Political capture** in budget decision making

A **political budget cycle** phenomenon has been observed in various regions , where populist spending increases in the lead-up to regional elections. This impacts the effectiveness of the implementation of accountability and participation principles, as the budget cycle becomes saturated with electoral incentives. Meanwhile, regions with high fiscal capacity, such as Jakarta, West Java, and East Java, tend to be more successful in developing data-based budget management innovations and digital transparency than regions with low fiscal capacity, such as those in Eastern Indonesia.

These findings confirm that the implementation of good governance does not occur in a vacuum, but rather within the diverse political and economic structures of different regions. In other words, **governance maturity** is a crucial variable in the success of regional fiscal reform.

8. Case Analysis of Implementation in the Region

As part of the contextual-qualitative approach, the research identified a number of implementation cases that illustrate variations in the application of good governance principles.

Case 1 — Budget Transparency Innovation in DKI Jakarta

DKI Jakarta has developed a **budget transparency portal, along with e-budgeting, e-Musrenbang, and JAKI** applications , allowing the public to view spending allocations and realizations in greater detail. This implementation simultaneously strengthens transparency, accountability, and public participation. However, challenges include gaps in public fiscal literacy and bureaucratic resistance in the initial stages of implementation.

Case 2 — Public Spending and Accountability in West Java

The West Java government has implemented the **"Sapa Warga"** application and a public spending monitoring dashboard linked to development performance evaluations. This model emphasizes outcomes-based accountability, not just procedures.

Case 3 — Institutional Capacity Limitations in Papua

Regions with substantial fiscal capacity but low bureaucratic capacity, such as Papua, exhibit an inverse pattern, where public spending does not always generate optimal social benefits. This suggests that fiscal transparency is not linear with budget effectiveness if not supported by governance capacity.

Case analysis shows that variations in the implementation of good governance are greatly influenced by **bureaucratic capacity**, **the quality of political institutions**, **leadership commitment**, and **technological infrastructure**.

5. DISCUSSION OF RESEARCH RESULTS

1. Fiscal Transparency and Accountability: Convergence of Practice with International Literature

The study found that **fiscal transparency** is a key pillar of good governance principles in local government budget management. This finding is consistent with global literature, which states that transparency serves not only as an information instrument but also as a mechanism for fiscal discipline and public oversight of the budget preparation and implementation process. Research from the OECD (2020), IMF (2019), and Alt & Lassen (2006) shows that regions or countries that implement budget transparency have lower borrowing costs, more manageable fiscal deficits, and better levels of fiscal compliance. This alignment demonstrates that the direction of local fiscal policy in Indonesia is not entirely isolated from global developments, but rather operates within the framework of translating international governance concepts. However, there are fundamental differences regarding the institutional capital supporting its implementation. In the context of developed countries (e.g., Canada, New Zealand, and Finland), fiscal transparency is supported by a tradition of rule-of-law governance and mature public accountability. Meanwhile, the results of this study indicate that in Indonesia, the implementation of fiscal transparency relies heavily on regulatory factors and vertical supervision, particularly from the Ministry of Finance, the Supreme Audit Agency (BPK), and the Ministry of Home Affairs. This means there has been **a shift in the locus of compliance** from internal accountability to **compliance-based accountability**. This difference confirms Grindle's (2007) finding that the implementation of good governance in developing countries tends to be regulative and formalistic, rather than substantive.

2. Findings related to Public Participation: Between Normativity and Instrumental Implementation

This study found that public participation in regional budget management tends to be formalistic and does not reach the deliberative level modeled in the fiscal democracy literature. The Musrenbang (Development Planning Consultation) forum, normatively designed as a mechanism for public participation and preference aggregation, functions more as an arena for confirming regional government budget priorities than as an arena for negotiating or redefining fiscal objectives. These findings align with Wampler's (2012) research on participatory budgeting, which shows that participatory processes without structural empowerment risk transforming into transparency rituals. This finding also aligns with research in Latin American countries, particularly Brazil, which shows that the effectiveness of budget participation is determined not only by formal procedures but also by **citizens' technical capacity, political openness, and the commitment of the fiscal bureaucracy**. This study found that the level of fiscal literacy among Indonesians is relatively low, and this limits deliberative participation. This is where the gap between theory and practice arises: when governance theory assumes the public is rational, informed, and has incentives to oversight, while social reality does not fully support these assumptions. Previous research in Indonesia (Mardiasmo, 2018; Dwiyanto, 2019; and Siregar, 2021) also showed similar conditions. However, unlike their studies, which tended to emphasize structural factors, this study found that public participation was also hampered by **a low sense of ownership of regional budgets**, known in fiscal theory as the problem of fiscal illusion. This means that transparency without public fiscal education will not result in democratic control of the budget.

3. Effectiveness of Supervision: Consistency with Public Accountability Literature

Research findings indicate that external oversight institutions such as the Supreme Audit Agency (BPK) and the Regional People's Representative Council (DPRD) play a crucial role in promoting regional fiscal accountability. This aligns with the principles of agency theory and public accountability theory, which position audit institutions as mechanisms to control agent behavior to prevent deviations from the principal's interests. However, this study also found that public oversight is still predominantly conducted in the form of **post-audits**, rather than **real-time audits**, thus its

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preventative capacity is relatively limited. Several international studies (Hope, 2015; Shah, 2007) show that effective governance in the fiscal sector is not solely based on ex-post oversight, but also emphasizes early detection systems through open data, digital fiscal governance, and risk-based audit systems. Compared with these findings, it appears that Indonesia is still in the transition phase from a conventional model to a **smart accountability model**. This is reinforced by findings from the OECD (2021), which stated that Southeast Asian countries, including Indonesia, still face challenges in fiscal technology literacy, regional financial information system integration, and data interoperability.

4. Budget Efficiency and Value for Money: Pros and Cons of International Research

This study found that the implementation of good governance in Indonesia has resulted in increased budget efficiency in several local governments, particularly those implementing digital and contractual-based fiscal reforms. For example, the use of e-procurement and financial SIMDA has been shown to reduce transaction costs and reduce discretionary space. These findings support international literature on strong **value for money in** fiscal governance, as demonstrated by Hood (1991) and Pollitt (2016) within the New Public Management (NPM) framework. However, there is a unique contrast: some regions with high transparency scores do not always have good fiscal efficiency performance. This indicates that **transparency is necessary but not sufficient**. This conclusion contradicts research by Alt & Lassen (2006), which found a strong correlation between transparency and fiscal discipline in developed countries. This difference can be explained by mediating variables such as **fiscal institutional capacity**, **regional political fragmentation**, and **bureaucratic incentives**, which are very strong in the Indonesian context.

5. Fiscal Digitalization as a New Determinant Variable that Has Not Been Widely Revealed in Previous Research

This section discusses a new aspect emerging in this research: digitalization as a catalyst for governance. Several international studies emphasize that digital governance can create "zero room for discretion," particularly in budgeting and spending processes. However, previous research in Indonesia has not linked digital governance to fiscal efficiency indicators, with the exception of a few technocratic studies by the Financial and Development Supervisory Agency (BPKP) and the Ministry of Finance.

The findings of this study indicate that regions with more advanced digital adoption have three governance advantages:

1. **better data traceability**
2. **data-driven decision making**
3. **increased auditability**

However, digitalization also creates new challenges such as:

- data bottleneck
- vendor dependencies
- bureaucratic resistance
- digital literacy gap

This aspect actually opens up a rich new space for further research that has not been explored by traditional governance studies.

CONCLUSION

This study concludes that the application of good governance principles in local government budget management in Indonesia has shown positive progress, despite still facing a number of structural and contextual obstacles. Fiscal transparency, public participation, and accountability of oversight institutions are the three main pillars that are most crucial in supporting local fiscal governance. The implementation of transparency has been proven to strengthen access to public information, improve traceability of budget use, and support external control functions. However, transparency without fiscal education is insufficient to generate substantive public control. Public participation remains administrative in nature and has not yet reached a deliberative stage due to limited fiscal literacy, organizational capacity, and local political incentives. Furthermore, fiscal accountability is dominated by post-audit oversight mechanisms rather than preventive ones, thus not optimally supporting fiscal discipline. Budget digitalization has emerged as a new determinant that strengthens efficiency and auditability, although it still faces bureaucratic resistance. Overall, the study findings

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answer the research question: the application of good governance principles has a significant influence on local budget governance, but its implementation is gradual and asymmetrical across regions. The contribution of this research can be seen from two dimensions: theoretical contribution and practical contribution. From the theoretical side, this research expands the perspective of agency theory and public accountability theory in the regional fiscal context by showing that the principal-agent relationship in budget management is not dyadic but polycentric, involving the central government, the Regional People's Representative Council (DPRD), the auditing body, the public, and local political actors. This research also shows that transparency is not merely an information instrument, but part of an integrative governance mechanism that functions to encourage fiscal discipline through a combination of incentives, oversight, and digitalization. From a practical side, this research provides empirical understanding that the implementation of good governance principles cannot be separated from mediating variables in the form of institutional capacity and digital fiscal governance. Therefore, the results of this research can serve as a reference for the formulation of regional fiscal governance reform policies, particularly in strengthening deliberative public participation, risk-based audits, and the alignment of fiscal incentives. This study has several limitations that should be noted and serve as recommendations for future research. First, the scope of this study still focuses on governance aspects without assessing fiscal outcomes numerically, thus failing to explain the causal relationship between governance and fiscal outcomes from a quantitative perspective. Second, this study used a qualitative approach and systematic review, thus failing to examine variations between regions comparatively. Future research could develop a mixed methods approach or cross-regional comparison to obtain a more comprehensive picture. Third, this study did not explore the dynamics of budget politics in depth, even though the literature shows that political incentives have a significant influence on the budgeting process. Therefore, future research could expand the study to regional fiscal politics, digital fiscal accountability, or the development of a deliberative fiscal participation model.

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