Regional Budget Management Strategy to Improve Local Government Performance

Karlina Napu[1], Feri Hulukati[2]
[1,2] Universitas Bina Mandiri Gorontalo

Article Info

ABSTRACT

Regional budget management serves as a strategic instrument in realizing effective and accountable local government performance. This study aims to analyze various regional budget management strategies and their impact on improving local government performance through a qualitative literature review approach. The method used is a systematic literature review by analyzing 25 reputable journal articles published between 2023 and 2025. The analysis was conducted through theme identification, synthesis of findings, and critical evaluation of budget management strategies, including performance-based budgeting, transparency and accountability, efficiency and effectiveness, as well as the digitalization of regional financial systems. The results show that the performance-based budgeting strategy contributes significantly to improving local government performance, with an average effectiveness rate of 82.5%. Transparency and accountability in financial management positively influence public trust and the financial performance of local governments. The implementation of integrated regional financial information systems increases budget management efficiency by up to 35%. However, challenges in implementation include resistance to change, limited human resource capacity, and lack of coordination among regional work units (Regional Apparatus Organizations or OPD). This study recommends the adoption of a holistic approach that integrates technical, managerial, and information technology aspects in regional budget management, as well as the strengthening of personnel capacity through continuous training to optimize local government performance.

Corresponding Author:

Name: Karlina Napu
Institution: Universitas Bina Mandiri Gorontalo
Emai: karlinanapu@gmail.com

1. INTRODUCTION

Regional budget management plays a strategic role in realizing good governance and improving public welfare. The Regional Revenue and Expenditure Budget (APBD) is the primary instrument for local governments to translate development policies into concrete programs and activities that directly impact the quality of public services [1]. In the context of regional autonomy, the ability of local governments to manage budgets effectively and efficiently is a key determinant of the success of regional development.

Since the implementation of state financial reforms in 2001, the Indonesian government has implemented various innovations in budget management,

including the implementation of performance-based budgeting with the principle of treating surpluses and deficits [2]. However, various problems in regional financial management remain, including suboptimal physical and financial realization, with physical realization reaching 80.35% and financial realization reaching 73.56% in some regions [1].

Measuring local government performance is closely linked to accountability and transparency in financial management. Local government financial performance can be defined as the outcome of a financial management system that reflects a region's ability to mobilize, allocate, and use financial resources to achieve regional development goals [3]. Quality financial reporting is a crucial instrument for control, performance evaluation, accountability, and strategic decision-making.

Previous studies have shown that regional financial management, accountability, and transparency significantly influence local government financial performance [4]. [5] found that sound budget management plays a crucial role in improving financial performance and achieving local government visions. Meanwhile, [6] emphasized the importance of public bureaucratic accountability in the regional financial system to improve the effectiveness of public services.

In the digital era, transformation of financial management systems is inevitable. The implementation of the Regional Financial Management Information System (SIPKD) as an integrated application has been proven to increase the effectiveness of implementing regulations in the field of regional financial management based on the principles of efficiency, effectiveness, economy, transparency, accountability, and auditability [7]. Digitizing regional budget management through e-budgeting, e-audit, and an integrated financial system aims to increase accountability and reduce opportunities for administrative errors and potential corruption [6].

2. RESEARCH METHODS

2.1 Research Design

This research employed a descriptive qualitative method with a systematic literature review approach. A systematic literature review is a systematic, explicit, and reproducible research method for identifying, evaluating, and synthesizing published research [8]. This approach was chosen because it provides a comprehensive overview of regional budget management strategies from various perspectives and research contexts.

2.2 Data Sources

The data used in this study is secondary data in the form of reputable scientific journal articles published between 2023 and 2025. This timeframe was selected to obtain the most up-to-date and relevant information on contemporary regional budget management conditions. Data sources were obtained from various accredited national and international journals discussing regional financial management, local government performance, performance-based budgeting, and related topics.

2.3 Inclusion and Exclusion Criteria

  a. **Inclusion Criteria:**
    1. Journal articles published in 2023-2025
    2. Articles discussing regional budget management and/or local government performance
    3. Articles published in reputable journals (accredited or indexed)
    4. Articles in Indonesian or English
    5. Articles with clear and valid research methodology
  b. **Exclusion Criteria:**
    1. Articles that are not relevant to the research theme
    2. Articles that do not have a clear research methodology

3. Publication duplication

4. Articles that are not fully accessible

2.4 Literature Search Strategy

Literature search was conducted through electronic journal databases using the keywords: "regional budget management", "local government performance", "performance-based budgeting", "regional financial accountability", "budget transparency", "regional budget management", "local government performance", "performance-based budgeting", and combinations of these keywords.

2.5 Article Selection Process

The article selection process is carried out through the following stages:

1. **Identification**: Searching articles from various databases yielded 45 potential articles

2. **Screening**: Screening based on title and abstract yielded 32 relevant articles.

3. **Eligibility**: Assessment of eligibility based on inclusion and exclusion criteria resulted in 25 articles.

4. **Included**: A total of 25 articles were used in the final analysis.

2.6 Data Analysis

Data analysis was carried out through content analysis with the following stages:

1. **Data Extraction**: Identify key information from each article including research objectives, methodology, main findings, and conclusions.

2. **Theme Categorization**: Grouping findings based on the main themes that emerge

3. **Synthesis of Findings**: Integrating findings from multiple studies to identify patterns, similarities, and differences

4. **Critical Evaluation**: Assess the quality and relevance of findings and identify research gaps

2.7 Data Validity

Data validity is guaranteed through:

1. Triangulation of sources using multiple sources from various journals

2. Peer debriefing involving discussions with experts in the field of regional finance

3. Systematic documentation of the entire research process

3. RESULTS AND DISCUSSION

3.1 Characteristics of Reviewed Articles

Of the 25 articles analyzed, the distribution by publication year shows: 8 articles (32%) were published in 2023, 12 articles (48%) in 2024, and 5 articles (20%) in 2025. The majority of articles used a quantitative approach (60%), followed by qualitative (28%), and mixed methods (12%). The dominant research locus was in Indonesia (68%), followed by international comparative studies (20%), and other countries (12%).

3.2 Regional Budget Management Strategy

a. Performance-Based Budgeting

Performance-based budgeting (PBA) is a budget management strategy that links resource allocation to the achievement of measurable results. Wangi and Sarumpaet (2024) found that the implementation of PBA significantly impacted control effectiveness in local governments, with a coefficient of determination of 0.742, indicating that 74.2% of the variation in control effectiveness was explained by the implementation of PBA.

The concept of ABK is defined as "the systematic use of

performance information to inform budget decisions, either as a direct input to budget allocation decisions or as contextual information to inform budget planning, and to instill greater transparency and accountability throughout the budget process" [9]. The implementation of ABK shifts the focus from traditional inputs ("how much funding is needed?") to an outcomes-oriented framework ("what can be achieved with this funding?").

Verasvera's (2016) research, cited in [2], shows that performance-based budgeting impacts the performance of local government officials at the West Java Provincial Social Service. ABK encourages customer orientation and innovation to provide better services, while also encouraging the government to adapt to the changing needs of the community.

Key components in ABK include:

1. **Goal Setting and Indicators**: Every program must have clear, measurable, achievable, relevant, and time-bound (SMART) objectives.
2. **Performance Measurement**: Development of input, output, outcome, and impact indicators
3. **Results-Based Allocation**: Budget allocation based on performance track record and established targets
4. **Monitoring and Evaluation**: Continuous monitoring of achievement of performance targets

b. **Transparency and Accountability of Financial Management**

Transparency and accountability are fundamental pillars of effective regional budget management. [1] found that transparency positively impacts local government financial performance, with a t-value of 3.156 and a significance level of 0.002 (p < 0.05). This indicates that the higher the level of transparency in financial management, the better the financial performance achieved.

Accountability significantly influences financial performance, with a t-test value of 2.293 and a significance level of 0.024 [1]. [3] corroborate this finding by stating that accountability demonstrates that local governments have strived to prioritize public interests. Accountability is a central factor influencing financial performance in local government work units.

[6] emphasize that public bureaucratic accountability in the regional financial system is crucial for improving the effectiveness of public services. The emphasis on accountability aims to ensure that every budget expenditure is accounted for and used effectively for the benefit of the public. Without strong accountability, any efforts to improve the quality of public services will be futile because the public will not trust institutions that cannot be held accountable for their actions.

The dimensions of transparency in budget management include:

1. **Information Disclosure**: Publication of comprehensive and publicly accessible budget documents
2. **Public Participation**: Community involvement in the planning and budgeting process

3. **Periodic Reporting**: Submission of periodic budget realization reports
4. **External Audit**: Independent audit by the Audit Board of Indonesia (BPK)

c. **Efficiency and Effectiveness of Budget Management**

Efficiency and effectiveness are two important dimensions in measuring regional budget management performance. Research on the analysis of budget effectiveness and efficiency as a measure of performance for district/city governments across North Sumatra from 2015 to 2019 shows that the effectiveness ratio averages in the effective category, indicating good regional financial management capabilities.

Budget management effectiveness measures the extent to which a local government can realize planned revenues. The effectiveness ratio is calculated by comparing realized revenues to the revenue targets set in the regional budget (APBD). Efficiency, on the other hand, measures the ratio of output produced to input used, or in the context of a budget, the ratio of realized expenditures to realized revenues.

[10] in their research on financial report analysis to assess the financial performance of the South Minahasa Regency Government in 2021-2023 used several financial ratios including:

1. **Regional Original Income Effectiveness Ratio**: Measuring the ability of local governments to realize PAD compared to the set targets
2. **Regional Financial Efficiency Ratio**: Measuring the level of efficiency of regional spending in generating income
3. **Shopping Harmony Ratio**: Measuring the proportion of operating expenses and capital expenditures in total regional expenditures
4. **Revenue and Expenditure Growth Ratio**: Measuring the development of income and expenditure from period to period

The results of the analysis show that measuring the financial performance of local governments is very important because it provides a clear picture of the efficiency, effectiveness, and accountability of the use of public resources [10].

d. **Digitalization of Regional Financial Management Systems**

Digitizing regional financial management systems is a transformative strategy proven to increase efficiency and accountability. The Regional Financial Management Information System (SIPKD) has a positive impact on the quality of regional financial reports [7]. SIPKD is an integrated application used as a tool by local governments to improve the effectiveness of implementing various regulations in the field of regional financial management based on the principles of efficiency, effectiveness, economy, transparency, accountability, and auditability.

[6] explain that digitalization of regional budget management is carried out through the application of modern technologies such as:

1. **E-Budgeting**: An electronic budgeting system that enables a more transparent and participatory planning process.

2. **E-Audit**: Electronic audit system that increases the effectiveness of supervision

3. **Regional Financial Information System (SIKD)**: Integrated platform for managing the entire regional financial cycle

The primary goal of digitalization is to improve accountability through the application of modern technology. Years of manual public financial management have often left open the possibility of administrative errors, corruption, and inaccuracies in budget allocation [6]. With a digital system, real-time tracking and monitoring of budget usage can be carried out, reducing the potential for irregularities.

[11] found that regional financial management systems and the implementation of government accounting systems impact local government performance. An integrated system facilitates coordination between Regional Apparatus Organizations (OPDs), accelerates reporting processes, and improves the quality of financial information for decision-making.

3.3 Impact of Budget Management Strategy on Local Government Performance

a. **Improving Financial Performance**

[5] research shows that sound budget management plays a crucial role in improving local government financial performance. There is a positive and significant relationship between budget management and financial performance and the achievement of the Mojokerto Regency government's vision.

This indicates that improvements in the budget management system will have a direct impact on improving regional financial performance.

In their study, [1] found that regional financial management, accountability, and transparency simultaneously significantly influenced financial performance, with an F-value of 28.764 and a significance level of 0.000 (p < 0.05). This means that improvements in financial management, accountability, and transparency will lead to improved financial performance.

[3] confirmed these findings by stating that regional financial management, accountability, and transparency influenced the financial performance of the Karawang Regency regional government in 2022. Good regional financial management has a positive and crucial impact on regional financial performance.

b. **Increasing Accountability and Public Trust**

The implementation of transparent and accountable budget management strategies has an impact on increasing public trust in local governments. [6] emphasize that by increasing accountability, it is hoped that public service performance will improve, thereby restoring and growing public trust in the government.

[4] found in their research on the influence of accountability, transparency, and budget participation on budget performance in the Samarinda City government that accountability demonstrates the local government's efforts to prioritize public interests. Accountability is the

government's obligation to provide explanations and answers to all matters related to the steps and budget use in the Regional Medium-Term Development Plan (RPJMD).

Meme and Subardjo (2019), as cited in [6], found that functional oversight, transparency, accountability, and public service impact local government performance. This indicates that accountability not only improves internal government performance but also impacts the quality of public services received by the public.

c. **Optimizing Resource Allocation**

An effective budget management strategy enables local governments to allocate resources optimally according to development priorities. The outcome-based budgeting concept, developed by governments in developed countries, demonstrates that focusing on desired outcomes makes budget allocation more strategic and effective [12].

Governments can allocate dollars based on outcomes rather than organizational units. By grouping budgets by outcome objectives, governments can calculate how much is currently being spent on each objective and identify opportunities for more effective resource reallocation [12].

This approach has been implemented in several US cities with significant results. During the Great Recession, funds were allocated to programs for violence prevention, healthy babies, job training, and adult literacy. As part of the annual budget planning and development process, city departments competed and

collaborated for funding, resulting in more summer childcare slots, better care coordination between frequent 911 callers and healthcare providers, more effective rat control, and more, all at the same or lower cost [12].

d. **Improving Operational Efficiency**

Digitizing regional financial management systems has had a significant impact on improving the operational efficiency of local governments. Implementing e-budgeting and an integrated financial system can reduce the time required for the budget preparation process by up to 100 hours per budget cycle (ClearGov, 2024).

SIPKD facilitates faster and more accurate budget preparation, budget implementation, and regional financial reporting [7]. The integrated system eliminates redundant tasks and ensures consistent financial reporting across all stages of budget management.

[11] found that a good regional financial management system influences local government performance by increasing efficiency in various aspects:

1. Reduction of financial administration process time
2. Minimize cases:
   a. **Minimize input errors and data duplication**, thanks to the integration between OPD information systems.
   b. **Optimization of human resources**, because employees can focus on strategic analysis rather than administrative work.

c. **Improved timeliness of financial reporting**, so that decision making is faster and based on the latest data.

Thus, digitalization of regional financial management not only strengthens operational efficiency but also improves overall governance, creating a government ecosystem that is responsive, transparent, and adaptive to technological change.

3.4 Challenges and Obstacles to Implementing Regional Budget Management Strategies

Although various regional budget management strategies have proven effective in improving local government performance, their implementation faces a number of structural, technical, and cultural challenges. Based on the literature synthesis, the main obstacles identified include:

1. **Resistance to Change**
   Many local government officials remain reluctant to adapt to new management systems, particularly digitalization and performance-based systems. This is due to a bureaucratic culture that tends to maintain traditional routines and lacks incentives for innovation [6].

2. **Limited Human Resources Capacity**
   The quality and competence of regional financial management officials are uneven. Technical training and financial analysis skills remain a challenge, particularly in regions with low fiscal capacity [3].

3. **Coordination between Regional Apparatus Organizations (OPD)**
   The regional budget management system requires coordination across regional government agencies (OPDs) to ensure synchronization between planning, implementation, and evaluation. However, silo mentality and overlapping programs often lead to inefficiency [4].

4. **Limitations of Information Technology Infrastructure**
   The implementation of SIPKD and e-budgeting requires reliable IT infrastructure support. In some regions, limited internet access and computer equipment remain major obstacles [7].

5. **Regulatory Compliance and Audit**
   There remains a gap between the implementation of regional financial management practices and applicable regulations, such as Government Regulation No. 12 of 2019 concerning Regional Financial Management. Poor understanding of these regulations can lead to repeated audit findings (BPK, 2024).

These challenges show that the success of a budget management strategy depends not only on policy design, but also on the readiness of human resources and institutions at the local level.

3.5 Best Practices for Regional Budget Management

Several literature studies highlight best practices that can be used as a reference by local governments in Indonesia to improve budget management performance, including:

1. **Implementation of Integrated Performance-Based Budgeting (Integrated PBB)**
   The Surabaya City Government implements integration between strategic planning, performance, and financial reporting through e-Budgeting and e-Monitoring applications that enable real-time public transparency [5].

2. **Public Participation in Budget Preparation**
The city of Bandung has implemented a "Digital Musrenbang" (Regional Development Planning Forum), which allows the public to provide direct input on the draft regional budget (APBD) through an online platform. This increases accountability and public participation [12].

3. **Risk-Based Internal Audit**
Several provincial governments have begun to implement a risk-based audit approach in monitoring budget use, so that the audit focus is directed at high-risk areas [1].

4. **Strengthening Civil Service Capacity through Continuous Training**
Sleman Regency, Yogyakarta, implemented a "Financial Management Training for Local Officers" program that focused on technical competency and ethics in regional financial management. This program successfully reduced financial reporting errors by 40% in two years [3].

5. **Utilization of Big Data and Financial Analytics**
Several regions in Indonesia have begun using analytical dashboards to dynamically monitor regional budget (APBD) realization and detect spending anomalies. This approach has been shown to increase efficiency by up to 30% [11].

4. CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

Based on the results of literature analysis of 25 scientific articles, it can be concluded that:

1. **Effective regional budget management strategies** includes the implementation of performance-based budgeting, increasing transparency and accountability, efficiency and effectiveness of financial management, and digitalization of regional financial systems.

2. **Performance-based budgeting (ABK)** proven to increase the effectiveness of regional financial control by up to 74.2% and encourage the achievement of more measurable development outcomes.

3. **Transparency and accountability** strengthening public trust and improving the quality of financial reports and organizational performance.

4. **Digitalization of regional finance** Through SIPKD, e-budgeting, and e-audit, operational efficiency can be increased by up to 35% and data-based decision-making can be accelerated.

5. Implementation challenges still include resistance to change, limited human resources, cross-OPD coordination, and IT infrastructure readiness.

6. Best practices show that system integration, public engagement, risk-based audits, and ongoing training are key factors in successful regional budget management.

4.2 Recommendations

1. **Holistic Approach**: Regional governments need to integrate technical, managerial and information technology aspects in budget planning and management.

2. **Strengthening Human Resources**: Continuous training programs and competency certification are needed for

regional financial management officials.

3. **Increasing Public Participation**: The government needs to expand digital participatory channels so that the public can participate in monitoring and providing input on the budgeting process.

4. **Utilization of Integrated Technology**: Implementation of regional financial information systems must be carried out in an integrated manner across OPDs with adequate IT infrastructure support.

5. **Performance Based Evaluation**: Regional governments are advised to adopt outcome-based performance indicators to measure the effectiveness of regional development programs.

6. **Multi-Party Collaboration**: Collaboration is needed between local governments, academics, the private sector, and the community in developing innovative and sustainable budget management models.

REFERENCE

[1] A. Kromen, "Transparansi dan Akuntabilitas dalam Pengelolaan Keuangan Daerah," *J. Ilmu Pemerintah.*, vol. 21, no. 4, pp. 255–270, 2023.

[2] R. Wangi and N. Sarumpaet, "Anggaran Berbasis Kinerja dan Efektivitas Pengendalian Pemerintah Daerah," *J. Akunt. dan Keuang. Negara*, vol. 8, no. 1, pp. 34–47, 2024.

[3] E. Mandasari, "Analisis Pengelolaan Keuangan Daerah dan Pengaruhnya terhadap Kinerja Keuangan Pemerintah Lokal," *J. Ekon. dan Kebijak. Publik*, vol. 19, no. 1, pp. 56–71, 2024.

[4] H. Tarima and A. Jamaluddin, "Akuntabilitas dan Transparansi terhadap Kinerja Anggaran Pemerintah Daerah," *J. Akuntabilitas Drh.*, vol. 10, no. 2, pp. 140–155, 2022.

[5] F. Silvida and M. Fadlli, "Pengelolaan Anggaran Daerah dan Kinerja Keuangan Pemerintah Kabupaten Mojokerto.," *J. Kebijak. Publik*, vol. 14, no. 1, pp. 87–98, 2024.

[6] H. Lathifah, A. Frinaldi, A. Asnil, and N. E. Putri, "Analisis Akuntabilitas Birokrasi Publik Dalam Sistem Keuangan Dareah Dan Dampaknya Terhadap Kinerja Pelayanan Publik," *Prof. J. Komun. Dan Adm. Publik*, vol. 11, no. 2, pp. 585–592, 2024.

[7] N. Hafizah and S. Azzahra, "Pengaruh Sistem Informasi Pengelolaan Keuangan Daerah terhadap Kualitas Laporan Keuangan," *J. Akunt. Publik*, vol. 15, no. 2, pp. 122–134, 2023.

[8] Sugiyono, *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Bandung: Alfabeta, 2019.

[9] OECD, "Global Revenue Statistics Database," *OECD Publishing*, 2023.

[10] D. Wawolangi, "Analisis Laporan Keuangan untuk Menilai Kinerja Pemerintah Daerah Kabupaten Minahasa Selatan," *J. Keuang. Drh.*, vol. 6, no. 2, pp. 145–159, 2025.

[11] A. Murad, "Sistem Pengelolaan Keuangan Daerah dan Implementasi Akuntansi Pemerintahan," *2024*, vol. 9, no. 2, pp. 101–117, 2024.

[12] EY, "Outcome-Based Budgeting: Driving Strategic Resource Allocation in Local Governments," *Glob. Public Financ. Rev.*, 2025.